Disaster Rebuilding Assistance Program
Construction Loan Rate Buy Down Term Sheet

Program Goal	The Disaster Rebuilding Assistance Rate Buy Down program provides construction loan rate buydowns to facilitate access to construction and renovation loans for eligible California homeowners whose homes are destroyed or damaged due to a disaster that received a State of Emergency proclamation by the Governor, or a Major Disaster Declaration approved by the President from January 1, 2023, through January 8, 2025. With the Construction Loan Rate Buydown Program, lenders may seek reimbursement for lender-funded temporary and permanent rate buydowns on eligible construction loans made to eligible borrowers.
Program Funding	A total of up to $44 million has been allocated to reimburse lenders for lender-funded construction rate buydowns. The program will initially make up to $10 million available for these program purposes. Remaining funds will be released subject to an evaluation of initial program performance to ensure funds are reserved for borrowers with the greatest need for and ability to use the assistance. Amendments to the program may be made at any time without prior notice.
Qualified Disaster	A disaster that received a State of Emergency proclamation by the Governor, or a Major Disaster Declaration approved by the President, from January 1, 2023, through January 8, 2025.
Targeted Homeowners	The program will assist California homeowners that meet the program's income and property eligibility requirements.
Eligible Homeowners	• Homeowner must currently own an "Eligible Property" and have occupied it as their primary residence as of the date of the disaster. • Homeowner must meet the "Income Eligibility Requirements." • Homeowner must intend to owner-occupy the property as their primary residence within 60 days of construction completion. • Homeowners may be eligible even if they have previously received other forms of government assistance, including, but not limited to, CalAssist Mortgage Fund assistance, FEMA disaster assistance, and disaster loans authorized under Section 7(b) of the Small Business Act. However, borrowers may only be on one qualifying loan construction loan and one qualifying permanent loan for a single property enrolled in Construction Loan Rate Buydown Program and remain responsible for ensuring compliance with other programs' duplication of benefits requirements.
Income Eligibility Requirements	The combined total credit qualifying income of all persons named on the construction loan and/or deed of trust must not exceed the program income limits for the county in which the property is located. The income limits are based on 150% of the Area Median Income (AMI) using a household size of eight

	as presented in the Department of Housing and Community Development's California's State Income Limits, as updated annually. Lenders are required to calculate income to qualify borrower(s) for loan approval using investor guidelines and prudent underwriting standards. Lender shall not exclude or reduce borrower income or remove a borrower to meet CalHFA income limit requirements. [Disaster Rebuilding Assistance Program Income Limits]()
Eligible Legal Ownership Structures	• Properties must be owned by a "natural person" (i.e., LLP, LP or LLCs are not eligible) • Properties may be eligible if the homeowner has transferred their ownership interest into a Living Trust, provided the homeowner remains a beneficiary of such trust and occupies the home as their primary residence.
Eligible Properties	Residential properties in California that are currently destroyed or damaged due to a Qualified Disaster: • Single Family Properties • Planned Unit Developments • Individual Condominium Units • 1-4 Unit Properties • Accessory Dwelling Units • Manufactured homes that are permanently affixed to real property and land owned by borrower.

Eligible Lenders	• Lenders will be required to execute a Lender Participation Agreement and comply with all applicable eligibility and other requirements specified in the Lender Program Manual https://www.calhfa.ca.gov/homeownership/programs/lender-manual.pdf
	• Lenders must meet the following minimum requirements:
	    o Properly and currently licensed
	    o Fannie Mae, Freddie Mac or FHA approved
	    o Been in business at least 24 consecutive months within the past five (5) years
	    o An adjusted minimum net worth of $2.5 million
	    o Fidelity Bond and E&O insurance meeting Fannie Mae, Freddie Mac or FHA requirements.
	    o Have Construction/Renovation department
	    o Lenders must maintain a minimum average of at least 20 construction or renovation loans over the preceding 24 months.
	• Eligible lenders may also include Community Development Financial Institutions certified by the Department of Treasury or other lenders not

	approved by Fannie Mae, Freddie Mac, or FHA subject to program review and approval. Program staff may consider factors such as: o Financial Capacity o Construction Lending Experience o Operational Readiness o Lending Products and Parameters o Business and Marketing Plan o Quality Control Framework o Third Party and Vendor Oversight o Existing or prior partnerships with the Agency
Disbursement of Program Funds	The program will disburse funds directly to construction lenders submitting complete and valid documentation demonstrating cost incurred to fund eligible lender-paid interest rate buy downs and other forms of lender prepaid interest. Construction loan interest rate buy downs will be funded on a first-come, first-served basis until funds are exhausted.
Eligible Loan and Interest Rate Buydown Requirements	• The program will reimburse lender-funded temporary and permanent interest rate buydowns and other lender prepaid interest up to: o $100,000 per property for borrowers whose income is less than or equal to 100% AMI using a household size of eight as presented in the Department of Housing and Community Development's California's State Income Limits, as updated annually. May include a maximum of: ▪ 5% of the construction loan amount; and ▪ 5% of the permanent loan amount. o $50,000 per property for all other eligible borrowers. May include a maximum of: ▪ 3% of the construction loan amount; and ▪ 3% of the permanent loan amount. These maximum amounts may be supplemented by available philanthropy or other funds to provide further support to lower income borrowers or address unique hardship issues. Lenders may submit a request for exception to CalHFA, which will be reviewed on a first-come, first-served and case-by-case basis. • In no event shall a lender receive reimbursement for lender-prepaid interest costs that exceed the borrower's actual interest savings realized. • All forms of 1st and 2nd lien construction and renovation loans are eligible (e.g., renovation loan, construction loan, construction to permanent loan, home equity line of credit). • Underwriting requirements: o Maximum Loan to Value: 100% o Maximum Combined Loan to Value: 110% o Maximum Debt to Income: 55%

	o Minimum Credit Score: 580 • Allowable lender compensation & fees: o Customary lender fees charged to the borrower shall not exceed 3% of the greater of the construction loan amount or $3,000. o Lender may include other customary third-party fees such as credit report fee, appraisal fee, insurance fee or similar settlement or financing cost. • Loan proceeds must be deposited into a managed construction escrow account established by lender pursuant to lender draw procedures and subject to progress verification, inspection, or other lender controls designed to ensure funds are used for eligible construction activities. • Program staff may require documentation sufficient to demonstrate that loan proceeds were associated with eligible construction activities and that funded rate buydowns supported completed or actively progressing projects. Loan must be closed subsequent to June 1, 2026 and reserved within 90 days of closing. Loans originated after October 1, 2026 must be reserved within 30 days of closing.
Reimbursement Application Process	Eligible lenders may submit eligible loans to the program through the online Mortgage Access System (MAS).
Program Fees	None.