

REVISED ORDER UNDER FINANCIAL CODE SECTION 14201

In response to inquiries about California Code of Regulations, Title 10, Section 30.802, and in an effort to encourage credit unions to implement comprehensive loan modification programs to assist homeowners in paying their mortgage obligations and retaining their homes, I am issuing this order under Financial Code Section 14201.

Notwithstanding the provisions in California Code of Regulations, Title 10, Section 30.802(a)(1)(B), generally requiring mortgage insurance for loan amounts in excess of 80 percent of the appraised value of real property collateral and limiting the term of such loans to 40 years in the case of a first lien and 30 years in the case of a junior lien, residential mortgage loans granted by California state-chartered credit unions are hereby exempted from such mortgage insurance and term limit requirements provided that:

The loan is modified or refinanced in compliance with the requirements contained in the federal "Home Affordable Modification Program"* or "Home Affordable Refinance Program,**" or a program that is deemed substantially similar by the Commissioner.

The exemption provided by this order may be revoked as to a particular credit union if the Department finds that the credit union is modifying or refinancing loans not in compliance with this order.

This order does not waive any limitation, requirement or condition under the Banking Law (commencing with Financial Code Section 99) or the Savings Association Law (commencing with Financial Code Section 5000) or other activities in California by financial institutions that are not chartered under California law.

Dated: January 20, 2011.

WILLIAM S. HARAF
Commissioner of Financial Institutions

*The Home Affordable Modification Program Standard Modification Waterfall is a sequential four step process.

1. Capitalization of arrearages and charges
2. Reduction of interest rate (step down by 0.125% to as low as 2%)
3. Extension of loan terms (if rate reduction to 2% does not achieve 31% housing DTI ratio then extend term in one month increments up to 480 months from date of modification until DTI ratio target is met)
4. Forbearance of principal

**The Home Affordable Refinance Program allows a refinance up to 125% loan-to-value on owner-occupied one-to-four unit residences. No cash out is allowed and the payments must be current ("current" generally means that no payments have been more than 30 days late in the last 12 months).