

91477 Insurance Premiums

(a)

Subject to subsection (b) below, the premium rate charged for the insurance of loans by the Office shall be three percent (3%) of the total amount of principal and interest payable over the term of the loan, unless the borrower requests and qualifies for a lower premium rate under subsection (c) below.

(b)

Borrowers that use proceeds of a loan newly insured by the Office to refinance a prior loan insured by the Office, or refund bonds insured by the Office, the proceeds of which were used to fund a prior loan (the "Prior Insured Loan") on which the Borrower paid a one time nonrefundable premium shall pay a Refinancing Proceeds Premium rate of 2.2% of the total amount of the principal and interest thereon payable over the term of the loan, which term shall be the same as the remaining term of the loan refinanced, unless the borrower requests and qualifies for a lower Refinancing Proceeds Premium rate under subsection (c). If a portion of the proceeds of the loan or bonds to be newly insured is to be used to refinance the principal balance of a Prior Insured Loan (the "Refinanced Principal") and a portion for new construction, improvements or expansion, reimbursements, or refinancing other debt, the Refinancing Proceeds Premium rate will be applied to the Refinancing Proceeds Principal (defined below) and the applicable premium under subsection (a) or (c) shall be applied to the balance of

proceeds of the newly insured loan or bonds. The amount of Refinancing Proceeds Principal shall be determined by applying a fraction, the numerator of which is the dollar amount of Refinanced Principal and the denominator of which is equal to the sum of the Refinanced Principal plus the dollar amount of proceeds used for new construction, improvements or expansion (including related contingency funds and capitalized interest), reimbursements, or refinancing other debt, to the total amount of proceeds of the newly insured loan or bonds including proceeds used for debt service reserve funds, costs of issuance, counsel fees, underwriter's discount, original issue discount, and Cal-Mortgage insurance premiums and fees.

(c)

Borrowers that choose to obtain and do obtain a credit rating of CCC or higher from one of the three rating agencies listed below shall qualify for the Discounted Premium rate or the Refinancing Proceeds Premium, as applicable, rate, as applicable, corresponding to the rating. If the Office determines that it is in its best interest, it may allow the use of a credit assessment, credit opinion or equivalent from one of the three rating agencies listed below, using the rating assigned therein instead of the credit rating for this purpose. The borrower shall direct the credit rating agency to send the rating (or credit assessment, opinion, or equivalent) to the Office, with a copy to the borrower.

Rating Agencies		Discounted Premium		Refinancing Proceeds Premium	
Standard & Poor's	Moody's	Fitch	AAA	Aaa	AAA - - AA+ Aa1 AA+ 0.80% 0.50% AA Aa2 AA 0.85% 0.55% AA- Aa3 AA- 0.90% 0.60% A+ A1 A+ 1.15% 0.65% A A2 A 1.20% 0.70% A- A3 A- 1.25% 0.75% BBB+ Baa1 BBB+ 1.80% 1.00% BBB Baa2 BBB 1.85% 1.05% BBB- Baa3 BBB- 1.90% 1.10% Below Investment Grade: BB+ Ba1 BB+ 2.65% 1.85% BB Ba2 BB 2.70% 1.90% BB- Ba3 BB- 2.75% 1.95% B+ B1 B+ 2.80% 2.00% B B2 B 2.85% 2.05% B- B3 B- 2.90% 2.10% CCC CCC CCC 2.95%

2.15% Lower than CCC 3.00% 2.20%

(d)

The rating will be used only to determine what premium rate the Office will charge that borrower, if the Office decides to insure a loan to that borrower. The fact that a borrower is able to obtain a CCC rating or above does not entitle that borrower to insurance.

(e)

The Office has determined the use of the procedures set forth in (b) and (c) above constitute a system for assessing the relative financial risk of a borrower in compliance with Health and Safety Code section 129051.