California Housing Finance Agency

Disclosure Statement

California Housing Finance Agency — Dream for All Program

The California Dream for All Program ("DFA") was established by the California Housing Finance Agency ("CalHFA") to help low- and moderate-income households, like yours, in purchasing a home in California. CalHFA is providing a loan of DFA funds (the "DFA Loan") in order to assist you in purchasing your first home.

As a condition of providing the DFA Loan, you are required to sign a Promissory Note and a Deed of Trust. The Deed of Trust will be recorded against your property. The Promissory Note and Deed of Trust relating to the DFA Loan are referred to in this Disclosure Statement as the "Loan Documents."

This Buyer's Disclosure Statement explains the major provisions of the Promissory Note and the Deed of Trust to make sure that you understand their requirements.

Please read all the Loan Documents yourself and become completely familiar with them.

DFA Disclosure continues next page

I. REPAYMENT OF DFA LOANS. Your DFA Loan is a "deferred" loan. This means that you do not have to pay it back until the end of the 30-year term of the loan, so long as: (1) you own the home, (2) there is still some amount of principal balance outstanding, and (3) you have not violated any of the terms of the Loan Documents. If, however, you sell or transfer the home, pay off the entire principal balance of your DFA Loan, or if you break the terms of the Loan Documents, the loan will become immediately due and you will have to pay it back. The DFA Loan includes the requirement to pay "Shared Appreciation" which is described in the next section.

A. Shared Appreciation. CalHFA wants to help low- and moderate-income homebuyers who would otherwise struggle to afford homes in California without additional financial assistance. State resources, however, are limited. Because you benefited from CalHFA's financial help; the DFA Program requires that you repay CalHFA in proportion to that benefit up to a maximum of 2.5 times the Original Principal amount. That is why CalHFA has included "Shared Appreciation" in your loan repayment. In general, Shared Appreciation is a percentage of the difference between the original purchase price of your home and the price at which you sell it (or the value of your home at the end of the loan's 30-year term). This difference is called the "Appreciation Amount." The Shared Appreciation you pay represents the benefit you received from the DFA Loan.

The Shared Appreciation percentage you must pay to CalHFA is calculated in one of two ways, depending on your verified income at the time your DFA Loan is consummated:

1. If your income is greater than 80% of your area's Area Median Income ("AMI"), the Shared Appreciation percentage you must pay to CalHFA is calculated by dividing the initial principal amount of the DFA Loan (the "Original Principal") by the original purchase price that you paid for your home. For example, if the DFA Loan provided 20% of the original purchase price of your home, when you sell the home, 20% of the appreciation amount is owed to CalHFA as Shared Appreciation. You are classified as a "Moderate-Income Borrower."
2. If your income is less than 80% of your area's AMI, the Shared Appreciation percentage you must pay to CalHFA is calculated by dividing the Original Principal by the original purchase price that you paid for your home, and then multiplying that quotient by 0.75. For example, if the DFA Loan provided 20% of the original purchase price of your home, when you sell the home, 15% of the appreciation amount is owed to CalHFA as Shared Appreciation. You are classified as a "Low-Income Borrower."

Examples 1 and 2, below, illustrate this with numbers.

Shared Appreciation continues on page 5

Example 1

Moderate-Income Borrowers

You sell your home after living in it for 3 years. Your DFA Loan is for $100,000 (the Original Principal). The original purchase price you paid for the home when you bought it was $500,000.

Shared Appreciation: $100,000 ÷ $500,000 = 20%

This means that CalHFA will receive 20% of the appreciation on your home, which is the difference between the original purchase price of your home and the price at which you sell it. If, for example, you sell your home in Year 3 for $700,000, the following would result:

Resale Price		$700,000
Original Purchase Price	minus (–)	$500,000
Appreciation Amount		**$200,000**

You must repay CalHFA 20% of this $200,000 Appreciation Amount (0.20 × $200,000), which is equal to $40,000 (the "CalHFA Share of Appreciation").

You, therefore, keep the remaining $160,000 of the Appreciation Amount ($200,000 – $40,000).

Under these assumptions, if you sell your home in Year 3, the total you would owe to CalHFA is the sum of the Original Principal and the CalHFA Share of Appreciation:

Original Principal		$100,000
CalHFA Share of Appreciation	plus (+)	$40,000
Total Amount You Must Pay to Pay Off Your DFA Loan		**$140,000**

Low-Income Borrowers

You sell your home after living in it for 3 years. Your DFA Loan is for $80,000 (the Original Principal). The original purchase price you paid for the home when you bought it was $400,000.

Shared Appreciation:

($80,000 ÷ $400,000) × 0.75 = 15%

This means that CalHFA will receive 15% of the appreciation on your home, which is the difference between the original purchase price of your home and the price at which you sell it. If, for example, you sell your home in Year 3 for $600,000, the following would result:

Resale Price		$600,000
Original Purchase Price	minus (–)	$400,000
Appreciation Amount		**$200,000**

You must repay CalHFA 15% of this $200,000 Appreciation Amount (0.15 × $200,000), which is equal to $30,000 (the "CalHFA Share of Appreciation").

You, therefore, keep the remaining $170,000 of the Appreciation Amount ($200,000 – $30,000).

Under these assumptions, if you sell your home in Year 3, the total you would owe to CalHFA is the sum of the Original Principal and the CalHFA Share of Appreciation:

Original Principal		$80,000
CalHFA Share of Appreciation	plus (+)	$30,000
Total Amount You Must Pay to Pay Off Your DFA Loan		**$110,000**

Example 2

Moderate-Income Borrowers

You sell your home after living in it for 13 years. Your DFA Loan is for $100,000 (again, the Original Principal). The original purchase price you paid for the home when you bought it was $625,000.

Shared Appreciation: $100,000 ÷ $625,000 = 16%

This means that CalHFA will receive 16% of the appreciation on your home, which is the difference between the original purchase price of your home and the price at which you sell it. If, for example, you sell your home in Year 13 for $975,000, the following would result:

Resale Price		$975,000
Original Purchase Price	minus (–)	$625,000
Appreciation Amount		**$350,000**

You must repay the CalHFA Share of Appreciation: 16% of this $350,000 Appreciation Amount (0.16 × $350,000), which is equal to $56,000.

You, therefore, keep the remaining $294,000 of the Appreciation Amount ($350,000 – $56,000).

Under these assumptions, if you sell your home in Year 13, the total you would owe to CalHFA is the sum of the Original Principal and the CalHFA Share of Appreciation:

Original Principal		$100,000
CalHFA Share of Appreciation	plus (+)	$56,000
Total Amount You Must Pay to Pay Off Your DFA Loan		**$156,000**

Low-Income Borrowers

You sell your home after living in it for 13 years. Your DFA Loan is for $100,000 (again, the Original Principal). The original purchase price you paid for the home when you bought it was $625,000.

Shared Appreciation:
($100,000 ÷ $625,000) × 0.75 = 12%

This means that CalHFA will receive 12% of the appreciation on your home, which is the difference between the original purchase price of your home and the price at which you sell it. If, for example, you sell your home in Year 13 for $975,000, the following would result:

Resale Price		$975,000
Original Purchase Price	minus (–)	$625,000
Appreciation Amount		**$350,000**

You must repay CalHFA Share of Appreciation: 12% of this $350,000 Appreciation Amount (0.12 × $350,000), which is equal to $42,000.

You, therefore, keep the remaining $308,000 of the Appreciation Amount ($350,000 – $42,000).

Under these assumptions, if you sell your home in Year 13, the total you would owe to CalHFA is the sum of the Original Principal and the CalHFA Share of Appreciation:

Original Principal		$100,000
CalHFA Share of Appreciation	plus (+)	$42,000
Total Amount You Must Pay to Pay Off Your DFA Loan		**$142,000**

In cases where you transfer your home by means other than a sale (with the exception of a creditor taking title), or at the end of the 30 year term of the Note, the Appreciation will be calculated by taking difference between the original purchase price and the Fair Market Value of your home at the time of transfer/ at the end of the 30 year term of the Note. The Fair Market Value is determined as set out in the next section (Section II.B.) below.

If there is no increase in the value of your home when the DFA Loan is repaid, you will still owe the outstanding principal amount of the DFA Loan (i.e., the Original Principal less any partial payments you've made), but Shared Appreciation will not be due at the time of repayment, this is explained in Section III, and illustrated with numbers in Example 4.

Two goals of the DFA Program are to create generational wealth for you by increasing your access to home equity while creating a lasting program for the next generation of homebuyers. To balance these interests, the DFA Program has built in a maximum amount of Shared Appreciation that you will owe to CalHFA. This maximum amount is 2.5 times your Original Principal.

As an example, if the Original Principal loaned to you by CalHFA is $100,000, the most you will ever repay to CalHFA as Shared Appreciation is $250,000. $250,000 is 2.5 times the Original Principal. Therefore, the maximum amount you would owe to CalHFA under your DFA Loan, which is the Shared Appreciation plus Original Principal, is $350,000.

Please note that you may owe fees or other costs in addition to your DFA Loan, including the valuation costs addressed below under Fair Market Value.

B. Fair Market Value. Under the terms of the Loan Documents, the Fair Market Value will be determined by CalHFA using, at its sole discretion, a licensed real estate appraiser or an Automated Valuation Model. If possible, the valuation will be based on the sales prices of homes similar to yours which are sold in your area during the preceding three-month period. You will pay for the costs of the valuation. For example, if the valuation costs $500, you will be responsible for $500. CalHFA's determination of your home's Fair Market Value is final, and you have no right to challenge it.

Under the terms of the Loan Documents, you agree to allow CalHFA and its authorized representatives the right to enter your home at reasonable times and in a reasonable manner in order to inspect your home to determine its Fair Market Value.

II. PREPAYMENT OF DFA LOAN FUNDS. You have the right to prepay part or all of the Original Principal of your DFA Loan. If you prepay all of the Original Principal of your DFA Loan, the Shared Appreciation on your loan will become immediately due based on the Fair Market Value of your home at the time of prepayment which pays off the entire remaining principal balance. Your home's Fair Market Value will be determined by a valuation conducted as set forth in Section II.B below. If you prepay only a part of the DFA Loan, the payment that you make will be applied only to principal. You may not prepay any CalHFA Share of Appreciation amount on your DFA loan unless you pay off the entire CalHFA Share of Appreciation amount then-outstanding.

Example 3, below, illustrates this.

EXAMPLE 3

Moderate-Income Borrowers

You have a DFA Loan in the amount of $100,000 (the Original Principal). The original purchase price of your home was $625,000. As in Example 2, the CalHFA Share of Appreciation is 16% (the result of $100,000 ÷ $625,000).

After living in your home for three years, you decide to prepay $75,000 of your DFA Loan. CalHFA will apply your payment to principal and so the principal outstanding is no longer equal to the Original Principal but rather it will be $25,000 ($100,000 – $75,000).

Thereafter, after living in your home for three more years — for a total of six years — you decide to pay the remaining $25,000 principal, thereby paying off the entire remaining principal. You will then be required to also pay the entire CalHFA Share of Appreciation amount based on the Fair Market Value of your home at that time.

At the time you pay off the remaining principal — that is, in Year 6 — the Fair Market Value of your home is $800,000 (as determined by CalHFA's valuation). The following would result:

Fair Market Value at time of principal payoff		$800,000
Original Purchase Price	minus (–)	$625,000
Appreciation Amount		**$175,000**

You must repay the CalHFA Share of Appreciation: 16% of the $175,000 Appreciation Amount (0.16 × $175,000), which is equal to $28,000. Thus, in addition to the $25,000 principal payment you make in Year 6, you must pay off the entire CalHFA Share of Appreciation at the same time. This means that you must pay CalHFA a total of $53,000 ($28,000 + $25,000). If you cannot pay this entire amount at the time you attempt to prepay the remaining principal of your DFA Loan in full, CalHFA may refuse your payment.

Example 3 continues on next page

EXAMPLE 3 continued

Low-Income Borrowers

You have a DFA Loan in the amount of $100,000 (the Original Principal). The original purchase price of your home was $625,000. As in Example 2, your Shared Appreciation is 12% (the result of ($100,000 ÷ $625,000) × 0.75)

After living in your home for three years, you decide to prepay $75,000 of your DFA Loan. CalHFA will apply your payment to principal and so the principal outstanding is no longer equal to the Original Principal but rather it will be $25,000 ($100,000 – $75,000).

Thereafter, after living in your home for three more years—for a total of six years—you decide to pay the remaining $25,000 principal, thereby paying off the entire remaining principal. You will then be required to also pay the entire CalHFA Share of Appreciation amount based on the Fair Market Value of your home at that time.

At the time you pay off the remaining principal—that is, in Year 6—the Fair Market Value of your home is $800,000 (as determined by CalHFA's valuation). The following would result:

Fair Market Value at time of principal payoff		$800,000
Original Purchase Price	minus (–)	$625,000
Appreciation Amount		**$175,000**

You must repay the CalHFA Share of Appreciation: 12% of the $175,000 Appreciation Amount (0.12 × $175,000), which is equal to $21,000. Thus, in addition to the $25,000 principal payment you make in Year 6, you must pay off the entire CalHFA Share of Appreciation at the same time. This means that you must pay CalHFA a total of $46,000 ($21,000 + $25,000). If you cannot pay this entire amount at the time you attempt to prepay the remaining principal of your DFA Loan in full, CalHFA may refuse your payment.

III. REPAYMENT OF DFA LOAN FUNDS IN THE CASE OF DECREASED HOME VALUE.

As a general matter, homes typically increase in value over time. There is no guarantee a home will increase in value over time, however, due to a variety of different factors: an overall downturn of economic conditions, localized disasters, negative changes in neighborhood characteristics, etc. If CalHFA determines that your home's value when you are required, or choose, to payoff your DFA loan is less than what it was when you purchased your home, you will not be required to pay any shared appreciation as part of your payoff. This is because there will have been no appreciation in which CalHFA could share. You will still be required, though, to repay the Original Principal amount of your DFA Loan. Example 4, below, illustrates this with numbers.

EXAMPLE 4

Both Moderate- and Low-Income Borrowers

You have a DFA Loan in the amount of $100,000 (the Original Principal). The original purchase price of your home was $625,000.

After living in your home for two years, you decide you want to fully prepay your DFA Loan. At this time, due to a decrease in the housing market generally, CalHFA determines that your home's value is $600,000.

In other words, your home has depreciated in value since you purchased it. Because here there has been no appreciation in the value of your home, you do not owe any share of appreciation to CalHFA as part of your repayment. That is, you will owe only the Original Principal amount in order to fully pay of your DFA Loan: $100,000.

IV. REFINANCING YOUR FIRST MORTGAGE. During the life of your DFA loan, CalHFA will allow you to refinance your first mortgage loan into a single limited cash-out refinance (as defined in the Fannie Mae Selling Guide) without requiring immediate repayment of your Shared Appreciation loan one time, ***and one time only***, so long as you also comply with CalHFA's resubordination policy published at: https://www.calhfa.ca.gov/homeownership/programs/policy-resubordination-cadfa.pdf.

V. BORROWER SPECIFIC TERMS. I understand that the numbers used in Examples 1–4 above are for illustrative purposes only and do not represent my DFA loan. I agree that my DFA loan term highlights are listed below. I understand and agree that the numbers below are just an overview of my loan and that my rights, obligations, and responsibilities have been fully addressed and disclosed in this Buyer's Disclosure Statement and the Loan Documents, including any late payments, fees, or costs that may be added to my DFA loan. The highlights listed below are not meant to be a complete or exhaustive list of my rights, obligations, and responsibilities.

By my signature below, I certify that I:

1. **Have read and understand the above Buyer's Disclosure Statement;**
2. **Have read and understand the Loan Documents;**
3. **Have taken and understand CalHFA's DFA Buyers' Education Course; and**
4. **Have had the opportunity to seek the advice of independent advisers to discuss the legal and financial import of the Loan Documents.**
5. **Have verified the accuracy of the information in the Buyer's Disclosure Statement and Loan Documents**

Borrower name: ______________________________

Property address: ______________________________

Original Principal: ______________________________

Shared Appreciation percentage: ______________________________

Maximum DFA Loan amount owed to CalHFA: ______________________________
(Original Principal plus Shared Appreciation)

______________________________ ______________________________
Signature 1 Signature 2

______________________________ ______________________________
Signature 3 Signature 4