TO: Homeowners with an NCLT-CalHome loan
FROM: Francis McIlveen

RE: Guidance regarding refinancing when you have a NCLT-CalHome loan

With interest rates currently low across the U.S. and many of our homeowners asking for additional information about refinancing, we want to be able to provide guidance for the refinancing requirements of the CalHome documents so that homeowners that wish to refinance know what can and cannot be done.

Homeowners with a CalHome Loan:

Refinances and Subordinations after the CalHome Loan is Recorded: If the Borrower wishes to refinance any superior loans, the Borrower must submit a Request for Subordination to NCLT. Subordinations will be granted only under the following conditions:

1. The new senior lien must be for rate or term only, and may include financed closing costs. Cash out from a new lien in a position senior to the CalHome lien is not permitted. If the Borrower wishes cash out from the property, they must record a lien junior to the CalHome lien. It is CalHome’s belief that the Borrower should not be put in a position where additional obligations may create a burden on them beyond that which was analyzed and approved when the CalHome lien was placed and therefore, the CalHome lien should not be subordinated unless for a rate or term refinance;

2. The term of the new senior lien must be at least for the period of time remaining on the CalHome loan. It must mature concurrently or after the CalHome lien. NCLT shall review the terms of the new lien to ensure that these requirements have been met.

3. The new loan must be amortized for the entire period of the loan. Negative amortization, balloon payments, or changes in payments are not allowed. All terms required of a first lien placed concurrently with a CalHome lien will apply. The interest rate shall be consistent with affordable housing costs as defined in NCLT Program Guidelines and the loan shall not
include provisions for principal increases of deferred interest.

4. Total indebtedness secured by the property may not exceed the current market value of the property.

5. The new lien must collect impounds to ensure that taxes and insurance will be paid in a timely manner.

6. NCLT shall obtain a copy of the insurance declarations to ensure they are still identified as an additional Loss Payee, and record a new Request for Notice of Default or Sale.

7. NCLT will review and approve or deny the Request for Subordination and, if approved, shall execute appropriate documentation to submit into escrow.

8. Fees and charges for the new lien must be reasonable and consistent with industry standards for the A-paper market.

If you are looking to refinance your property, please contact Northern California Land Trust as the land trust will need to approve of any refinancing. CalHome loan refinances will also need to be approved by the state administrator. Failure to gain approval for a refinance can result in a default under the CalHome loan documents.

For more information on refinancing your property, please contact Northern California Land Trust at 510-548-7878 x369 or francis.mcilveen@nclt.org