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# N.C. Home Advantage Mortgage™ Program Guide



**North Carolina Housing  
Financing Agency**

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Raleigh, NC 27609-7509  
(919) 877-5700  
[www.nchfa.com](http://www.nchfa.com)

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## *Section 1*

# **Introduction**

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The purpose of this Mortgage Program Guide is to provide a basic overview of the key operational and program details of the N.C. Home Advantage Mortgage™ program regarding borrower and property eligibility, credit, underwriting, and closing procedures. This guide is not a substitute for lender training classes offered by NCHFA on a recurring basis for the benefit of loan officers, operations personnel, and other mortgage staff. NCHFA strongly encourages all participating lender personnel to attend one of our regular training classes to get a more in-depth overview of our programs.

Lenders wishing to use the Mortgage Credit Certificate (MCC) program alone or in conjunction with the N.C. Home Advantage Mortgage™ program must refer to the MCC Program Guide on the NCHFA website.

The program permits participating lenders who have executed a Mortgage Origination Agreement (the Agreement) with NCHFA and the Master Servicer to originate, close and fund 30-year fixed-rate mortgages and to deliver such mortgages for purchase to the Master Servicer subject to the program eligibility of borrowers. FHA, VA, USDA, conventional, down payment and credit underwriting guidelines will be used where applicable. In addition, the Agreement with NCHFA and the Master Servicer permits participating lenders to originate and close deferred subordinate mortgages, subject to the program eligibility of borrowers.

At their option, participating lenders may charge origination fees but no discount points. In addition, the borrower may pay any normal and customary fees such as application fee, survey fee, credit report fee, appraisal fee, insurance fee or similar settlement or financing cost. In all cases the lender must meet RESPA rules, Dodd Frank, and North Carolina lending laws regarding fees and charges.

Participating lenders must review, execute and understand the terms of the Mortgage Origination Agreement with NCHFA and the Master Servicer and this Program Guide prior to originating, processing, underwriting, closing and delivering mortgages for purchase under the program.

NCHFA was created in 1973 by North Carolina General Statutes Chapter 122-A as a corporate body with responsibility to provide affordable housing opportunities for low- and moderate-income North Carolina households.

NCHFA has office hours between 8:00 a.m. and 5:00 p.m., Monday through Friday. The telephone number is (919) 877-5700, and the fax number is (919) 877-5704. The mailing address for documents is the following:

North Carolina Housing Finance Agency  
Home Ownership Lending Group  
P.O. Box 28066  
Raleigh, North Carolina 27611-8066

or

North Carolina Housing Finance Agency  
Home Ownership Lending Group  
3508 Bush Street  
Raleigh, North Carolina 27609

Our Program Guide and other resource materials may be downloaded from our website at [www.nchfa.com](http://www.nchfa.com). Marketing brochures and flyers may be available from time to time and will be provided to lenders when available.

**Home Ownership Group Contact List:**

| <b>Name</b>   | <b>E-mail Address</b>  | <b>Telephone</b> | <b>Responsibilities</b>                 |
|---|--|------------------|---|
| Cathy Hatcher, GML<br><i>Senior Underwriter</i>             | <a href="mailto:chatcher@nchfa.com">chatcher@nchfa.com</a>     | 919-877-5677     | Underwriting and program questions      |
| Donna Pruitt<br><i>Loan Production Coordinator</i>          | <a href="mailto:dmp Pruitt@nchfa.com">dmp Pruitt@nchfa.com</a> | 919-877-5692     | Underwriting and program questions      |
| Pam Rasberry<br><i>Underwriter</i>                          | <a href="mailto:prrasberry@nchfa.com">prrasberry@nchfa.com</a> | 919-850-2900     | Underwriting and program questions      |
| Bill Hobbs<br><i>Lender Liaison</i>                         | <a href="mailto:bhobbs@nchfa.com">bhobbs@nchfa.com</a>         | 919-850-2779     | Lender outreach, lender visits, support |
| Jane Buchholz<br><i>Training &amp; Outreach Coordinator</i> | <a href="mailto:jane@nchfa.com">jane@nchfa.com</a>             | 919-877-5683     | Lender and realtor training classes     |
| Jan Ott<br><i>Processor</i>                                 | <a href="mailto:jlott@nchfa.com">jlott@nchfa.com</a>           | 919-877-5632     | MCC closing documents                   |
| Amber Smith<br><i>Processor</i>                             | <a href="mailto:ansmith@nchfa.com">ansmith@nchfa.com</a>       | 919-981-2660     | Processor, Notes & Deeds                |
| Lori Purser<br><i>Loan Processor</i>                        | <a href="mailto:lgpurser@nchfa.com">lgpurser@nchfa.com</a>     | 919-981-2608     | Processing, Closing                     |
| Rob Rusczak<br><i>Manager Home Ownership Group</i>          | <a href="mailto:rob@nchfa.com">rob@nchfa.com</a>               | 919-875-3777     | Home Ownership Group Manager            |
| Margie Rivera<br><i>Customer Service</i>                    | <a href="mailto:mbrivera@nchfa.com">mbrivera@nchfa.com</a>     | 919-877-5710     | Customer Service, Locks, User IDs       |

NCHFA displays current interest rates, loan types and other program information on the NCHFA website. Our website address is [www.nchfa.com](http://www.nchfa.com).

Participating lenders must use our Online Lender Services System (OLS) to reserve loans and maintain their pipeline. It can be accessed via <https://www.nchfa.org/OLS/login.aspx>.

## Section 2

# Definitions

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The following words are used in this Program Guide with these meanings:

**ACH** – Automated clearing house. Direct deposit transfer of funds from one bank to another.

**Award Letter** – Letter related to the Down Payment Assistance (DPA) provided with Commitment intended by NCHFA to satisfy the requirements of HUD Handbook **4000.1 II.A.4.d.ii.(C)**

**AUS** – Automated Underwriting System.

**Co-borrower** – An individual who is listed on loan documents and whose income and credit are used to qualify for the loan. A co-borrower must:

- a. meet the annual income limits, and
- b. have or will establish North Carolina residency within 60 days of closing.
- c. non-occupying co-borrowers do not have to establish residency in the property

**Co-signer/Co-Signor** - A non-occupant who is co-signing the Note for a particular loan. For NCHFA purposes, the co-signer cannot take title to the property; however, they must execute the Note but not the Deed of Trust.

**Commitment** – Letter provided to lender via OLS upon NCHFA’s review and approval of pre-closing documents uploaded into OLS. **In no instance may the lender close any N.C. Home Advantage Mortgage™ loan until a Commitment has been issued.** The commitment to purchase the loan is subject to the Master Servicer’s review of the closing documents for compliance with GNMA, FNMA, or Freddie Mac regulatory guidelines in addition to any requirements of the Master Servicer.

**CPLP** - Community Partners Loan Pool (“CPLP”), a subordinate lien offered by NCHFA. Although the DPA must be funded by the lender at closing, the CPLP must be funded by NCHFA at closing. The lender must notify NCHFA five business days before closing to ensure that a check can be provided at closing to cover the CPLP loan. The funds are applied for through a participating non-profit, and eligibility criteria may be more restrictive.

**Discount Points** - A point equals 1% of the loan amount that is used to reduce the interest rate on a mortgage below prevailing market rates. Discount points not allowed.

**DPA** - Down payment assistance or subordinate financing offered by NCHFA, up to 5% of the first mortgage total loan amount for FHA, VA and USDA loans (not always available for USDA), and up to 3% of the first mortgage loan amount for conventional loans.

**DTI** - Debt-to-income ratio, which cannot exceed 45% for any N.C. Home Advantage Mortgage™.

**Electronic Signature** – Is acceptable on NCHFA documents if they meet ESIGN and UETA federal standards.

**Eligible Property** - A residence that is located in North Carolina and is eligible for insurance under FHA, VA, USDA or conventional guidelines.

**Existing Home** - A dwelling unit that has been previously occupied by an owner occupant.

**Extension Fees** – Loans may be assessed a 7-day, 15-day or 30-day extension fee at a cost of 0.09375%, 0.1875% or 0.375%, respectively. The extension fees are automatically deducted from the lender compensation at the time that the Master Servicer purchases the loan from the lender.

**Fannie Mae** - Federal National Mortgage Association or FNMA.

**FHA** - The Federal Housing Administration.

**FHA Insurance, FHA-Insured** - Insurance provided by FHA for residential mortgages which protects lenders against some or most of the losses that can occur when a borrower defaults on a mortgage loan.

**FNMA** – Federal National Mortgage Association or “Fannie Mae.”

**GNMA** – The Government National Mortgage Association or “Ginnie Mae.”

**HUD** - The United States Department of Housing and Urban Development.

**Industry Standards** - The guidelines published and used by FHA, VA, USDA or FNMA to underwrite mortgage loans for acceptance by these entities.

**Legally Enforceable Obligation Letter** - Letter related to the DPA for FHA loans provided with Commitment intended by NCHFA to satisfy the requirements of HUD Handbook **4000.1 II.A.4.d.ii.(C)**

**Lender** - Any mortgage lender that is a Fannie Mae or Freddie Mac approved seller/servicer in good standing (if originating conventional loans); is approved as an FHA mortgage originator (if originating FHA loans); is approved as a VA mortgage originator (if originating VA loans); is approved as a USDA mortgage originator (if originating USDA loans); has a physical office located in North Carolina for at least one year; must originate, close and fund the loan; has a company net worth of \$1,000,000 and has executed a Mortgage Origination Agreement with NCHFA and the Master Servicer.

**Lock-In Expiration Date** – Sixty (60) days past the date the loan is locked. The loan must be purchased by the Master Servicer by the Lock-In Expiration Date to avoid extension fees. If the loan is not purchased by the Master Servicer by the original Lock-In Expiration Date, the lender may request an extension via OLS prior to the Lock-In Expiration Date.

**Manufactured Homes (Mobile Homes)** - A manufactured building designed to be used as a single family dwelling unit which has been constructed and labeled indicating compliance with the HUD administered National Manufactured Housing Construction and Safety Standards Act of 1974. (Look for HUD label.) NCHFA will only accept new, never occupied, doublewide or greater, manufactured housing on a permanent foundation for FHA, VA and USDA loans. Manufactured Homes are not eligible for a conventional loan.

**Marital Interest** - An interest one has only because he/she was married to a person who owned a property.

**Mark-to-Market Fee** – A fee applied on any loan purchased by the Master Servicer for which the lock has expired. The mark-to-market fee is based on market conditions at the time the Master Servicer purchases the loan from the lender. In no circumstance will the mark-to-market fee be less than what an extension fee would have been had an extension been requested timely.

**Master Servicer – Alabama Housing Finance Authority doing business as ServiSolutions (“ServiSolutions”)**, the entity designated by NCHFA to purchase and service loans under the N.C. Home Advantage Mortgage™ program by which participating lenders must be approved.

**MI Company** – Also known as PMI. A private mortgage insurance company providing mortgage insurance on conventional loans. Use of any FNMA-approved PMI company is allowable.

**MCC** - Mortgage Credit Certificate issued by NCHFA according to the rules and regulations determined by the IRS.

**Modular Home** - A manufactured building designed to be used as a single-family dwelling unit which has been constructed and labeled indicating compliance with the North Carolina State Uniform Residential Building Code, Volume VII (Look for NC Validation Stamp).

**Mortgage Origination Agreement** - An agreement describing the mortgage originator’s rights and responsibilities, made between the North Carolina Housing Finance Agency, the Master Servicer and lenders participating in the N.C. Home Advantage Mortgage™ program.

**Mortgagor** - The borrower(s) in a mortgage transaction.

**NCHFA** - North Carolina Housing Finance Agency.

**New Construction** - A dwelling unit that is new and/or never occupied, including spec Construction and builder inventory.

**Non-Borrowing Co-Occupant** - Any person age 18 years or older who will occupy the property and will not be secondarily liable on the mortgage.

**Online Lender Services System (OLS)** - The system made available by NCHFA to its lending partners for the lock and confirmation of N.C. Home Advantage Mortgage™ and MCC-assisted loans.

**PMI Company** – Also known as MI Company. A private mortgage insurance company providing mortgage insurance on conventional loans. Use of any FNMA-approved PMI Company is allowable.

**Participating Lender** - A lender that has been approved by NCHFA and the Master Servicer to originate, process, underwrite, close and fund mortgage loans under NCHFA approved programs. See Section 3 for lender qualifications.

**Permanently Fixed** - The towing hitch or running gear, including the wheels and axles, has been removed from the mobile home, and the home has been attached to a permanent foundation (including basement, crawl space and slab types of foundations).

**Prepaid Items** - Amounts required by the Participating Lender to be paid at settlement in advance of their due date. These items may include property taxes, accrued interest, association dues, mortgage insurance premiums and hazard insurance premiums. Prepaid items do not include loan origination fees, “Points” or “Discount Points”, and tax service fees.

**Principal Residence** - Housing that the eligible borrower will occupy as a primary residence. The home cannot be used as an investment property.

**Program Guidelines** - Guidelines that are used in conjunction with credit and property mortgage industry guidelines to determine eligibility for N.C. Home Advantage Mortgage™ financing.

**RESPA** – The "Real Estate Settlement Procedures Act" as enforced by HUD.

**Servicing Agreement** - An agreement describing the mortgage servicer's rights and responsibilities, made between NCHFA and the Master Servicer.

**State** - The State of North Carolina.

**Substitute TIL (Truth-In-Lending)** – Available on the Forms and Resources page at [www.nchfa.com](http://www.nchfa.com). Available for lenders unable to generate a 0% interest TIL document from their own, internal systems for NCHFA Down Payment Assistance second mortgages.

**TIL** - A Truth in Lending disclosure statement designed to help borrowers understand their borrowing costs in their entirety. Federal law requires that lenders provide a Truth in Lending (TIL) document to all loan applicants within three business days of receiving a loan application. A truth in lending (TIL) statement contains information regarding the annual percentage rate, the finance charge, the amount financed, and the total payments required.

**TRID** – The TILA RESPA Integrated Disclosures that went into effect October 3, 2015. The Loan Estimate replaces the initial Truth-in-Lending disclosure and Good Faith Estimate. The Closing Disclosure replaces the final Truth-in-Lending disclosure and HUD-1 Settlement Statement.

**United States Department of Agriculture/Rural Development (USDA)** - The USDA home loan guaranty provides loans in rural areas to finance homes and building sites.

**Veterans Administration (VA)** - The Servicemen's Readjustment Act of 1944 authorized this agency to administer a variety of benefit programs designed to facilitate the adjustment of returning veterans to civilian life. The VA home loan guaranty program is designed to encourage lenders to offer long-term, low down payment mortgages to eligible veterans by guaranteeing the lender against some or all loss caused by default of the borrower.

## Section 3

# Lender Participation Guidelines

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### 3.1 Lender Participation Guidelines

The Program is restricted to lenders who meet these requirements:

1. Are approved as a Fannie Mae or Freddie Mac seller/servicer in good standing if originating conventional loans, approved as an FHA mortgage originator if originating FHA loans, approved as a VA mortgage originator if originating VA loans, or approved as a USDA mortgage originator if originating USDA loans;
2. Have an office physically located in North Carolina that has originated residential mortgages for at least one (1) year; 6 months under certain conditions (see website).
3. Must originate, process, underwrite, close and fund the loan in your own name;
4. Are in compliance with applicable minimum capital requirements imposed by federal banking laws and regulations;
5. Are approved by NCHFA and the Master Servicer;
6. Are not under supervisory control of, or subject to, enforcement proceedings by federal banking regulators with respect to any violations or alleged violations of federal banking laws or regulations.
7. Have a net company asset worth of \$1,000,000 (subject to change);
8. Be approved by our Agency and our Master Servicer, and execute a Mortgage Origination Agreement with both; and
9. Complete a lender in-person training session with NCHFA staff.

By becoming an approved lender and participating in the Program, the lender understands and agrees that the Agency reserves the right to suspend the lender's ability to make new locks under the Program if the lender has outstanding fees, late documents, excessive withdrawal of locks, or for any other reason as determined by the Agency in its sole discretion.

Any lender which does not submit a minimum of ten (10) loans to NCHFA in a calendar year may be removed from the program at the Agency's discretion. The Agency may also remove the lender from the Participating Lender list published on the Agency website until which time the lender meets the ten (10) loan threshold.

### **3.2 Online Lender Services System (OLS)**

To reserve an N.C. Home Advantage Mortgage™ loan, the lender must access the Online Lender Services System (OLS) at <http://www.nchfa.org/ols/login.aspx>. To create a new N.C. Home Advantage Mortgage™ lock, click the N.C. Home Advantage Mortgage™ reservation link on OLS home page, left menu.

OLS will guide you through a multi-step process for creation and submission of the lock. You will use the [Continue>>] button to navigate through these steps.

It is important that you have all the requested loan information available to you at the time you are locking the N.C. Home Advantage Mortgage™ loan as the data cannot be saved partially completed. If at any time during the lock process you choose to cancel, all previously entered information will be lost.

At the Final Review step, once you have reviewed your input, you will click the [Submit!] button. This will generate a confirmation e-mail and lock your rate. This will also start the closing and delivery timelines required under the program. Note that the confirmation page displays your NCHFA Loan Number. Please use this loan number when corresponding with NCHFA concerning this loan.

### **3.3 Record Retention**

NCHFA may perform random reviews of lender records pertaining to NCHFA's N.C. Home Advantage Mortgage™ program. Therefore, the originating lender is required to maintain for a period of 36 months a copy of the entire loan file, appraisal, and credit package, including closing package.

### **3.4 Annual Recertification Requirements**

On an annual basis, each lender will be required to electronically recertify that it is still in compliance with NCHFA mortgage origination guidelines and reconfirm lender locations and loan officer additions/subtractions. The designated corporate contact for each participating lender will receive an e-mail from NCHFA that contains a single-purpose password and user ID for performing the recertification process. There is a \$375 fee invoiced at the end of the recertification process which participating lenders are required to remit within 30 days of recertification. Failure to recertify may prohibit future participation in NCHFA programs.

In addition, the Master Servicer may require an annual recertification as well.

### **3.5 Program Guide Updates & Revisions**

Revisions of or supplements to this Program Guide may be made from time to time. NCHFA will provide lenders e-mail notifications of program updates and changes. Information contained in the NC Home Advantage Mortgage™ Program Guide is subject to change. It is the lender's responsibility to provide NCHFA with correct e-mail contact information.

### **3.6 Master Servicer Contact Information**

Below is the contact information for ServiSolutions, which is the Master Servicer for the N.C. Home Advantage Mortgage™ loans for loans locked on or after July 15, 2014. Each participating lender must be approved by NCHFA and the Master Servicer through the execution of a Mortgage Origination Agreement. Below is the contact information for the Master Servicer (subject to change):

Master Servicer: Alabama Housing Finance Authority, doing business as  
ServiSolutions

Contact e-mail: lenderinquiries@servsol.com (for general questions)  
RevisionQuestionsNCHFA@ahfa.com (for servicing questions)

Address: ServiSolutions  
Final Documents  
7460 Halcyon Pointe Drive, Suite 200  
Montgomery, AL 36117  
(334)-244-9200

ServiSolutions provides answers to frequently answered questions on its website at [http://servsol.com/lenders/lender\\_faqs.aspx](http://servsol.com/lenders/lender_faqs.aspx). Should you have any questions concerning their guidelines, please contact ServiSolutions at (334) 244-9200 or [lenderinquiries@servsol.com](mailto:lenderinquiries@servsol.com).

It is the lender's responsibility to understand all ServiSolutions requirements for delivery of loans and requirements for purchase of closed loans under the Program.

### **3.7 Lender Compensation**

The lender shall be paid a fixed amount as a servicing release premium (SRP) for all eligible loans under the N.C. Home Advantage Mortgage program that also meet the guidelines of FHA, VA, USDA, or Fannie Mae. The SRP amount is 2.5% for FHA, VA, and USDA. The SRP amount for conventional loans is 1.75%. The SRP is paid on the net balance of the 1<sup>st</sup> mortgage when purchased by the Master Servicer. SRPs may be changed with 60 days advance notice by NCHFA to lender.

Please note extension and penalty fees for late and non-delivery in Section 8.

## Section 4

# Loan Eligibility Guidelines

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The following section details the various loan options available to participating lenders and their eligible borrowers.

### 4.1 N.C. Home Advantage Mortgage™ Loan Program Overview

The N.C. Home Advantage Mortgage™ program offers all eligible borrowers (not just first-time homebuyers) affordable mortgage financing. NCHFA does not make the loan(s) directly to the borrower; instead, its designated Master Servicer purchases eligible loans from its participating lenders.

To be eligible, all borrowers must:

1. Meet FHA, VA, USDA, or Conventional industry guidelines. For example, follow standard industry guidelines for seller contribution, student loans, bankruptcy, foreclosure, etc.
2. Have incomes within the established limits, currently \$87,500 statewide. (If the N.C. Home Advantage Mortgage™ is paired with an MCC, the MCC income guidelines apply.)
3. Have a maximum DTI ratio of 45%.
4. Have a minimum 640 credit score and receive an AUS approval.
5. Occupy the property as a principal residence.

## 4.2 Eligible Loan Types

NCHFAs accept 30-year fixed-rate FHA, VA, USDA and conventional loan types under its N.C. Home Advantage Mortgage™ program. FHA loan types include FHA 203(b) loans and condominium 234(c) loans.

### **FHA 203(k) loans are not eligible.**

Loans requiring repair escrows are acceptable. However, the lender must get advance approval directly from ServiSolutions before proceeding. Approved repairs typically include paint (interior and exterior), carpet, appliances, roofing, minor exterior repairs such as fascia boards, eaves, gutters and window replacements.

ServiSolutions® must issue prior approval for any escrow holdback. The lender must furnish ServiSolutions® with a copy of the escrow agreement and copies of work bid estimates, along with the request for approval. The escrow agreement usually gives the list of repairs, cost of repairs, total price of the holdback (150% of repair unless it is a HUD repo, then it is 110%) and who will hold/disburse the funds. Funds cannot exceed \$10,000 and work must be completed within 10 days of closing. Please send requests to: [NCHFAescrow@ahfa.com](mailto:NCHFAescrow@ahfa.com). Go to [www.servsol.com](http://www.servsol.com) for details.

The lender is responsible for ensuring that the borrower, property, and other aspects of the loan meet the particular insurer and servicing guidelines of the loan type chosen. Credit score requirements are specified in Section 5 and apply to all borrowers on the loan.

All loans financed under the N.C. Home Advantage Mortgage™ program must be purchase transactions. Both repeat buyers and first-time homebuyers are eligible.

### **1. FHA Loan Program**

NCHFAs offer 30-year fixed-rate loans insured by the Federal Housing Administration. These loans are underwritten to FHA and program guidelines. The lender must submit FHA loans through an automated underwriting system approved by FHA and NCHFAs. All loans must receive an AUS Approve/Eligible FHA Total Scorecard credit recommendation. If the information reflected on the final application (Form 1003) differs

from the data submitted to the automated underwriting system (AUS), NCHFA may ask the lender to re-run the submission.

## **2. VA Loan Program**

NCHFA offers 30-year fixed-rate loans guaranteed by the Veterans Administration. These loans are underwritten to VA and program guidelines. The lender must submit VA loans through an automated underwriting system approved by VA and NCHFA. All loans must receive an AUS Approve/Eligible credit recommendation. If the information reflected on the final application (Form 1003) differs from the data submitted to the automated underwriting system, NCHFA may ask the lender to re-run the submission.

## **3. USDA Loan Program**

NCHFA offers 30-year fixed-rate loans guaranteed by the US Department of Agriculture. Lenders must use USDA's Guaranteed Underwriting System (GUS). All loans must receive a GUS Accept credit recommendation. If the information reflected on the final application (Form 1003) differs from the data submitted to the automated underwriting system, NCHFA may ask the lender to re-run the submission.

## **4. Conventional Loan Program**

NCHFA offers 30-year fixed-rate loans under the HFA Preferred program by Fannie Mae. These loans are underwritten to Fannie Mae and program guidelines under FNMA's "HFA Preferred" program. The lender must submit conventional loans through the DU/DO automated underwriting system approved by Fannie Mae and NCHFA.

**Conventional loans must be run through Fannie Mae's Desktop Underwriter (DU) or Desktop Originator (DO); use of Loan Prospector (LP) is not permitted for conventional loans.**

All loans must receive an AUS Approve/Eligible credit recommendation. If the information reflected on the final application (Form 1003) differs from the data submitted to the automated underwriting system (AUS), NCHFA may ask the lender to re-run the submission.

As a special feature under the HFA Preferred program, mortgage insurance coverage is significantly less than a traditional conventional loan. The coverage factors for a loan designated “HFA Preferred” in DU/DO is as follows:

| <b>Loan to Value</b> | <b>Coverage Required</b> |
|----------------------|--------------------------|
| 95.01-97%            | 18%                      |
| 90.01-95%            | 16%                      |
| 85.01-90%            | 12%                      |
| 80.01-85%            | 6%                       |

Use the applicable MI rates for the coverage a factor listed above. Rates may vary by PMI provider. Borrower paid, split premium, and financed MI are all acceptable. In all cases using MI, the max LTV cannot exceed 97% and the CLTV 105%.

#### **4.3 Ineligible Loans/Loan Types**

The following loans and loan types are not eligible for financing under the N.C. Home Advantage Mortgage™ program:

- Refinances (purchase transactions only)
- Vacation homes or “second homes”
- USDA Direct 502
- HUD 184 loans

High priced mortgage loans (HPML) are acceptable if all federal guidelines and Master Servicer guidelines are met. High cost mortgage loans (HCML) are not accepted.

#### **4.4 Down Payment Assistance (DPA)**

Down payment assistance (DPA) is available to all homebuyers who qualify for an N.C. Home Advantage Mortgage™ loan from one of our participating lenders. Income limits are the same for borrowers whether they choose our DPA or not. In addition, the same minimum FICO credit scores and DTI limits apply, regardless of whether the borrower uses DPA.

Eligible borrowers can borrow up to 5% of the first mortgage total loan amount for FHA, VA and USDA loans and up to 3% of the first mortgage loan amount for conventional loans, at 0% interest.

The DPA is provided as a 15-year deferred/forgiven subordinate lien. The DPA is deferred for the first 10 years and forgiven by 20% each year at the end of years 11 through 15. After 15 years, the loan is fully forgiven. Repayment of the DPA (any portion not yet forgiven) is due and payable only when the house is sold or refinanced before year 15 or there is a breach of the Promissory Note.

NCHFA does not offer stand-alone subordinate liens. The DPA is not assumable.

The DPA must be in compliance with all federal and state statutes, rules and regulations, as amended from time to time including, but not limited to, RESPA and mortgage loan servicing regulations, and secured by a residential second-lien mortgage against the borrower's primary residence located within the State. No fees may be charged on the Down Payment Assistance.

The lender must repurchase from NCHFA any DPA upon the occurrence of any of the following events:

- The lender breaches any covenant, warranty or representation in the Mortgage Origination Agreement or this Program Guide,
- The DPA is defective arising from the origination, closing or delivery of the DPA to the Master Servicer,
- The DPA documents are not delivered in a timely manner or in the form described in the Program Guide,

- The DPA does not conform to the terms of its commitment or approval as per the Program Guide,
- Any request by the Master Servicer to repurchase the related first mortgage loan,
- Lender makes any warranty or representation under the Mortgage Origination Agreement which, in the reasonable opinion of NCHFA or the Master Servicer, is determined to be false at the time when made by the Lender. Such representations or warranties include any fraud, material misrepresentation, or material act of omission regarding information submitted for the DPA or related first mortgage, regardless of whether the lender had knowledge.

The repurchase of any DPA will be equal to the unpaid balance of the Note plus any interest, attorneys fees, legal expenses, court costs or other expenses that have been incurred by NCHFA or the Master Servicer regarding the DPA.

#### **1. General Down Payment Assistance Program (DPA) Guidelines**

The N.C. Home Advantage Mortgage™ is a fixed-rate FHA, USDA, VA, or conventional 30-year loan. The borrower may use our deferred/forgiven DPA toward down payment assistance, closing costs, or prepaid expenses on an eligible FHA, USDA, VA, or conventional loan type. The amount of DPA is up to 5% of the first mortgage total loan amount for FHA, USDA or VA loans and up to 3% of the base first mortgage loan amount for conventional loans.

In addition, the borrower can obtain subordinate financing from other sources that also meet FHA, VA, USDA, and conventional guidelines.

Gift funds are eligible as long as the loan type (i.e., FHA, USDA, VA or conventional) allows them. Conventional loans must also comply with any requirements of the PMI company used.

DPA subordinate mortgages (up to 5% for FHA, USDA or VA loans and up to 3% for conventional loans) must be funded directly by the lender at closing. The Master Servicer will reimburse the lender for both the 1<sup>st</sup> and NCHFA DPA subordinate mortgage upon purchase by the Master Servicer. [Please note that if the loan has an NCHFA CPLP subordinate (not an N.C. Home Advantage DPA), the CPLP subordinate will be funded

directly by NCHFA via check. For CPLP subordinates, NCHFA must be notified six business days in advance of closing to be able to provide a check to closing.]

**2. Closing of DPAs in NCHFA's Name**

The lender must close the NCHFA DPA subordinate mortgage in NCHFA's name and use our Note and Deed of Trust documents available on our website. Forms 405 and 406 are available on our website at [www.nchfa.com](http://www.nchfa.com).

**3. Qualifying Income**

For borrowers requesting DPA, the income limits are the same as our N.C. Home Advantage Mortgage™ limits. We will use the income listed on the final Form 1003 mortgage application as verification. The 1003 and AUS Findings must match.

**4. Cash Flow**

A cash flow worksheet or analysis is not required. There is no personal asset limitation under this program.

**5. Minimum Investment**

No minimum investment is required from the borrower. Following industry guidelines for loan type, all funds for down payment and closing may come from the borrower's funds, a gift, seller contribution to closing expenses, down payment assistance, or grant.

**6. Maximum Asset Limitation**

There is no maximum asset limitation for the borrower.

**7. Funding of the DPA by Participating Lender**

The lender must fund NCHFA DPA mortgages at closing, with the exception of CPLP subordinate mortgages.

The NCHFA DPA must be closed in North Carolina Housing Finance Agency's name using our Note and Deed of Trust. Forms 405 and 406 are available on our website at [www.nchfa.com](http://www.nchfa.com).

The Master Servicer will purchase the first mortgage and NCHFA DPA from the lender after the approval of the closed loan by the Master Servicer, with the exception of CPLP subordinates which will be funded by NCHFA at closing. The Lender must use the ServiSolutions checklist(s) for delivery.

ServiSolutions requires a copy of the NCHFA Commitment to be included as part of the closing package which is uploaded via OLS. For FHA loans, at the time the lender obtains the Commitment Letter, the document will also contain a Down Payment Assistance (DPA) Award Letter and a Legally Enforceable Obligation Letter pursuant to HUD Mortgagee Letter 2013-14 and HUD Handbook **4000.1 II.A.4.d.ii.(C)** The lender must provide a copy of the Down Payment Assistance (DPA) Award Letter and the Legally Enforceable Obligation Letter executed by the Borrower(s) in the FHA case binder as well as the closed loan file electronically delivered to ServiSolutions by upload in OLS.

The Award Letter must be signed by the borrower(s) at or before closing.

#### **4.5 Lien Position Policy**

At time of closing, NCHFA will take 3<sup>rd</sup> lien position on down payment assistance loans only if the 2<sup>nd</sup> lien is from another governmental agency or non-profit subordinate mortgage.

The 2<sup>nd</sup> lien must be from an eligible source for NCHFA to take a lower lien position. All subordinate financing must meet investor and federal regulatory mortgage guidelines.

#### **4.6 Principal Reduction Policy**

No Principal Reduction is allowed at closing, although minor adjustments may be considered for amounts under \$250.00. If a loan reduction is necessary, then the Lender must have the loan reapproved by NCHFA prior to closing.

#### **4.7 Subordination Policy**

Down payment assistance loans from NCHFA are not eligible for subordination upon a refinance by the lender or any third party. The lender may request pay off information at [subordinations@nchfa.com](mailto:subordinations@nchfa.com) and provide details of the transaction. Under no circumstances will a cash-out be allowed for subordinations.

## Section 5

# Borrower Eligibility Guidelines

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Lenders must review the borrower requirements of this section to ensure the eligibility of mortgages to be purchased in the program.

The lender is responsible for ensuring the borrower's compliance with various program requirements, including the income limit requirement.

### 5.1 Borrower Requirements

1. Borrower(s) shall occupy the property as a principal residence within sixty (60) days after loan closing.
2. Borrowers do not have to be first-time homebuyers. Move-up/repeat buyers are also eligible.
3. Pre-purchase education is required for first-time homebuyers and/or as required by DU/DO Findings.

### 5.2 Pre-Purchase Education Requirement for First-Time Homebuyers

Pre-purchase education is required for first-time homebuyers. The Lender should submit evidence of pre-purchase education via a certificate as part of the document upload to NCHFA prior to issuance of NCHFA's Commitment. On-line pre-purchase education programs are acceptable. If the loan has more than one borrower, and one of the borrowers is not a first-time homebuyer, then no pre-purchase education certificate is required.

### 5.3 Income Limits

Borrower(s) must meet the income limits for the program, and lenders must calculate income using the procedures outlined in this section. Please note that if the N.C. Home Advantage Mortgage™ product is paired with an MCC, then the MCC income guidelines must be followed.

Qualifying income is defined by FHA, VA, USDA, or conventional industry guidelines. The N.C. Home Advantage Mortgage™ program does not count household income of non-borrower individuals. NCHFA will use the income specified on the final application (1003) for compliance.

Income limits are a single statewide limit for the N.C. Home Advantage Mortgage™ product, unless it is paired with an MCC in which case the county-by-county MCC income limits apply. Our income limits are subject to change.

Current income limits can be found on our website at [www.nchfa.com](http://www.nchfa.com) or via OLS at [www.nchfa.org/OLS/login.aspx](http://www.nchfa.org/OLS/login.aspx).

### 5.4 Ratios

The maximum debt-to-income ratio for all loan types with or without down payment assistance is 45.0%. These ratio maximums apply to all NC Home Advantage Mortgage™ loans regardless of the AUS recommendation.

### 5.5 Credit Score Requirements

All loans must receive an AUS Approve/Eligible credit recommendation (DU/GUS/FHA Total Scorecard). **In addition, all borrower(s) must have a minimum of two credit scores**, the lowest or mid-score being 640 or higher. Both borrower and co-borrower must meet these credit score minimum thresholds, including any GNMA, FNMA or MI company minimum credit scores, if applicable.

To determine the applicable minimum credit score, the lender should first evaluate each borrower separately. The applicable credit score is the lower score when two credit scores are obtained or the middle score when three credit scores are obtained. **Borrower(s) with only one score or no credit scores are not eligible for the program.**

If more than one individual is applying for the same mortgage, the lender should determine the applicable credit score for each individual borrower and then select the lowest applicable score from the group as the “representative” credit score for the mortgage. The “representative” credit score for the mortgage should be used to underwrite and evaluate the comprehensive risk for the mortgage application.

NCHFA does not accept loans with non-traditional credit histories, no credit scores, or borrower(s) with one credit score.

## **5.6 Collections Policy**

Industry standards for payment of collections vary based on loan type. The Automated Underwriting Systems [Desktop Underwriter (DU), Desktop Originator (DO), FHA Total Scorecard or Guaranteed Underwriting System (GUS)] must show that all collections were included in the final AUS Findings analysis.

All judgments regardless of the balance must be paid in full prior to or at closing or meet industry guidelines for repayment, if applicable.

## **5.7 Bankruptcy Policy**

The participating lender should follow industry standards regarding bankruptcy waiting periods which may vary based on loan type. NCHFA does not have a standalone policy regarding prior or existing bankruptcy waiting periods.

*Section 6*

## Property Eligibility Guidelines

Lenders must review the property requirements of this section to ensure the eligibility of mortgages to be purchased in the program.

### 6.1 Property Requirements

There is no NCHFA sales price limit for a home financed through the N.C. Home Advantage Mortgage™ program unless the N.C. Home Advantage Mortgage™ is paired with an MCC. **Sales price limits are determined by the loan program and insurer guidelines.**

1. The residence must be located in North Carolina and must be eligible for mortgage insurance under FHA, VA, USDA, or conventional guidelines as a principal residence.
2. Eligible Property Types by Loan Program:

| <u>FHA, USDA, VA Eligible Properties</u>   | <u>Conventional Eligible Properties</u>   |
|--|---|
| <ul style="list-style-type: none"> <li>▪ Single family detached or semi-detached</li> <li>▪ Townhomes</li> <li>▪ Condos</li> <li>▪ Modular homes – new or existing</li> <li>▪ Duplexes</li> <li>▪ Manufactured Homes (new, never occupied; double-wide or greater only)</li> </ul> | <ul style="list-style-type: none"> <li>▪ Single family detached or semi-detached</li> <li>▪ Townhomes</li> <li>▪ Condos</li> <li>▪ Modular Homes–new or existing Off Frame only</li> </ul> <p>Note: Duplexes NOT eligible under the conventional program.</p> |

**3. Manufactured homes** have certain requirements that are more restrictive than other property types. These include the following:

- a. 660 credit score or higher
- b. New construction only (never previously occupied)
- c. Must be on permanent foundation and taxed as real estate
- d. Appraisal must be on Form 1004C
- e. ALTA 7.1-06 title endorsement required

## **6.2 Repairs and Escrows for Completion**

Repairs to the property and escrows for completion are handled by the originating lender and must be completed according to Master Servicer requirements. Master Servicer's requirements can be located at <http://www.servsol.com/>.

## **6.3 Owning More Than One Home**

If the borrower(s) intends to retain ownership in more than one residence after closing, including rental, vacation, or second homes, the lender must verify that the borrower(s) are eligible for financing according to industry guidelines from FNMA, FHA, VA, or USDA.

All loans financed under the N.C. Home Advantage Mortgage™ program must be for a primary residence.

## Section 7

# Loan Origination and Underwriting Steps

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### 7.1 General

Eligible borrowers apply for the N.C. Home Advantage Mortgage™ program at participating lenders by completing a standard mortgage application. If the loan meets the applicable credit and underwriting guidelines, the lender would enter the requested information and lock the loan in OLS, starting the 60-day lock and establishing the Lock-In Expiration Date, the date by which the loan must be purchased by the Master Servicer. Subsequent to locking the loan, the lender must upload the requested documents for NCHFA's review prior to closing. Once NCHFA approves the documents, it issues a Commitment, pending the Master Servicer's approval of the loan post-closing. **In no instance should any N.C. Home Advantage Mortgage™ loan close without a Commitment from NCHFA.** Limited exceptions on a case-by-case basis when eligible under investor guidelines.

Documents required to be uploaded via OLS electronically should be submitted as early as possible to allow sufficient time for NCHFA to review the file and for the lender to make corrections. NCHFA will review files on a first-come, first-served basis within 48 hours of receipt. This policy also applies to any additional or revised documentation which is submitted at a later date.

## 7.2 Loan Origination

Borrowers and non-borrowing occupants are required to meet all FHA, VA, USDA, or conventional industry guidelines, and loans must be eligible for FHA insurance, VA or USDA guarantee, or private mortgage insurance (PMI). Conventional loans may use any Fannie Mae approved PMI company. Conventional loans equal to or less than 80% LTV do not require PMI.

Note: The following procedures outlined here suggest the typical sequence of events for N.C. Home Advantage Mortgage™ loans:

1. Borrower reviews program details or visits our website at [www.nchfa.com](http://www.nchfa.com) and schedules an appointment with a participating lender.
2. If the preliminary screening indicates that the borrower meets N.C. Home Advantage Mortgage™ program guidelines and the loan meets FHA, VA, USDA, or conventional underwriting guidelines, the lender takes a formal application.
3. Lender verifies that borrower's income, DTI ratio, and industry guidelines are met. The lender's underwriting staff runs AUS Findings and completes a formal underwriting review of the loan file.
4. If DPA funds are part of the transaction, after October 3, 2015, only a TIL is required for the 2<sup>nd</sup> Mortgage. No fees may be charged on the second. If you are unable to generate a TIL, a substitute TIL is available on our website at [www.NCHFA.com](http://www.NCHFA.com).
5. All loans must receive an AUS Approve/Eligible credit recommendation (DU/GUS/FHA Total Scorecard). In addition, all borrower(s) must have a minimum of two credit scores, the lowest score being 640. **For conventional loans, only loans that are DU eligible are allowed (LP is not accepted for these loans).**

To determine the single applicable credit score, the lender should first evaluate each borrower separately. The single applicable credit score is the lower score when two credit scores are obtained or the middle score when three credit scores are obtained. If the borrower(s) only has one credit score, they are not eligible for financing.

6. NCHFA will not accept loans with non-traditional credit histories or those with only one credit score, regardless of the loan type.

7. After the lender has underwritten the borrower loan file, the lender will access the Online Lender Services System (OLS) (<http://www.nchfa.org/ols/login.aspx>) and input the loan information and print the lock confirmation form. Once this step is complete, the interest rate is locked for a period of 60 days. Expired locks are subject to a mark-to-market fee based on market conditions at the time the loan is purchased. To avoid a mark-to-market fee, an extension may be requested via OLS, for which extension fees apply.

8. After the rate is locked and prior to closing, the lender must upload the documents required for NCHFA's review via OLS. See Section 7.3 for details on documents to upload.

9. Once all required documents are uploaded, NCHFA will review the documents within 48 hours. NCHFA will notify the lender via OLS if there are any issues to be addressed with the uploaded documents. If the documents are approved, NCHFA will issue a Commitment via e-mail to the participating lender. For an FHA loan with DPA, the printing of the Commitment will also include a Down Payment Assistance Award Letter which the lender will provide to the borrower as well as a Legally Enforceable Obligation Letter pursuant to HUD Mortgagee Letter 2013-14 and HUD Handbook **4000.1 II.A.4.d.ii.(C)**.

NCHFA reserves the right to reject any mortgage loan application if, in its sole discretion, NCHFA believes the mortgage loans do not comply with all rules, procedures and guidelines set forth in this Program Guide.

### **7.3 Pre-Closing Forms/Documents Required**

The participating lender shall upload via OLS the following documents prior to closing an N.C. Home Advantage Mortgage™ loan:

1. Final Uniform Residential Loan Application (Form 1003)
2. Automated Underwriting System (AUS) Findings (final)
3. Loan Estimate (LE) on 1<sup>st</sup> and TIL on 2<sup>nd</sup> (if utilizing DPA)
4. Proof of homebuyer's homeownership education (if first-time home buyer)

Please note that if the N.C. Home Advantage Mortgage™ loan is paired with an MCC, the MCC guidelines for documents required must be followed and take precedence.

Once all documents are uploaded, NCHFA reviews the submission package for completeness and verifies income and ratios according to program guidelines.

If the submission package is acceptable, NCHFA will provide a Commitment, which the lender will be able to print via OLS. **No N.C. Home Advantage Mortgage™ loan may close without a formal approval and Loan Commitment from NCHFA.**

If the loan is an FHA loan and has DPA associated with it, the Commitment letter will also contain a Down Payment Assistance (DPA) Award Letter and a Legally Enforceable Obligation Letter.

The Master Servicer will purchase a 1<sup>st</sup> mortgage loan and a DPA loan in a specified amount from the lender on evidence of compliance with the N.C. Home Advantage™ program requirements and the closing of the mortgage loan.

Note: If anything on Form 1003 or AUS Findings changes after issuance of the Commitment letter, the loan may be subject to non-purchase. A TIL is always required on the 2<sup>nd</sup> mortgage. **No fees can be charged on the 2<sup>nd</sup> mortgage.**

#### **7.4 Loan Closing After NCHFA Issues Commitment**

1. No N.C. Home Advantage Mortgage™ loan may be closed without NCHFA's Commitment prior to loan closing.
2. The lender should provide copies of the following documents to the closing attorney prior to closing (forms available at [www.servsol.com](http://www.servsol.com)):
  - Early Default Notification
  - Quality Control Certification and Authorization

**These documents are found on the ServiSolutions website in the following link:**  
[www.servsol.com/lenders/nchfa\\_documents.aspx](http://www.servsol.com/lenders/nchfa_documents.aspx).

3. If the loan does not meet all program and industry guidelines, the loan will not be purchased by the Master Servicer. Contact an NCHFA underwriter if you have any questions.
4. Lender closes the loan following its normal procedure. If using NCHFA DPA, make sure to use Form 405 N.C. Home Advantage Mortgage™ DPA Deed of Trust and Form 406 N.C. Home Advantage Mortgage™ DPA Promissory Note, available on OLS and NCHFA's website. Forms 505 and 506 should be used for the \$15,000 DPA offered in the five (5) eligible counties.
5. We require all of our participating lenders to be MERS® members.

**Steps for lenders who are MERS® Members**

- a. Generate a MIN (Mortgage Identification Number) within your system and place the MIN on the Deed of Trust.
- b. Use the MOM (MERS as Original Mortgagee) Deed of Trust form.
- c. Register the loan in your name with the MERS® System using your MERS Org. ID as Servicer and Investor within 10 business days of closing.
- d. Initiate Transfer of Beneficial Rights (TOB) and Transfer of Servicing Rights (TOS) or combined TOS/TOB to ServiSolutions.

|                |         |
|----------------|---------|
| Servicer       | ORG ID  |
| ServiSolutions | 1002536 |

5. Lender should further instruct the closing attorney/agent as follows:
  - a. The borrower(s) may not be charged discount points.
  - b. The mortgage payment must include amounts to pay the property taxes and all applicable insurances.
  - c. The Trustee fee on all Deeds of Trust must be 5%.

- d. If the borrower is receiving DPA, the Closing Disclosure for the first mortgage must reflect the correct subordinate financing calculation. A TIL is required on the 2<sup>nd</sup> mortgage and the APR must be 0%.
- e. The following homeowners' and flood insurance mortgagee clauses must be used:

1<sup>st</sup> Mortgage:

ServiSolutions a department of Alabama Housing Finance Authority

ServiSolutions

Its successors and/or assigns, as their interest may appear

PO Box 242967

Montgomery, AL 36124-2967

Note that the maximum hazard insurance deductible per ServiSolutions for government loans (FHA, VA, USDA) is the greater of \$2,500 or 2.5% of the face amount of the policy. The flood insurance deductible on a conventional loan may not exceed \$2,000.

NCHFA Subordinate Loan (DPA) - Additional Mortgagee Clause

North Carolina Housing Finance Agency

Its successors and/or assigns, as their interest may appear

PO Box 28066

Raleigh, NC 27611-8066

## Section 8

# Post-Closing Processing Steps

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### 8.1 General

After the participating lender has closed the N.C. Home Advantage Mortgage™ loan according to the guidelines specified in Section 7, it should follow the procedures outlined below for post-closing steps. NCHFA's designated Master Servicer will only purchase mortgages that are originated by approved participating lenders, which meet compliance with program guidelines including federal and state requirements.

**The closing package related to the closed loan must be uploaded to OLS using the Master Servicer stacking order within 10 calendar days after closing.** The stacking order of documents is detailed in the following link on the ServiSolutions website: [www.servisol.com/lenders/nchfa\\_documents.aspx](http://www.servisol.com/lenders/nchfa_documents.aspx). The closing package needs to contain all documents in the proper order and uploaded as one pdf file to ensure a timely review of the documents by ServiSolutions. Neither NCHFA nor the Master Servicer is obligated to purchase a loan past its Lock-in Expiration Date if the loan has not been timely extended by the lender via OLS prior to its expiration date.

**A. *Review of the Mortgage Loan.***

The closed mortgage loan package is to be received by ServiSolutions within 10 days of loan closing.

1. Lenders must check the closed loan package to confirm all items listed on the Funding Checklist are included in the package. Loans will not be funded if any of the items on the checklist are missing or incorrect.

2. All loans purchased by ServiSolutions will require mandatory registration with MERS. No assignments will be accepted for first or second mortgages. Lenders must transfer all applicable rights in MERS to ServiSolutions immediately after purchase.

Upon completion of the closed loan file compliance review, the mortgage loan(s) will be funded if the file is complete and is in compliance with all requirements. Closed loan packages will not be funded until all required fundable documentation has been received and all compliance issues cleared.

**B. *Penalties Withheld From Funding.***

Lenders have 10 days from closing to deliver the complete closed loan package to ServiSolutions. A loan is considered to be in a fundable condition when a complete closed loan package is delivered without errors or missing documents. Also, loans with delinquent payments will not be purchased. Lenders will have 40 days from the date of closing to clear the loan exception with no penalty. If the loan is not cleared until 41 days from the date of closing, the lender will be charged a late delivery fee of 50 basis points (0.50%) of the principal purchased. If the file is not cleared by the 71st day from the date of closing, original Notes will be returned to the lender and the loan(s) will not be purchased. This section does not override any applicable lock expiration period.

Extension fees may be required if the loan is not funded by the applicable expiration date. The amounts of all fees and penalties are subject to change. Please refer to the current schedule of penalties and fees located at [www.servsol.com](http://www.servsol.com) for the most current information.

### ***C. Funding of the Mortgage Loan.***

ServiSolutions will issue an ACH (or wire) on single and multiple fundings each Wednesday and Friday for each lender. A breakdown of the multiple lender's fundings will be included with the ACH or wire. Any discrepancies should be directed to the Funding and Delivery Department at ServiSolutions. Only one set of ACH/wiring instructions will be accepted from each lender. Lenders are allowed one change to the wiring instructions per calendar year. Subsequent changes to ACH/wiring instructions will result in a \$500 fee per transaction.

Lenders are responsible for servicing the loan until purchased by ServiSolutions to include the payment of all required escrow disbursements for each loan during the period from closing to purchase.

In general, fundable closed mortgage loan packages received by the close of the business day on Monday of each week will be funded on Friday and those received by the close of business on Thursday will be funded on Wednesday of the next week once approved by North Carolina Housing Finance Agency.

The funding amount for both first and second mortgages will consist of:

1. Scheduled unpaid principal balance.
2. Servicing Release Premium per the Program Guidelines. (first mortgages only)
3. Interest from the closing date through the purchase date or interest from the last paid installment date to purchase date at the loan's per diem rate.

Amounts to be deducted from funding of both first and second mortgages will consist of:

1. Penalties or fees assessed in B or C.
2. Flood notification transfer fee of \$10 (not required for flood certification from CoreLogic).
3. Prepaid interest (Loans purchased by the 10th of the month prior to the first payment due date only).
4. Prepaid escrow (unless after first payment) or current amortized escrow balance on the loan less and disbursements
5. Tax service fee of \$65
6. Loan Level Price Adjustments (Fannie Mae Standard loans only).
7. eDocs Administration Fee of \$40 (if applicable).
8. Wire fee of \$20 (per transaction (if applicable))

***D. Final Documentation.***

The lender is to submit the final mortgage loan documentation consisting of the following original documents to ServiSolutions within 120 days of closing:

- Recorded First Mortgage
- Title Policy
- Mortgage Insurance documentation (FHA Mortgage Insurance Certificate, PMI Certificate of Coverage, Loan Guaranty Certificate)
- Recorded Second Mortgage (if applicable)

### ***E. Transfer of Loan Servicing Rights and Benefits.***

The originating lender retains the loan servicing rights and benefits until ServiSolutions purchases the loan. The originating lender will perform all servicing duties until that time. Servicing and benefits rights transfers to ServiSolutions at the time of loan purchase. Lender will be sent a reminder along with the purchase payment advice to send out their goodbye letter to the borrower ServiSolutions will send the borrowers a Notice of Sale, Assignment or Transfer and two temporary payment coupons at the time of loan purchase. The first payment due to ServiSolutions will be determined based upon when the Notice of Sale, Assignment or Transfer is sent. If the loan is purchased (purchase date) on or before the 10th of the month, the first payment due to ServiSolutions will be the next scheduled monthly payment due date. After the 10th, the effective date will roll to the following scheduled monthly payment due date. The lender must transfer the loan to ServiSolutions through the MERS system immediately after purchase.

### ***Examples***

1. A loan that closed on 06/02/16 is received by ServiSolutions 06/8/16 and is being funded on 06/10/16. This loan will be purchased at the original note amount with no late delivery penalty.
2. A loan that closed on 06/24/16 is not received by ServiSolutions until 7/28/16 and is ready to be funded on 08/11/16. The initial payment on this loan is due on 08/01/16. Since this loan is being purchased after the 10th of the month, the loan will be purchased effective with the payment scheduled for 10/01/16. The lender would be charged a late delivery fee of 50 basis points (0.50%) of the principal purchased.

## **8.2 Uploading the Closing Package in OLS**

All closing documents are to be uploaded in OLS within 10 calendar days after closing to ensure that the Master Servicer has adequate time to review the documents, clear contingencies and purchase the loan no later than the Lock-In Expiration Date.

The Master Servicer provides a complete checklist and stacking order of required documents on its website at [www.servsol.com/lenders/nchfa\\_documents.aspx](http://www.servsol.com/lenders/nchfa_documents.aspx) or you may request assistance from the Master Servicer at [lenderinquiries@servsol.com](mailto:lenderinquiries@servsol.com).

The closing package will be uploaded as a single, combined pdf document into OLS following the stacking order specified by ServiSolutions for its review. As part of its review process, if the Master Servicer needs additional documents or corrections to documents already provided, the Lender may upload additional documents in the same manner into OLS. Omission of required documents or documents that do not follow the stacking order as directed by ServiSolutions will result in delays of the review process and may require another upload of the entire package.

The first mortgage NOTE must be endorsed by the lender as follows:

“Pay to the Order of ServiSolutions, a Department of Alabama Housing Finance Authority without Recourse” and must be signed by the appropriate lending official. This endorsement should be on the last page of the Note.

**The use of an Allonge is not acceptable.**

The original Note and Deed of Trust for the first mortgage and the original Form 406 - Promissory Note and Form 405 – Deed of Trust for the NCHFA subordinate mortgage (DPA). (Form 506 and Form 505 for \$15,000 DPA) must be mailed to ServiSolutions at the following address:

ServiSolutions                      Attn: Funding and Delivery  
7460 Halcyon Pointe Drive, Suite 200  
Montgomery, AL 36117

The signature(s) and date on the Promissory Note must match the first mortgage Note. Under no circumstances is the lender allowed to advance a mortgage payment on behalf of the borrower.

The Master Servicer website, which has copies of its checklist and other information, may be found at [www.servsol.com](http://www.servsol.com).

### **8.3 Loan Purchase Review and Funding**

As noted in Section 8.2, mortgage loan closing documents are uploaded into OLS within 10 calendar days after closing for review by the Master Servicer.

1. The Master Servicer reviews the closing package for completeness and compliance. If the Master Servicer needs corrected documents or additional documents in its review process, it will notify the lender by e-mail. The lender may upload the additional documents via OLS as one PDF document in the same manner as it did the original closing package, and these additional documents will be transmitted to the Master Servicer.
2. Loans are purchased by the Master Servicer twice weekly on Wednesdays and Fridays. If the loan has not been delivered to the Master Servicer by the Lock-In Expiration Date, the lender must request an extension via OLS and an associated extension fee will be assessed. Locks that expire without an extension will be assessed a mark-to-market fee at the time of purchase based on market conditions.
3. The Master Servicer will purchase mortgages in the sequence in which they are approved for funding by the Master Servicer and wire transfer or ACH funds to the specified account of the lender. The Master Servicer cannot make assurances about the time required for mortgages to be purchased.
4. Purchase schedules will be forwarded to originating lenders by the Master Servicer indicating which loans will be purchased.
5. The Master Servicer will pay to the lender compensation based on the first loan amount, inclusive of any servicing release premium, upon completed purchase of the loan(s). Any extension fees (for extended locks) or mark-to-market fees (for expired locks) will be netted from the lender compensation amount at the time of purchase.
6. For fees and costs at loan purchase/funding please refer to section 8.1 C.

#### **8.4 Shipping the Final Documents to Master Servicer**

1. All final documents (recorded Deed of Trust, Title Policy, and any corrections and/or title endorsements must be received by the Master Servicer within 120 days of loan closing.

The lender should send all final documents to the following address:

ServiSolutions  
Post-Closing Documents  
7460 Halcyon Pointe Drive, Suite 200  
Montgomery, AL 36117

(Please use the Master Servicer checklist found at  
[www.servsol.com/lenders/nchfa\\_documents.aspx](http://www.servsol.com/lenders/nchfa_documents.aspx))

2. Lender must submit to the Master Servicer the original executed FHA Mortgage Insurance Certificate (MIC), Loan Guaranty Certificate (LGC) for VA, Loan Note Guarantee (LNG) for USDA loans, or Mortgage Insurance Certificate (MIC) for conventional loans. Failure to submit the insurance or guaranty certificate may result in a claim for the mortgage to be repurchased.
3. If a subordinate mortgage is included in the transaction, the Title Policy must reference both the 1<sup>st</sup> and 2<sup>nd</sup> Deed of Trust mortgages in the policy. The title insurance companies should include the second Deed of Trust (the “DPA”) under Part II and list the specific coverage. The insurer must endorse the title policy and complete the Part II information correctly. A separate Title Policy for the 2<sup>nd</sup> is not required.
4. Our Master Servicer, ServiSolutions, does not offer mortgage life or disability insurance or any other type of optional insurance. Lenders are required to not include optional insurance products with loans sold to ServiSolutions.

## *Section 9*

# **Rate Extensions, Changes to Lock-In and Loan Withdrawal Guidelines**

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The lender is responsible for ensuring that loan officers and underwriters understand the qualifying guidelines and program requirements, including the income limit requirement. Below are additional miscellaneous requirements of which each participating lender should be aware.

### **9.1 Late File Submission**

The loan must be purchased by the Master Servicer prior to the Lock-In Expiration Date. If the loan is not going to be purchased by the Lock-In Expiration Date, and the loan has not been delivered via the OLS to ServiSolutions, the lender must request an extension via OLS prior to the Lock-In Expiration Date, and an extension fee will apply. If the loan has been delivered to ServiSolutions prior to the lock in expiration, but not yet purchased, ServiSolutions will extend the loan in 7 day increments. for up to 30 days. If the lock expires, a mark-to-market fee will be applied to the loan which is assessed based on market conditions at the time the loan is purchased by the Master Servicer.

An extension fee or mark-to-market fee can only be charged to the borrower where allowed by RESPA and all other federal regulations and/or state laws are in compliance. Proper disclosures and re-disclosures must meet all federal and state requirements.

The extensions are applied in the following manner:

**If the complete closing package has been uploaded by the Lender via OLS in the proper stacking order prior to the original Lock-In Expiration Date:**

The lock will automatically be extended in 7-day increments with an associated extension fee of 0.09375% applied for each 7-day extension until the loan is purchased by the Master Servicer.

**If the closing package has not been uploaded by the Lender via OLS prior to the original Lock-In Expiration Date:**

The lender must request an extension via OLS prior to the Lock-In Expiration Date.

If the lender fails to request an extension via OLS prior to the Lock-In Expiration Date, the lock expires and will be assessed a mark-to-market fee based on market conditions at the time the loan is purchased by the Master Servicer.

If the lender requests an extension via OLS prior to the Lock-In Expiration Date, a 15-day or 30-day extension will be granted at an extension fee of 0.1875% or 0.375%, respectively:

- If the Lender uploads the complete closing package in the proper stacking order prior to the end of the extension period, the lock will automatically be extended in 7-day increments with an associated 7-day extension fee of .09375% applied for each 7-day extension until the loan is purchased by the Master Servicer.
- If the Lender requested a 30-day extension, but the Lender has not yet uploaded the complete closing package in OLS prior to the end of the 30-day extension period, the lock expires and will be assessed a mark-to-market fee based on market conditions at the time the loan is purchased by the Master Servicer.

- If the Lender requested a 15-day extension, but the lender has not yet uploaded the complete closing package in OLS prior to the end of the 15-day extension period, the Lender has one additional opportunity to request a second 15-day extension in OLS. If at the end of the second 15-day extension period, the complete closing package has not be uploaded, the lock expires and will be assessed a mark-to-market fee based on market conditions at the time the loan is purchased by the Master Servicer.

Please note that for the closing package to have been properly uploaded, it must contain all the documents requested and in the stacking order as directed by the Master Servicer on its website: [www.servsol.com/lenders/nchfa\\_documents.aspx](http://www.servsol.com/lenders/nchfa_documents.aspx). Uploading a partial file does not constitute a proper upload of the closing package and will result in delays in the review process and may require the documents to be uploaded again in the proper order.

All extension fees or mark-to-market fees will automatically be deducted from the lender compensation at the time that the Master Servicer purchases the loan from the lender. The lender will be notified once via e-mail prior to the expiration of any lock.

## **9.2 Interest Rate Lock-In Policy**

The N.C. Home Advantage Mortgage™ program is available on a loan-by-loan, first-come, first-served basis. NCHFA offers a 60-day lock-in period, which may vary from time to time. The mortgage loan must close and be purchased by the Master Servicer by the Lock-In Expiration Date. Once the mortgage loan closes, the lender must upload the Closing Package via OLS for review by the Master Servicer in accordance with Section 8. If the loan is not purchased by the Lock-In Expiration Date, but the lock has been granted an extension, extension fees will apply and will be deducted from the final remittance amount.

If the lock has expired, the loan will be assessed a mark-to-market fee based on market conditions at the time the Master Servicer purchases the loan from the lender. In no instance will the mark-to-market fee be less than what would have been charged if a timely extension had been requested.

**NOTE: If a lock is withdrawn, cancelled or has expired, the lender cannot initiate a new lock for the borrower until 60 days after the earlier of the withdrawal, cancellation or expiration of the original lock.**

**EXCEPTION: A lock-in is for a borrower and specific property.** If the property is not purchased and the borrower subsequently contracts for a different property, a new manual lock can be requested immediately at [ratelocks@nchfa.com](mailto:ratelocks@nchfa.com).

### 9.3 Requesting an Extension

Extensions may be requested for expiring locks by submitting a request for extension via OLS. All extensions will incur an extension fee which will be deducted from lender compensation at the time that the loan is purchased by the Master Servicer.

If the complete closing package has been uploaded in the proper stacking order via OLS prior to the original Lock-In Expiration Date, the loan will automatically be granted extensions until the loan is purchased by the Master Servicer. **Please note that the closing package that is uploaded must be complete in accordance with the Master Servicer stacking order as directed in the following link: [www.servsol.com/lenders/nchfa\\_documents.aspx](http://www.servsol.com/lenders/nchfa_documents.aspx). If the document uploaded does not reflect a complete closing package in accordance with the Master Servicer stacking order, it will be deemed as not having been received.**

The only two instances in which a lock will expire are the following:

- If the complete closing package has not been uploaded into OLS by the original Lock-In Expiration Date, and the lender fails to request an extension via OLS prior to the Lock-In Expiration Date.
- If the lender timely requested a 30-day extension via OLS or two 15-day extensions via OLS, but the complete closing package still has not been uploaded into OLS by the lender by the end of the 30-day extension period.

If the lock expires, the loan will be assessed a mark-to-market fee that will be based on market conditions at the time the loan is purchased by the Master Servicer.

#### 9.4 Changes to a Lock-In

A lender may update the lock-in data by e-mailing the requested changes to [ratelocks@nchfa.com](mailto:ratelocks@nchfa.com). Your request will be reviewed to determine if the changes may be made. **Please note that the loan amount and the purchase price may not be changed by more than 10% of the original amount.**

For example, if the locked-in purchase price was \$100,000 and was subsequently increased to \$108,000 to include additional construction options, the lender may update the purchase price to \$108,000. This is an 8% change and within the allowance. Please note that a change in the first mortgage loan amount may change the DPA to ensure that DPA is no more than 5% of the first mortgage loan amount for an FHA, VA or USDA loan or no more than 3% of the first mortgage loan amount for a conventional loan.

#### 9.5 Withdrawal of Loan Locks

The lender must notify NCHFA of any loan withdrawals by accessing OLS (<https://www.nchfa.org/ols/login.aspx>) and withdrawing the lock. You will be prompted to enter a reason for withdrawing the loan.

**If a lender withdraws a loan lock, the borrower(s) will not be eligible to re-lock under the N.C. Home Advantage Mortgage™ program for 60 days after the earlier of the Lock-In Expiration date or the withdrawal date.**

Only re-locks due to withdrawals from customer changes in subject property address are allowed under 60 days. Rates are not transferrable.

#### 9.6 Duplicate Locks or Borrowers

If lender determines upon entering a borrower's information into OLS that a duplicate lock was previously made, the lender must contact NCHFA. Please contact NCHFA when a duplicate social security number is detected by OLS. Email [ratelocks@nchfa.com](mailto:ratelocks@nchfa.com).

*Section 10*

## Appendices

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- A. N.C. Home Advantage Mortgage™ Program Summary
- B. Documentation Required for N.C. Home Advantage Mortgage™ and MCC-Assisted Loans
- C. Frequently Asked Questions (FAQ)

## N.C. Home Advantage Mortgage™ Program Summary

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The Program Summary below provides a condensed version of information provided in this overall Program Guide.

### **ELIGIBILITY CRITERIA:**

1. The Borrower(s) must meet published income guidelines. Income limits for the N.C. Home Advantage Mortgage™ program do not vary by county and are not dependent on family size unless the N.C. Home Advantage Mortgage™ is paired with an MCC. (Please see Section 5 of this Program Guide for a complete explanation.)
2. Income limits are currently \$87,500 statewide and may be subject to change. The income qualification for the borrower(s) is based on the income shown on the final 1003/AUS Findings. Please note if the N.C. Home Advantage Mortgage™ loan is paired with an MCC, the loan must meet the more restrictive MCC income guidelines.
3. The Borrower(s) do not have to be first-time homebuyers.
4. The Borrower(s) must have a FICO credit score of 640 or higher. Each Borrower must have at least two credit scores.
5. The Borrower(s) cannot have a DTI ratio that exceeds 45.0%.
6. The home must be used as the Borrower's principal residence. (Please see Section 6 of this Program Guide for a complete explanation.)
7. All loans must be underwritten by the lender to meet FHA, VA, USDA, or conventional established guidelines. For conventional loans, only Desktop

Underwriter (DU) findings will be accepted (LP cannot be used for conventional loans).

8. **ALL LOANS MUST RECEIVE A COMMITMENT FROM NCHFA PRIOR TO THE PARTICIPATING LENDER CLOSING THE LOAN.**
9. For conventional loans, you may use any FNMA-approved PMI company.
10. NCHFA reserves the right to request any additional documentation needed to make an accurate determination on any given loan.

**DOWN PAYMENT ASSISTANCE (DPA) OFFERED UNDER N.C. HOME ADVANTAGE MORTGAGE™:**

1. The DPA is a 0% interest rate subordinate mortgage, deferred for the first 10 years and forgiven at a rate of 20% per year at the end of years 11 through 15. If the first mortgage loan is paid in full prior to the end of year 15, the borrower must repay the un-forgiven portion of the DPA.
2. The DPA may be used for down payment assistance, closing costs, and pre-paid items. DPA cannot be used to cover negative equity in the property.
3. The amount of DPA is up to five percent (5%) of the first mortgage total loan amount for FHA, VA and USDA loans (the 5% option is not always available for USDA) and up to three percent (3%) of the first mortgage total loan amount for conventional loans. The lender must determine rate eligibility for each loan type.
4. Borrower may contribute additional cash resources for down payment and closing costs.

5. A TIL for the subordinate mortgage is required. If the lender is unable to generate a TIL, a substitute TIL is available on our website. The APR must be 0%.
6. Lender will fund the first and the DPA directly at closing.

**CLOSING/PURCHASE GUIDELINES:**

1. Borrowers are not allowed to receive cash back at closing other than POCs. Lender credits are allowed, however, neither NCHFA nor ServiSolutions pays lender credits.
2. A Borrower may contribute additional cash resources for closing costs and/or prepaid items.
3. All loans must be purchased by the Master Servicer. Upon purchase, the Participating Lender will be paid lender compensation inclusive of SRP, by the Master Servicer upon purchase of the loan based on the 1<sup>st</sup> loan amount. Any extension fees and mark-to-market fees are reduced from lender compensation at the time of purchase.
4. All 1<sup>st</sup> loans locked through NCHFA must close in the name of the Participating Lender in which the lock was made. DPA mortgages must close in the name of NCHFA.

**OPERATIONS PROCESS:**

1. Participating Lenders can only submit lock requests via OLS for this program on business days between the hours of 9:00 am and 6:00 pm E.S.T. Periodically, OLS may be updating rates during this time period and will not be able to accept locks.
2. Interest rates for the program will appear on the NCHFA website. When a Participating Lender locks a loan via OLS, the lock confirmation will reflect the current interest rate in effect for that loan.

3. A PARTICIPATING LENDER MUST BE APPROVED BY NCHFA AND THE MASTER SERVICER.

4. The purchase of the loan by the Master Servicer must occur by the Lock-In Expiration Date. If the complete closing package in the proper stacking order has been received by the Master Servicer by the Lock-In Expiration Date, the lock will automatically be granted 7-day extensions until the loan is purchased. If the complete closing package has not been received by the Master Servicer by the Lock-In Expiration Date, the lender may request an extension via OLS prior to the expiration date. If the lock is extended, it is subject to extension fees. If the loan is not extended and expires, it is subject to a mark-to-market fee if the loan is purchased by the Master Servicer. Both extension fees and mark-to-market fees are reduced from lender compensation at the time the loan is purchased by the Master Servicer.

5. The Participating Lender must upload any requested conditions to NCHFA via OLS.

**NCHFA STRONGLY ENCOURAGES PARTICIPATING LENDERS TO PRINT THIS  
PROGRAM SUMMARY FOR QUICK REFERENCE**

## Documentation Required for N.C. Home Advantage Mortgage™ and MCC-Assisted Loans

| <b>Documents Submitted for Loan Approval by NCHFA</b><br>(Note: additional docs will be needed for Closing Package sent to Servicer) | <b>N.C. Home Advantage Mortgage™ (3% or 5%)</b> | <b>N.C. Home Advantage Mortgage™ with MCC</b> | <b>MCC Only</b>  | <b>N.C. Home Advantage Mortgage™ with \$15,000 DPA</b> |
|--|---|---|------------------|--|
| Underwriter Data Summary & Approval Form   |   | X   | X                | X  |
| Final AUS findings   | X   | X   | X                | X  |
| Final Application (1003)   | X   | X   | X                | X  |
| Request for Conditional Commitment   |   | (up to 10/17/16)                              | (up to 10/17/16) |  |
| Program Certification – Form 014   |   | (up to 10/17/16)                              | (up to 10/17/16) |  |
| All VOE's for current employment   |   | X   | X                | X  |
| Other income documentation   |   | X   | X                | X  |
| Seller Affidavit – Form 013  |   | X   | X                | X  |
| Last Year's W-2 and/or 1099's  |   | X   | X                | X  |
| Last 3 years tax returns/IRS Transcript  |   | X   | X                | X  |
| Mortgage Affidavit – Form 016  |   | X   | X                | X  |
| Prelim Notice to Applicants of Potential Recapture - Form 015  |   | X   | X                | X  |
| Borrower Closing Affidavit – Form 101  |   | X   | X                | X  |
| Lender Closing Affidavit – Form 102  |   | X   | X                | X  |
| Loan Estimate (LE) on 1st  | X   | X   |                  | X  |
| Proof of First-time homebuyer education (only if all borrowers are first-time homebuyer)   | X   | X   |                  | X  |
| Form 500 – Dodd Frank Certification  | (yes, if \$15k)                                 |   |                  | X  |
| Form 026 – Notice to Borrower  | X (if DPA)                                      | X (if DPA)                                    |                  | X  |
| TIL – if using Down Payment Assistance (2 <sup>nd</sup> mortgages)   | X   | X   |                  | X  |

*Note: The lender must close the NCHFA DPA subordinate mortgage in NCHFA's name and utilize our Note and Deed of Trust documents available on our website. Forms 405/505 and 406/506 are available on our website at [www.nchfa.com](http://www.nchfa.com). ServiSolutions documents to be included at closing are available at <http://www.servsol.com>.*

## Frequently Asked Questions

1. Can I reserve a loan online without locking in a rate? Do you offer a float option?
  - A. No. The loan and rate will be locked upon completion of the lock process using OLS. There is no float option. In addition, if the lock process is not completed to the point of the submission of the rate lock, the data will not be saved. Therefore, please have all data ready to enter at the time of rate lock.
  
2. What happens if my borrower is locked into a rate, and the market rates decline?
  - A. Rates are locked upon receipt of the lock confirmation. Borrowers cannot withdraw and re-lock at a lower rate. A borrower must wait 60 days after the earlier of the withdrawal, cancellation or expiration of a lock before s(he) may re-lock under the N.C. Home Advantage Mortgage™ program.
  
3. When should I lock in the interest rate?
  - A. Lenders should only lock their loans after a full underwrite has occurred by their internal underwriting staff. At a minimum, loans should be locked only after an appraisal, credit, and AUS Findings are completed.
  
4. My borrowers decided not to buy the property for which a rate has been locked. Instead, they want to buy a different property. Market rates have changed since the initial lock-in. Does the borrower retain the old interest rate lock and Lock-In Expiration Date, or does the borrower get a new interest rate lock at today's rates, with a new 60-day Lock-In Expiration Date?
  - A. Borrowers may be allowed to re-lock if the original property has changed and verification of changed property is provided. Rates in effect the day of new lock apply.

5. The original lock-in data included two borrowers. Now, one of the borrowers will not be on the loan after all. How do I correct OLS?
  - A. The lender must contact NCHFA for all changes to locked loans.
  
6. My borrower is currently locked in for an NC Home Advantage Mortgage™ loan with DPA using an FHA-insured loan. My borrower now wants to change the loan type to USDA. Can I do that and keep the same interest rate and expiration date?
  - A. Borrowers may change loan program types between FHA, VA and USDA loans; however, the original Lock-In Expiration Date still applies. A borrower may not switch from a government loan (FHA, VA, USDA) to a conventional loan or vice versa since different rates and lender compensation apply, unless approved by NCHFA.
  
7. My borrower is using your NC Home Advantage Mortgage™. How do I calculate the DPA loan amount?
  - A. Once you determine the loan amount for your borrower, calculate the DPA by multiplying the 1st mortgage loan amount by 3% if it is a conventional loan or up to 5% if it is an FHA, VA or USDA (5% option not always available for USDA) loan. For example, if your sales price is \$125,000, and your first mortgage amount is \$121,250 for a conventional loan, eligible for a 3% DPA, then your DPA amount is \$3,637 (3% of \$121,250). If your loan amount changes, your DPA will be adjusted accordingly so that it does not exceed 3% of the loan amount for a conventional loan or up to 5% of the loan amount for a government loan (FHA, VA or USDA). If the loan is an FHA, VA, or USDA, then calculate the DPA on the total loan amount including MIP, Funding Fee, or Guarantee fee. In the example above, for FHA the base loan is \$120,625. Add MIP of \$2110 for a total loan amount of \$122,735. Then DPA is 3% of \$122,735 or \$3,682.

8. My borrower is buying a “fee simple townhome.” Is he/she eligible for a conventional N.C. Home Advantage Mortgage™?
- A.** Townhomes are acceptable. Condominiums are eligible for conventional financing and must meet all Fannie Mae guidelines.
9. Our underwriter denied the mortgage loan based on information included in the underwriting file. Once the loan was denied, I withdrew the loan from OLS. We have been able to more fully document the underwriter’s concern, and a loan approval has now been issued. Now that the loan has been approved, how do I re-establish the lock-in? Does the borrower still receive the original lock-in rate, or do current market conditions apply?
- A.** The loan will be subject to review by NCHFA.
10. The 1st mortgage loan amount has changed from what I locked in. How do I change the information in OLS?
- A.** The lender must contact NCHFA to make any changes to an existing loan lock. Loan amounts may not change from the original lock by more than 10%.
11. For a conventional loan, what MI coverages are required under the Fannie Mae HFA Preferred program used by NC Home Advantage Mortgage™?
- A.** The table below shows the required coverage for Fannie Mae’s HFA Preferred product used for N.C. Home Advantage Mortgage™ conventional loans:

| <b>Loan to Value</b> | <b>Coverage Required</b> |
|----------------------|--------------------------|
| 95.01-97%            | 18%                      |
| 90.01-95%            | 16%                      |
| 85.01-90%            | 12%                      |
| 80.01-85%            | 6%                       |

12. We will not be able to have the loan purchased by the Master Servicer by the Lock-In Expiration Date. What do I do? Are there any penalties?
- A. All loans must be purchased by the Master Servicer by the Lock-In Expiration Date. If the loan is not able to be purchased by the Master Servicer by the Lock-In Expiration Date, the lender may request an extension via OLS prior to the expiration date, and the loan will be subject to extension fees. If the lock is not extended and expires, it will be subject to a mark-to-market fee if the loan is purchased by the Master Servicer. See Section 9 of Program Guide for details.
  - B. Effective July 16, 2016, the loan **must** be purchased by ServiSolutions by day 40 after loan closing to avoid a late delivery fee. A late delivery fee of .5% will be assessed by ServiSolutions for all loans purchased from day 41 through day 70. On day 71 after closing, the loan will no longer be eligible for purchase by ServiSolutions and all documents received by ServiSolutions will be returned to the originating lender. See Chapter 8 for full details.

## *Section 11*

# **\$15,000 DPA Option (Available in Five Eligible Counties)**

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The \$15,000 down payment assistance (DPA) program is available, from time-to-time, for the purchase of previously occupied homes for qualified first-time home buyers in five counties: Cabarrus, Cumberland, Guilford, Johnston and Mecklenburg counties.

The \$15,000 DPA is funded through the U.S. Department of the Treasury's Hardest Hit Fund®, which is authorized under the Emergency Economic Stabilization Act, Troubled Asset Relief Program (TARP). Special income and sales price limits apply, and it is available for existing, previously occupied properties only.

Qualified borrowers who receive the \$15,000 DPA CANNOT combine these funds with any other down payment assistance programs offered by the Agency (NCHFA).

### **11.1 Property Requirements**

The property must meet all of the requirements of the N.C. Home Advantage Mortgage as detailed in Section 6 of the Program Guide. In addition, the properties must meet the requirements listed below:

- Only available for existing construction (previously occupied) homes. New homes and those that have never been lived in are not eligible.

- The property must be located in one of the following five counties:
  - Cabarrus
  - Cumberland
  - Guilford
  - Johnston
  - Mecklenburg
  
- Maximum sales price/acquisition cost of the home cannot exceed \$245,000.

## **11.2 Borrower Eligibility**

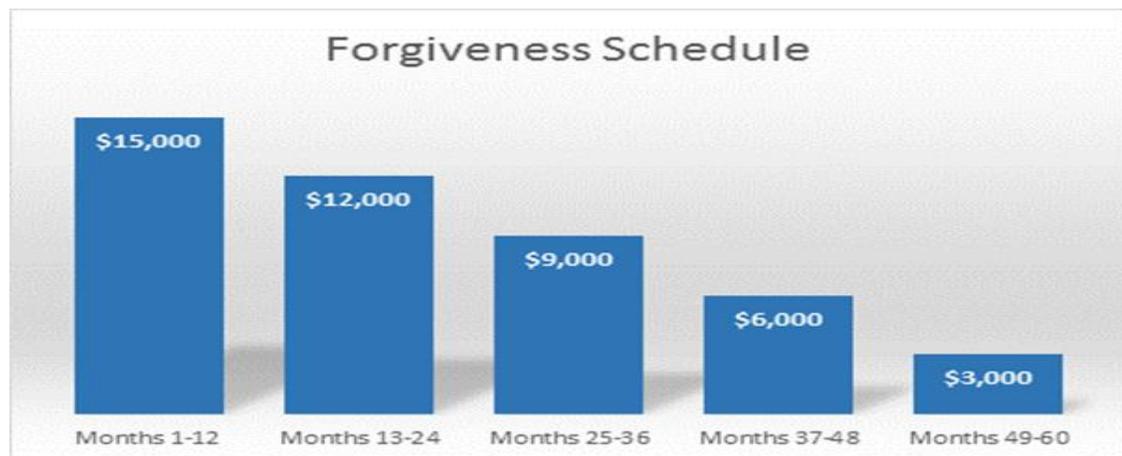
Eligible borrowers must qualify for and meet all requirements of an NC Home Advantage Mortgage as defined in Section 5 of the Program Guide. In addition, the borrower must meet all of the additional requirements listed below:

- Must meet income limits for the Mortgage Credit Certificate program (“MCC”), which are determined based on household income and size. The household income limits are detailed in Section 11.4.
- Must be first-time homebuyers. This applies to all borrowers and non-borrowing co-occupants. For purposes of this DPA program, a first-time homebuyer is someone who has not had an ownership interest in a primary residence in the past three years, unless qualifying under a Veteran’s Exception or purchasing a home in a Federally Designated Targeted Area as specified on our website at [www.nchfa.com](http://www.nchfa.com).
- All occupants must sign our HHF-500, Mortgage Affidavit (Form - 016) and Notice to Borrower (Form 026) which includes an affidavit certifying occupants have not been convicted of a mortgage-related felony in the past ten years.
- Buyers and household members who have been convicted of a mortgage related felony in the last ten years are ineligible for this program.
- Non-occupant co-borrowers are NOT allowed under this program.

### 11.3 Loan Terms and Fees

The first mortgage associated with the \$15,000 DPA must be a N.C. Home Advantage Mortgage loan, and all loan types are eligible (FHA, VA, USDA and conventional). The \$15,000 DPA may be used toward down payment, mortgage insurance and closing expenses. No cash back at closing other than POCs.

The \$15,000 DPA has a five-year term with a 0% interest rate. It is a non-recourse, deferred loan, forgiven over five years. The forgiveness clause reduces the loan amount by 20% a year for every year the borrower stays in the home. At the end of the five years, the note will be considered satisfied and NCHFA will release the lien securing the note. Please note that the forgiveness schedule is annual, not monthly.



All or a portion of the unforgiven loan funds are due and payable to NCHFA if the home is sold, refinanced, or no longer owner-occupied (unless otherwise prohibited under applicable federal law). Loans are repayable only from proceeds to the borrower from a sale or refinance. If the property is sold or refinanced and has not increased in equity to the degree necessary to repay the loan, all or portion of the loan remaining unpaid after the proceeds are applied will be forgiven.

**No subordinations are allowed on the \$15,000 DPA during the first five (5) years.**

Under no circumstances may the lender or any other entity charge the buyer any lender fees, 3<sup>rd</sup> party costs, or other expenses on the \$15,000 subordinate loan. This includes title, recording, and attorney fees. No closing costs are allowed to be charge on the subordinate loan. The DPA cannot be used to cover negative equity.

The subordinate loan must be 0% interest and 0% APR.

All deferred subordinate mortgages will be evidenced by a Promissory Note (Form 506) and secured by a recorded Deed of Trust (Form 505) on the property. **Do not use** Form 405 and 406 for the \$15,000 DPA.

A borrower who obtains the \$15,000 DPA CANNOT use the Mortgage Credit Certificate (MCC) Program.

**Any borrower receiving funds from the \$15,000 DPA Program will not be eligible for other down payment assistance programs offered by NCHFA.**

**If the borrower has previously received Hardest Hit Funds™ (HHF), the maximum amount of all assistance may not exceed \$75,000.**

#### **11.4 Income Limits**

The income limits below apply to the \$15,000 DPA only and **may be subject to change**. The income limits are based on MCC income limits, vary based on number of people living in the home, and reflect gross household income of all occupants (some exceptions).

| <b>County</b> | <b>1-2 Persons Household Size</b> | <b>3+ Persons Household Size</b> |
|---------------|-----------------------------------|----------------------------------|
| Cabarrus      | \$67,000                          | \$77,000                         |
| Cumberland    | \$65,000                          | \$75,000                         |
| Guilford      | \$59,000                          | \$67,000                         |
| Johnston      | \$76,000                          | \$87,500                         |
| Mecklenburg   | \$67,000                          | \$77,000                         |

(Subject to change; see [www.nchfa.com](http://www.nchfa.com) for current limits)

For the \$15,000 DPA option, the gross household income of the buyers and all occupants over the age of 18 intending to live in the property must be counted. The lender and buyer, and all non-borrowing co-occupants will be required to submit the following documents as proof of income:

- Three years of tax returns (or tax transcripts)
- Paystubs
- Verification of Employment (VOEs)

In addition, the buyers and seller must sign and submit additional forms under the \$15,000 DPA program:

- Form 500 (HHF-Dodd Frank Certification)
- Form 013 (Seller Affidavit)
- Form 015 (Preliminary Notice to Applicants of Potential Recapture)
- Form 016 (Mortgage Affidavit and Borrower Certification)
- Form 026 (Notice to Borrower)
- Form 101 (Borrower Closing Affidavit)
- Form 102 (Lender Closing Affidavit)

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