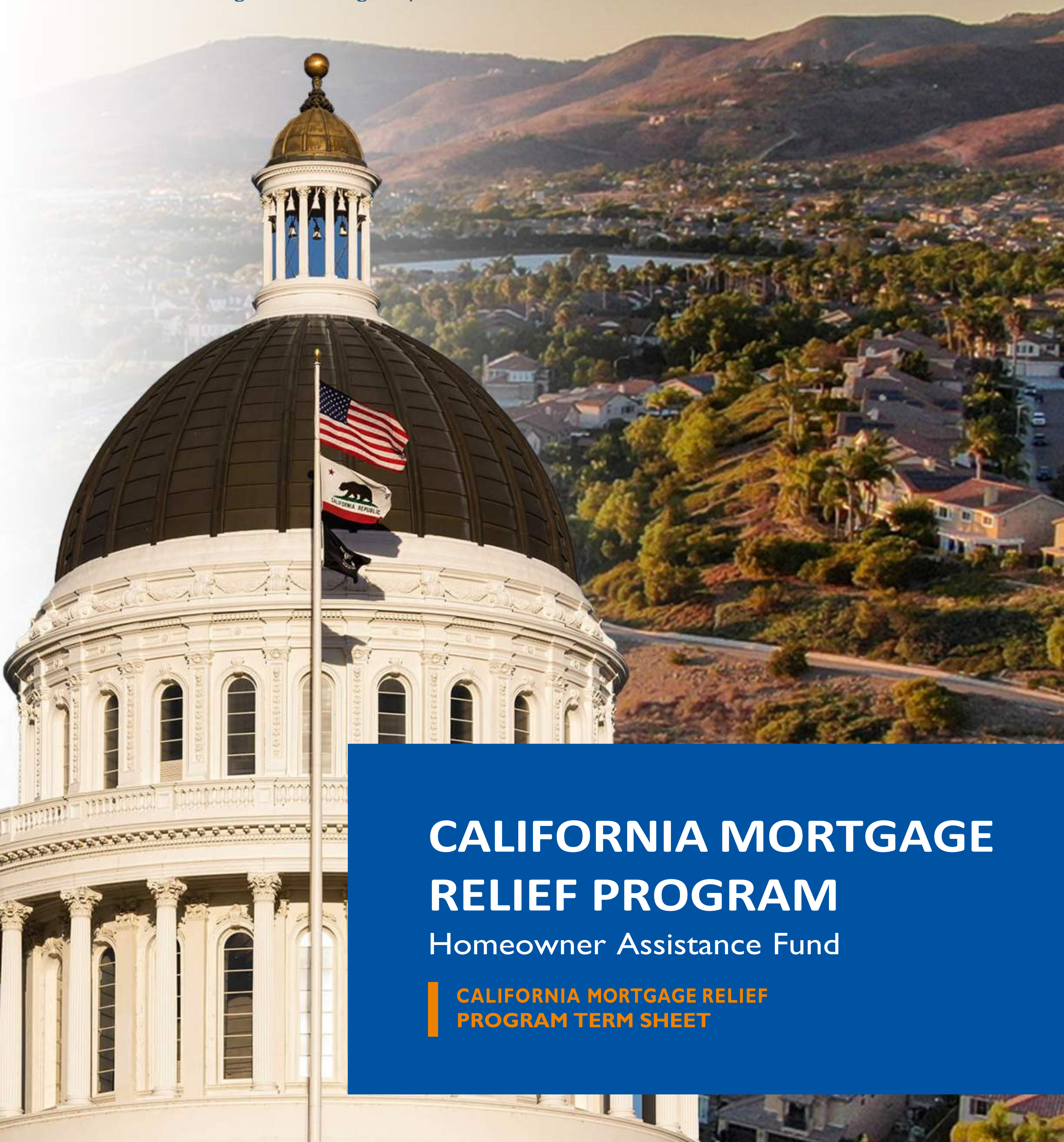
CalHFA

California Housing Finance Agency



CALIFORNIA MORTGAGE RELIEF PROGRAM

Homeowner Assistance Fund

CALIFORNIA MORTGAGE RELIEF PROGRAM TERM SHEET

California Mortgage Relief Program ("Program") Term Sheet

The U.S. Treasury issued guidance for the use of the HAF funds on April 14, 2021. As an eligible entity approved to participate in HAF, CalHFA entered into a Financial Assistance Agreement with Treasury and received 10% of California's total allocation on June 22, 2021. In August 2021, CalHFA launched a pilot phase of the Program using funds from that initial allocation of California's HAF funds. Running this pilot allows CalHFA to do an end-to-end test of the Program and onboard mortgage servicers, while targeting assistance to California homeowners with the most urgent need. Throughout this pilot phase, CalHFA has continually evaluated the needs of Californians, and has expanded this program to assist HECM reverse mortgage holders, as well as design a new program that, when launched, will focus on property tax delinquencies. Upon Treasury approval of this proposal, CalHFA will fully launch the reinstatement program, to serve as many vulnerable homeowners as possible using approximately $750 million.

Mortgage Reinstatement Program Goal	• To address housing instability and foreclosure by providing Eligible Homeowners with financial assistance to eliminate past due housing payments.
Size of Mortgage Reinstatement Program	• The initial allocation of HAF funds is approximately $100 million. • A successful final approval from U.S. Treasury would increase the final allocation of HAF funds to approximately $750 million. A request to amend this program may be made, based on the early and constant monitoring and reporting of results against goals.
Targeting and Outreach	• CalHFA will affirmatively target socially disadvantaged and vulnerable homeowners using a data-driven approach that uses a combination of Qualified Census Tract data (HUD) and Owner Vulnerability Index (UCLA). This will include data-driven targeted marketing and community engagement along with engaging housing counselors, as well as using levers in the program design to ensure that outcomes effectively prioritize socially disadvantaged individuals.

Eligible Homeowners	• Homeowner must currently own and occupy the property in California as their primary residence. • Homeowner must meet the Homeowner Income Eligibility Requirements. • Homeowner must own and occupy not more than one property. • Homeowner must attest that they experienced a financial hardship after January 21, 2020. The attestation must describe the nature of the financial hardship. • The original, unpaid principal balance of the homeowner's first mortgage loan, at the time of origination, was not greater than the conforming loan limit in effect at time of origination. • Homeowners with HECM reverse mortgages can receive assistance. • Co-owners are not permitted to separately apply for the Program assistance. • Receiving other forms of governmental assistance, including other forms of COVID-19 assistance from the CARES Act, Consolidated Appropriations Act of 2021 or the American Rescue Plan Act, does not disqualify a household from the California Mortgage Relief Program.
Eligible Legal Ownership Structures	• Those where the home is owned by a "natural person" (i.e., LLP, LP or LLC do not qualify) • Those where the homeowner has transferred their ownership right into non-incorporated, Living Trusts, provided the homeowner occupies the home as the primary/principal residence.
Qualified Financial Hardship	• A "Qualified Financial Hardship" is a material reduction in income or material increase in living expenses associated with the coronavirus pandemic that has created or increased a risk of mortgage delinquency, mortgage default, foreclosure, or displacement for a homeowner. » **Reduction of Income** – Temporary or permanent loss of household » earned income after January 21, 2020. » **Increase in Living Expenses** – Increase in out-of-pocket household expenses such as, medical expenses, inadequate medical insurance, increase in household size, or costs to reconnect utility services directly related to the coronavirus pandemic after January 21, 2020. • Homeowner must complete and sign the Affidavit which includes an attestation of Qualified Financial Hardship.
Homeowner Income Eligibility Requirements	• To be eligible for assistance, all household members must have a collective income equal to or less than 100% of the Area Median Income adjusted by household size. • Homeowners cannot have cash on hand, or assets that can be rapidly converted to cash, that is equal to or greater than the relief funds needed + $20,000. (This program defines cash/assets as cash or assets that can be converted into cash in a short amount of time, including things like money market instruments and marketable securities. This excludes savings in a tax-advantaged retirement account).

Homeowner Prioritization	• CalHFA will prioritize funding to socially disadvantaged homeowners defined as Californians that live in Qualified Census Tracts (HUD) or areas with "high" and "highest" vulnerability values on the Owner Vulnerability Index (OVI), developed by the UCLA Center for Neighborhood Knowledge. » 40% of California's total allocated funds will be reserved for the previously defined socially disadvantaged homeowners
Eligible Properties	• "Eligible Properties" are: » Single-family (attached or detached) properties » Condominium units » 1-unit owner-occupied » Manufactured homes permanently affixed to real property and taxed as real estate • "Ineligible Properties" are: » Vacant or abandoned » Second homes » Investment property
Eligible Uses of Mortgage Reinstatement Program Proceeds	• Existing first mortgage lien loan payment (principal, interest, taxes and insurance), plus any escrow shortages to fully reinstatement the mortgage to a "current" status. » For loans with no impound accounts and delinquent property taxes, borrowers must establish an impound account with their servicer for delinquent property taxes to be paid » Must be at least two payments past due at time of application for assistance » Delinquency must occur prior to the launch date of this proposed Program • Payment of owed taxes and any forced place insurance on HECM reverse mortgage loans to fully reinstate to a "current" status. • Exclusions: » Any loan already being considered or approved for a partial claim or modification is ineligible
Maximum Per Household	• CalHFA will not exceed its "Maximum Per Household" amount of $80,000 per household • Assistance is limited to one-time, per household
Assistance Type	• Assistance will be structured as a non-recourse grant.

Payout of Mortgage Reinstatement	• CalHFA will disburse Mortgage Relief assistance directly to mortgage servicer. • CalHFA will make no more than one disbursement to each payee. • CalHFA will disburse the amount quoted by the servicer; any discrepancies to be resolved by the homeowner and servicer.
Program Launch	• CalHFA launched a pilot phase of the program in August 2021. CalHFA is prepared for a full launch of the mortgage reinstatement program immediately after receiving approval.
Program Duration	• The period of performance for the HAF award begins on the date hereof and ends on September 30, 2026. HAF recipient shall not incur any obligations to be paid with the funding from this award after such period of performance ends. • CalHFA plans to allocate all funds by September 30, 2025.
Program Application Process	• Applications will be accepted online through the Outreach Navigator and Intake Review (ONAIR) Portal. All applications will be entered into the online portal and reviewed on the reviewer portal.

Required Application Documents	In response to public feedback about the need for a streamlined application process, efforts will be made to avoid barriers to equitable access and allow for flexibility, particularly with regard to documentation requirements.
	
	Required application documents and attestations include, but may not be limited to, the following:
	
	• California Mortgage Relief Program application, including attestations of:
	    • Qualified Financial Hardship
	    • Applicant acknowledgment that loss mitigation options may be a better option to address their specific circumstance
	    • Applicant acknowledgment that housing counselors will see applicants for free to explain these options, to complete their application
	    • Other related attestations
	• Third Party Authorization (TPA) and Disclosure
	• Mortgage Statement
	• Valid California identification and Social Security Number
	
	All household members over 18 must provide income documents such as:
	
	• Income documentation: W2's, paystubs, previous years' tax returns or alternative income documents as applicable such as proof of an Income Proxy such as Unemployment, Medi-Cal, WIC, SNAP, FDPIR, TANF, SNP, Section 8 and any other income-based county, municipality, state and or federal assistance program (Public Assistance)
	• Two months of bank statements for all accounts

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<td>Required Application Documents (continued)</td>
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Additional Documentation Requirements in Certain Cases

In certain cases, CalHFA will require additional documentation to ensure that assistance is focused on Californians most in need and is delivered efficiently

1. Certain applicants may need to provide a denial of alternative workout option* (excluding short sale or deed in lieu).
• No workout denial letter is needed for these households:
» Severally housing burdened
– Housing to Income ratio is greater than 40% (The Program defines HTI as mortgage payment, taxes and insurance divided by gross income of the borrower(s)
» Public Assistance proxy
– All household income comes from public assistance (The Program defines public assistance as Unemployment, Medical, WIC, SNAP, FDPIR, TANF, SNP, Section 8 and any other income-based county, municipality, state and/or federal assistance program)
– Households whose income is mixed (public assistance and non public assistance) but the public assistance income is more than 50% of the mortgage PITI
• These households must provide a workout denial letter:
» Less housing burdened
– Housing to Income ratio is less than or equal to 40% and homeowner does not have Public Assistance proxy
2. Homeowners in active bankruptcy will need to provide written substantiation from both their loan servicer and the Bankruptcy Trustee that the homeowner(s) may receive mortgage assistance funds and said funds shall be applied to any first lien loan arrearage on their primary residence.
• This additional documentation requirement allows CalHFA a more efficient path to reinstatement for those homeowners by ensuring that the mortgage servicer and bankruptcy trustee will accept the assistance funds
3. Homeowners with HECM reverse mortgages who owe payment to their servicer for taxes and forced place insurance, must provide copies of their tax bill and insurance bill showing the amount due.

*An alternative option for those applicants that find it is burdensome or excessively time-consuming to obtain a denial letter from their servicer is to work with a housing counselor, legal services provider, or another qualified organization who can attest that they have reviewed their loss mitigation options. These organizations could provide a letter attesting to the homeowner's consideration of loss mitigation options, and this attestation letter would be considered in-lieu of the servicer denial letter.
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<td>Program Partners Requirements</td>
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• Servicers will be required to execute a HAF Partner agreement and agree tocommunicate using the Common Data File (CDF) format to be provided by Treasury.
• If and as required, partners will be asked to sign a W9.
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