



California Housing Finance Agency

# Dream For All Shared Appreciation Loan Program Handbook

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## Summary

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Home equity has proven to be one of the strongest ways for families to build and pass on intergenerational wealth and CalHFA is committed to improving equitable access to homeownership for all Californians. The Dream For All Shared Appreciation Loan (Shared Appreciation Loan) may only be used with a Dream For All Conventional first mortgage, providing first-time homebuyers with up to 20% of the home purchase price to be used for down payment and/or closing costs.

CalHFA allows qualified homebuyers to layer other non-CalHFA down payment assistance loans or grants to maximize affordability. The MyHome Assistance Program may not be combined with a Dream For All Conventional first mortgage using the Shared Appreciation Loan. The Shared Appreciation Loan must be in second lien position when layering with other programs.

### Participating Lenders

This program is only available through a [CalHFA-approved lender](#).

Brokers must work through a [CalHFA-approved wholesale lender](#) to process your CalHFA loan.

### Eligible buyers

This program is for first-time homebuyers purchasing an owner-occupied property anywhere in California.

## Eligibility

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### Borrower Requirements

Each borrower must:

- be a first-time homebuyer.
- be either a citizen or other National of the United States, or a “Qualified Alien” as defined at 8 U.S.C § 1641.
- meet credit, income and loan requirements of CalHFA’s first mortgage loan program, the CalHFA-approved lender, CalHFA’s Master Servicer, Lakeview Loan Servicing and the mortgage insurer, as applicable.
- At least one borrower must:
  - be a first-generation homebuyer.
  - be a current California resident.

## Homebuyer Education

Homebuyer Education is required. Please refer to the [CalHFA Conventional Loans Program Handbook](#) for full details.

Additionally, Borrowers are required to complete [CalHFA homebuyer education specifically for Shared Appreciation loans](#).

## First-Time Homebuyer Definition

To qualify for the Shared Appreciation Loan, all borrowers, including co-borrowers must reside in the home and meet the definition of a first-time homebuyer.

A first-time homebuyer is defined as a borrower who has not had an ownership interest in any principal residence or resided in a home owned by a spouse during the past three years.

## First-Generation Homebuyer Definition

To qualify for the Shared Appreciation Loan, at least one borrower must meet the definition of a first-generation homebuyer.

### Determination of First-Generation Homebuyer Status

- A first-generation homebuyer is defined as a homebuyer who has not been on title, held an ownership interest or have been named on a mortgage to a home (on permanent foundation and owned land) in the United States in the last 7 years, and;
- To the best of the homebuyer's knowledge whose parents (biological or adoptive) do not have any present ownership interest in a home in the United States or if deceased whose parents did not have any ownership interest at the time of death in a home in the United States, or;
- An individual who has at any time been placed in foster care or institutional care (type of out of home residential care for large groups of children by non-related caregivers).

## Owner Occupancy

- All borrowers must occupy the property as their primary residence within sixty (60) days of closing.
- Non-occupant co-borrowers are not allowed.
- Non-occupant co-signors are not allowed.

## Property Requirements

Property must meet the requirements of the applicable CalHFA first mortgage. Please refer to the [CalHFA Conventional Loans Program Handbook](#) for full details.

## Underwriting & Compliance

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### Term

The term of the Shared Appreciation Loan matches the term of the CalHFA first mortgage not to exceed thirty (30) years. Payments on the Shared Appreciation Loan are deferred for the life of the first loan.

Repayment of the principal and any share of the appreciation on the Shared Appreciation Loan shall be due and payable at the earliest of the following events:

- Transfer of title
- Sale of the property
- Payoff of the first loan
- Payoff of the subordinate loan principal balance
- Refinance of the first loan – see Refinance and Re-subordination section
- The formal filing and recording of a Notice of Default (unless rescinded)

This loan is not assumable.

### Shared Appreciation Loan Terms

At the time of sale, refinance, payoff or transfer of first mortgage the homeowner must pay back the original loan amount plus any shared appreciation percentage identified below.

### Program appreciation share

- For Borrowers with incomes above 80% AMI using the [HomeReady® Lookup Tool](#) and less than or equal to the [CalHFA Dream For All income limits](#), the Shared Appreciation Loan provides up to 20% down payment and shares in up to 20% of the home price appreciation.
  - (1:1) program appreciation share: Program appreciation share is equal to the Shared Appreciation Loan amount (i.e., the original principal amount) as a percentage of the home value.
- For Borrowers with incomes less than or equal to 80% AMI using the [HomeReady® Lookup Tool](#), the Shared Appreciation loan provides up to 20% down payment and shares in up to 15% of the home price appreciation.
  - Reduced (0.75:1) program appreciation share: Program appreciation share is equal to 0.75 times the Shared Appreciation Loan amount (i.e., the original principal amount) as a percentage of the home value.
- The amount of shared appreciation is capped at 2.5 times the original principal amount. See *Example 1*.

**Example 1:**

\$100,000 x 2.5	A) Original Shared Appreciation Loan
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\$250,000	B) Original loan amount times 2.5
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\$350,000	Loan plus modifier (A + B): This is the maximum amount due at time of payoff – maximum appreciation plus original loan amount.

**Formula for determining shared appreciation**

- Current value of the home as determined by CalHFA.
- Minus the lesser of the original sales price or original appraised value of the property equals net appreciation.
- Multiplied by the shared appreciation percentage equals shared appreciation amount owed. *See Examples 2 and 3.*

**Example 2:****20% Shared Appreciation Loan**

**Scenario:** Borrower AMI is above 80% AMI and up to CalHFA Income Limits

\$500,000 x 0.20	(A) Original sales price or original appraisal, whichever is less 20% of the sales price
<hr/>	
\$100,000	(B) Shared Appreciation Loan
At time of sale, refinance or other transfer new value is \$700,000	
\$700,000	(C) New Value
\$200,000	Appreciation (C - A)
x 0.20	20% of the Appreciation
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= \$40,000	(D)
Borrower owes:	
\$100,000	Original Shared Appreciation loan (B)
+ \$40,000	Program Share of Appreciation (D)
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\$140,000	Total (B + D)

**Example 3:**

**20% Shared Appreciation Loan**

**Criteria:** Borrower AMI is under and up to 80% AMI

\$400,000 (A) Original sales price or original appraisal, whichever is less  
 x 0.20 20% of the sales price

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= \$80,000 (B) Shared Appreciation Loan

At time of sale, refinance or other transfer, new value is \$600,000

\$600,000 (C) New Value  
 \$200,000 Appreciation (C - A)  
 x 0.20 20% of the sales price

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= \$40,000 (D)  
 x 0.75 Factor for program share of appreciation

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= \$30,000 (E) Program Share Of Appreciation

**Borrower owes:**

\$80,000 Original loan (B)  
 + \$30,000 Program Share of Appreciation (E)

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= \$110,000 Total owed to program on sale

**Maximum Shared Appreciation Loan Amount**

First Mortgage	Maximum Shared Appreciation Loan Amount
Dream For All Conventional	Up to \$150,000 or 20% of the sales price or appraised value, whichever is less
CalHFA Conventional, CalPLUS Conventional, CalPLUS FHA, CalHFA FHA, CalHFA USDA, CalHFA VA	Not allowed

## LTV and CLTV

Loan-to-Value (LTV) to follow the applicable mortgage insurer/guarantor investor guidelines, CalHFA's Master Servicer, Lakeview Loan Servicing, and the applicable CalHFA first mortgage underwriting guidelines.

The Combined Loan-to-Value (CLTV) must be between 95.00% and 105.00%.

## Income Limits

Income cannot exceed [CalHFA Dream For All income limits](#).

## Income Requirements

Lenders are required to calculate income to qualify borrower(s) for loan approval using investor guidelines. CalHFA will use the lender's credit qualifying income to determine if the loan exceeds the maximum program income limit. Income not used by the lender for credit qualifying will not be used by CalHFA.

Use Fannie Mae's [HomeReady® Lookup tool](#) to determine if the borrower's income is less than or equal to the HomeReady 80% Area Median Income (AMI). Lower Income (LI) borrowers are eligible for Dream For All LI interest rate and reduced shared appreciation.

## Underwriting

- Underwriting must meet the requirements of the CalHFA first mortgage. Please refer to CalHFA first mortgage program handbook for full details.
- Shared Appreciation Loan may be used for down payment and/or closing cost. Shared Appreciation Loan funds may not be used to pay off borrower debt. Borrower(s) may not receive any cash back from the Shared Appreciation Loan.
- The MyHome Assistance Program may not be combined with the Shared Appreciation Loan.

## Minimum Credit Score & Qualifying Ratios

- Follow Dream For All Conventional first mortgage guidelines for minimum credit score requirements.
- Follow Dream For All Conventional first mortgage guidelines for maximum total Debt-to-Income ratio requirements.

## Fees

Lender may charge a maximum total processing fee of \$500. All other normal customary third-party fees are allowed.

## Loan Documents

The following subordinate loan documents must be submitted for purchase by CalHFA:



- Dream For All [Shared Appreciation Loan Disclosure](#)
- Dream For All [Shared Appreciation Note](#)
- [Subordinate Deed of Trust](#)

## Refinancing and Re-subordination

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During the life of the Shared Appreciation loan, CalHFA will allow borrowers to refinance the first mortgage loan into a single limited cash-out refinance (as defined in the Fannie Mae Selling Guide) without requiring immediate repayment of the Shared Appreciation loan one time, and one time only, so long as you also comply with CalHFA's resubordination policy.

## Questions

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Questions regarding the Dream For All Shared Appreciation Loan should be directed to CalHFA Approved Lenders or CalHFA's Single Family Lending Division at:

CalHFA Single Family Lending  
500 Capitol Mall, Suite 1400  
Sacramento, CA 95814  
Phone: (916) 326-8033  
Email: [lendertraining@calhfa.ca.gov](mailto:lendertraining@calhfa.ca.gov)