

# NC Home Advantage Mortgage™ Program Guide (excluding \$8,000 DPA)



NC Home Advantage  
MORTGAGE™

**North Carolina Housing  
Financing Agency**

3508 Bush Street  
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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### **1.1 About NCHFA**

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. The mailing address for NCHFA 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

This Program Guide and other resource materials may be downloaded from the NCHFA 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.

### **1.2 Purpose**

The purpose of the NC Home Advantage Mortgage™ Program Guide is to provide a basic overview of the key operational and program details of the NC Home Advantage Mortgage™ and associated programs regarding borrower and property eligibility, credit, underwriting, and closing procedures. Lenders must review and understand all program requirements.

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 requires all participating lender personnel to attend one of these regular training classes to get a more in-depth understanding of these programs.

Lenders who are familiar with the programs described herein may wish to refer to the Program Summaries and FAQs as a refresher.

Information contained in the NC Home Advantage Mortgage™ Program Guide is subject to change. Revisions of or supplements to this Program Guide may be made from time to time. To ensure prompt notification of any changes, it is the lender's responsibility to provide NCHFA with correct e-mail contact information.

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

### 1.3 Program Contact Information

Name	E-mail Address	Telephone (919 Area Code)	Role/Responsibilities
Donna Pruitt <i>Loan Production Coordinator</i>	<a href="mailto:dmp Pruitt@nchfa.com">dmp Pruitt@nchfa.com</a>	877-5692	Underwriting and program questions
Rajeshree Patel-Howard <i>Underwriter</i>	<a href="mailto:rphoward@nchfa.com">rphoward@nchfa.com</a>	981-2688	Underwriting and program questions
Amber Smith <i>Underwriter</i>	<a href="mailto:ansmith@nchfa.com">ansmith@nchfa.com</a>	981-2660	Underwriting and program questions
Justin Cuevas <i>Underwriter</i>	<a href="mailto:jacuevas@nchfa.com">jacuevas@nchfa.com</a>	981-4473	Underwriting and program questions
Lori Purser <i>Underwriter</i>	<a href="mailto:lgpurser@nchfa.com">lgpurser@nchfa.com</a>	981-2608	Underwriting and program questions
Nicole Wivell <i>Underwriter</i>	<a href="mailto:nmwivell@nchfa.com">nmwivell@nchfa.com</a>	877-5677	Underwriting and program questions
Bill Hobbs <i>Lender Liason</i>	<a href="mailto:wahobbs@nchfa.com">wahobbs@nchfa.com</a>	850-2779	Lender outreach, lender visits, support
Kathy Rufiange <i>Training &amp; Outreach Coordinator</i>	<a href="mailto:kprufiange@nchfa.com">kprufiange@nchfa.com</a>	480-8006	Coordinates Lender and realtor training classes
Jan Ott <i>MCC/Bond Closing Specialist</i>	<a href="mailto:jlott@nchfa.com">jlott@nchfa.com</a>	877-5632	MCC closing documents
Rob Ruscak <i>Manager Home Ownership Group</i>	<a href="mailto:rob@nchfa.com">rob@nchfa.com</a>	875-3777	Home Ownership Group Manager
Margie Rivera <i>Customer Service</i>	<a href="mailto:mbrivera@nchfa.com">mbrivera@nchfa.com</a>	877-5710	Customer Service, Locks, User IDs

NCHFA displays current interest rates, loan types and other program information on the NCHFA website. The NCHFA website address is [www.nchfa.com](http://www.nchfa.com). Participating lenders must use NCHFA's Online Lender Services System (OLS) to reserve loans and maintain their pipeline. It can be accessed via <https://www.nchfa.org/MySystems>.

## 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.

**APOR**— Average Prime Offer Rate (APOR) is an index published by the Federal Reserve Board.

**Award Letter**— Letter related to the Down Payment Assistance (DPA) on FHA loans only, 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 meet the annual income limits and, if occupying the property, must have or establish North Carolina residency within 60 days of closing.

**Co-signer/Co-Signor**— A non-occupant who is co-signing the Note for a particular loan. For NCHFA purposes, co-signers are not allowed.

**Commitment**— Letter provided to lender via OLS upon NCHFA’s review and approval of pre-closing documents. Under no circumstances may a lender close any NC 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”), which offers a deferred 0% interest subordinate lien administered by NCHFA, which can be used as down payment or for closing costs.

**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 are not allowed.

**DPA**— Down payment assistance or subordinate financing offered by NCHFA of up to 3% of the first mortgage total loan amount for FHA and VA loans, or up to 3% of the first mortgage loan amount for conventional loans.

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

**Early Check**— Fannie Mae’s service designed to assist lenders in identifying and correcting potential eligibility and/or data issues early in the underwriting process and prior to loan delivery.

**Electronic Signatures**— Are acceptable on NCHFA and industry documents if they meet ESIGN<sup>1</sup> and UETA federal standards. Also referred to as “E-signatures” or “e-signing.”

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

**Existing Home**— A dwelling unit that has been previously occupied.

**Extension Fees**— Loans may be assessed a 7-day, 15-day or 30-day extension fee at a cost of 0.0625%, 0.1875% or 0.25%, respectively. The extension fees are automatically deducted from lender compensation at the time the Master Servicer purchases the loan from the lender.

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

**First Time Home Buyer (FTHB)**— A borrower (or occupant) who has not had an ownership interest in a principal residence within three (3) years of closing on the next home purchase.

**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.”

**Freddie Mac** — Federal Home Loan Mortgage Corporation

**Free-trader Agreement**— Legal agreement between married spouses allowing each to purchase or sell property without the consent of the other party. Must be recorded prior to closing.

**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); or is approved as a USDA mortgage originator (if originating USDA loans).

**Lock-In Expiration Date**— Sixty (60) days past the date the loan is first locked in the NCHFA OLS system. The loan must be purchased by the Master Servicer by the Lock-In Expiration Date to avoid extension fees.

**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<sup>2</sup>. NCHFA will only accept manufactured housing that is new, never occupied, doublewide or larger, and on a permanent foundation for FHA, VA and USDA loans. Manufactured Homes are not eligible for conventional loans.

**Marital Interest**— An ownership interest generated solely through marriage 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 NC Home Advantage Mortgage™ program and which approves participating lenders.

**MI Company**— Also known as PMI. A private mortgage insurance company providing mortgage insurance on conventional loans. Only Arch, Essent, Genworth, MGIC, National MI, and Radian are approved MI providers for NCHFA.

**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 (“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 NC Home Advantage Mortgage™ program.

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

**Mortgage Revenue Bond Loans**— Loans financed with tax-exempt financing through IRS authorized Mortgage Revenue Bonds (MRBs).

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

**NC 1st Home Advantage Down Payment**— NCHFA’s 1<sup>st</sup> Home Advantage Down Payment is intended for first time homebuyers, qualifying veterans or homebuyers purchasing a property in Qualified Census Tracts, who meet the property acquisition and income limits set by the IRS and HUD. All adult occupants must meet the guidelines established by Congress and IRS for recipients of tax-exempt, mortgage revenue bond funding.

**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 is expected to occupy the property and will not be secondarily liable on the mortgage.

**Online Lender Services System (OLS)**— System made available by NCHFA to its lending partners for locking and confirmation of NC 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.

**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**— Refers to a mobile home with the towing hitch or running gear, including wheels and axles, removed, and which has been attached to a permanent foundation (including basement, crawl space and slab types of foundations).

**POA**— A properly recorded, signed, and executed power of attorney legal document.

**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”, or tax service fees.

**Principal Residence**— Housing eligible borrower(s) must occupy within 60-days after closing as a primary residence. The home cannot be used as an investment property or second home.

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

**QM** — Qualified mortgage per Consumer Financial Protection Bureau.

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

**Servicing Agreement**— An agreement describing the mortgage servicer’s rights and responsibilities, made among NCHFA, the Lender Participant, and the Master Servicer.

**Seller Contribution**— Amount the seller may contribute toward the borrower’s closing expenses. Follow industry guidelines for Loan Type (i.e., FHA, USDA, VA. Or Conventional).

**The State**— The State of North Carolina.

**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 the following requirements:

- 1) Are approved as Fannie Mae or Freddie Mac sellers/servicers in good standing if originating conventional loans, approved as FHA mortgage originators if originating FHA loans, approved as VA mortgage originators if originating VA loans, or approved as USDA mortgage originators if originating USDA loans;
- 2) Have a physical office located in North Carolina that has originated mortgages for at least one year under the corporate name. If less than one full year of physical presence, you may apply after six months of having a physical location opened and located in North Carolina originating loans along with a Letter of Recommendation from another state housing finance agency indicating good standing;
- 3) Originate, process, underwrite, close and fund the loan in their own name;
- 4) In compliance with applicable minimum capital requirements imposed by federal banking laws and regulations;
- 5) 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;
- 6) Have a net company asset worth of \$1,000,000 (subject to change);
- 7) Be approved by NCHFA and the Master Servicer and execute a Mortgage Origination Agreement with both;
- 8) Have the in-house capability and legal authority to provide interim servicing of closed loans prior to purchase by Master Servicer, and
- 9) Complete in-person lender training (or approved webinar training) with NCHFA staff.

**Loan officers must reside in North Carolina** (or a county that touches the NC border) and are required to attend in-person training (or approved webinar training) before offering NCHFA loan products. Operations Staff are required to attend Ops training or regularly scheduled training webinar.

Staff will be required to complete an on-line Quiz to verify program knowledge.

As an approved lender 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.

All staff who originate, process, underwrite, close, or have access to NCHFA's On Line Lender Services system (OLS) must remain current on NCHFA program guidelines and requirements. All staff with access to the OLS must receive training and pass the required Quiz before being issued a User ID by the Lender's System Administrator. After issuing a User ID, the system administrator must notify NCHFA of the new user, including the user's contact information and most recent training date and Quiz date.

### **Loan Officers:**

Prior to originating any NCHFA product Loan Officers must attend the three-hour Let's Make Home Happen (LMHH) class, in-person when available (on-line as a synchronous class until further notice). After completing the class, Loan Officers must also pass a quiz with a score of 80% or higher. After completing both the class and the quiz, the Loan Officer should forward their class date and a screenshot of their passing quiz score to their supervisor and the Training Coordinator at NCHFA. At that time, Loan Officers are eligible to originate NCHFA products. Loan officers must complete in-person training annually or remain current on NCHFA programs by closing at least 5 loans in a rolling 12-month period.

**Any lender who does not close a minimum of twelve (12) loans with NCHFA in a calendar year may be removed from the program at the Agency's discretion.** A lender may be removed from participation from Agency programs at any time for fraud or program violations, without recourse.

## **3.2 Lender Compensation**

The lender shall be paid a fixed amount as a servicing release premium (SRP) for all eligible loans under the NC 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 first mortgage when purchased by the Master Servicer. SRPs may be changed with 60 days' notice by NCHFA to lender. Please note extension and penalty fees for late and non-delivery in Section 9.

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

To reserve an NC Home Advantage Mortgage™ loan, the lender must access the Online Lender Services System (OLS) at <https://www.nchfa.org/MySystems>. OLS access is

granted by the Lender’s System Administrator. Access is restricted to Loan Officers and Operations Staff who have met NCHFA training requirements.

*Instructions for creating a new NC Home Advantage Mortgage™ lock*

1. Click the NC Home Advantage Mortgage™ reservation link on OLS home page, left menu.

2. OLS will guide you through a multi-step process for creation and submission of the lock. Use the [Continue>>] button to navigate through these steps.
3. At the Final Review step, review your input and click the [Submit!] button. This action will generate a confirmation e-mail and lock your rate, starting the clock on the closing and delivery timelines required under the program.
4. Make a note of the NCHFA Loan Number displayed on the confirmation page. Please use this loan number when corresponding with NCHFA concerning the loan.

*Note: You must have all loan information available to you at the time you are locking the NC Home Advantage Mortgage™ loan as partially completed data cannot be saved in OLS. If at any time during the lock process you choose to cancel, all previously entered information will be lost.*

### 3.4 Record Retention

NCHFA may perform random reviews of lender records pertaining to NCHFA’s NC 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.

### **3.5 Master Servicer Contact Information**

ServiSolutions is the Master Servicer for the NC Home Advantage Mortgage™ loans. Each participating lender must be approved by NCHFA and the Master Servicer through execution of a Mortgage Origination Agreement.

The following contact information for ServiSolutions information may be subject to change:

Master Servicer:

Alabama Housing Finance Authority, doing business as ServiSolutions

Contact e-mail:

- Closed Loan Delivery Questions/Pended conditions - [questions@ahfa.com](mailto:questions@ahfa.com)
- Purchase Advice Questions - [purchaseadvice@ahfa.com](mailto:purchaseadvice@ahfa.com)
- ServiSolutions Policy Questions, Lisa Treece - [ltreece@ahfa.com](mailto:ltreece@ahfa.com)
- Lender Online issues, Brian Hunt - [bhunt@ahfa.com](mailto:bhunt@ahfa.com)
- Loan Collateral & Final Docs Original Notes /Recorded MTGS or DOTs /Final Title Policy, Renee Dotson - [rdotson@ahfa.com](mailto:rdotson@ahfa.com)

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). Any questions concerning their guidelines should be directed to 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.

Lenders should refer to the ServiSolutions closing package checklist at [www.servsol.com](http://www.servsol.com).

### **3.6 Lender's Responsibility to Report Violations (Fraud)**

The lender and its personnel are required to report to NCHFA any false statements, program abuses or violations of state and federal laws and regulations within 30 days of occurrence. Any reports or notifications in this regard made to Fannie Mae, Freddie Mac, FHA, VA or USDA must also be reported to NCHFA in a timely manner.

Any instances of fraud concerning a NCHFA loan, before, during or after origination, must be reported to NCHFA.

### **3.7 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. Official audited financials are required. 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 payable by ACH at the end of the recertification.** Failure to recertify may prohibit future participation in NCHFA programs.

In addition, the Master Servicer will require an annual recertification that is separate from the annual NCHFA recertification.

## **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 NC Home Advantage Mortgage™ Loan Program Overview – 3% DPA**

The NC 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, the 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 \$126,000 statewide (If the NC Home Advantage Mortgage™ is paired with an MCC, the MCC income guidelines apply);
- 3) have a maximum debt-to-income (DTI) ratio of 45.0%;
- 4) be a first-time home buyer or move-up buyer (prior home buyer)
- 5) have at least two (2) credit scores per borrower, with the mid or low score at 640 or better, and receive an AUS approval; and
- 6) occupy and maintain the property as a principal residence.

### **4.2 Eligible Loan Types**

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

All loans financed under the NC Home Advantage Mortgage™ program must be purchase transactions. Both repeat buyers and first-time homebuyers are eligible for the 3% down payment options, but borrowers may only have one outstanding NCHFA home, loan, or product, at a time.

An **AUS finding of “Refer” or “Ineligible”** is not eligible for the NC Home Advantage Mortgage Loan Program™. Manually underwritten loans are not eligible.

- 1) **FHA Loan Program:** NCHFA offers 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 NCHFA.

Note: The FHA Award Letter must be signed by the borrower(s) at or before closing if 2nd mortgage, subordinate lien is attached.

- 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.
- 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 credit recommendation of “Accept.”
- 4) **Conventional Loan Program:** NCHFA offers 30-year fixed-rate loans under the HFA Preferred program from Fannie Mae or Freddie Mac HFA Advantage program. These loans are underwritten to Fannie Mac or Freddie Mac program guidelines under FNMA’s “HFA Preferred” or Freddie Mac’s “HFA Advantage” program.

Note: Conventional loans must be run through Fannie Mae’s Desktop Underwriter (DU) or Loan Prospector Advisor (LPA). HFA Preferred is available through DU using the "Additional Data" screen by selecting "HFA Preferred." Reserves and asset requirements are determined by DU Findings. Special Feature Code (SFC) 782 should be used to identify all HFA Preferred loans and other SFCs as applicable.

If using the Freddie Mac HFA Advantage program, the AUS Findings must show Offering Identifier HFAAdvantage.

**Note:** All loans must receive an **AUS Approve/Eligible** or **Accept** 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. Lender must be careful to submit eligible Fannie Mae or Freddie Mac loan types that are specific to Fannie Mae or Freddie Mac. **AUS Findings are not interchangeable** between GSEs.

**Upon the effective date per CFPB, all loans must** meet new General Qualified Mortgage (QM) rules for APOR. Lender is solely responsible for verifying that the underlying loans (both 1<sup>st</sup> or subordinate mortgages) meet the points, price, and other criteria of QM before or after closing. In no case can a loan exceed 45% DTI regardless of the QM rule.

The post-closing package must contain the final approved 1003 and AUS findings. Unapproved changes may result in a loan that is ineligible for purchase.

### 4.3 Ineligible Loans / Loan Types

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

- Refinances (purchase transactions only)
- Vacation homes or “second homes”
- USDA Direct 502
- HUD 184 loans
- FHA 203k Renovation loans
- High-Cost 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 Mortgage Insurance Coverage Requirements

Mortgage insurance coverage factors are based on area median income (AMI) and LTV. A comparison of the coverage factors for loans with AMI thresholds as follows:

Loan to Value	MI Factor (AMI Over 80%)	MI Factor (AMI Under 80%)
95.01-97%	35%	18%
90.01-95%	30%	16%
85.01-90%	25%	12%
80.01-85%	12%	6%

The applicable MI rates for the coverage factor listed above must be used. Rates may vary by PMI provider. Borrower-paid single premium, split premium and monthly MI are all acceptable. In all cases using MI, the max LTV cannot exceed 97% and the CLTV 105%. Financed MI or Lender Paid MI is not allowed.

### 4.5 Escrow Holdbacks and Repairs

Loans requiring repair escrows are acceptable. However, the lender must follow ServiSolutions guidelines before proceeding. Approved repairs typically include paint (interior and exterior), carpet, appliances, roofing and minor exterior repairs such as fascia boards, eaves, gutters and window replacements. No structural repairs allowed.

ServiSolutions® does not require prior approval of escrow hold backs. The lender must maintain a copy of the escrow agreement and copies of work bid estimates. The escrow agreement usually provides 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. Escrow repairs must be completed prior to submittal of closed loan file to Master Servicer for purchase. The Final Inspection report verifying repairs have been completed is required. More details are available at: [www.servsol.com](http://www.servsol.com).

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.

#### **4.6 Repurchase Conditions**

The lender must repurchase from NCHFA any Home Advantage loan or Home Advantage loan with DPA upon the occurrence of any of the following events:

- 1) the loan closes before formal NCHFA written approval;
- 2) the lender breaches any covenant, warranty or representation in the Mortgage Origination Agreement or this Program Guide;
- 3) the DPA is defective arising from the origination, closing or delivery of the DPA to the Master Servicer;
- 4) the DPA documents are not delivered in a timely manner or in the form described in the Program Guide;
- 5) the DPA does not conform to the terms of its commitment or approval as per the Program Guide;
- 6) any request by the Master Servicer to repurchase the related first mortgage loan; or
- 7) the lender makes any warranty or representation under the Mortgage Origination Agreement which, in the sole discretion 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 thereof.

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.

**Loans that are not purchased by Master Servicer will not be reimbursed by NCHFA under any circumstances, for the 1<sup>st</sup> or 2<sup>nd</sup> mortgage. This includes FHA loans.**

#### **4.7 Minimum Investment**

No minimum investment is required from the borrower. The AUS findings and all industry guidelines for loan type should be followed. 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.

#### **4.8 Cash Back Limitation**

The borrower(s) **cannot receive funds back at closing that exceed verified borrower-paid POCs and cannot exceed \$2,500 regardless of amount contributed, from any source.** All DPA funds must be used for Down Payment or Closing Expenses.

#### **4.9 Assets**

There is no maximum asset limitation for the borrower

Per Fannie Mae, for the proceeds from a bitcoin or other digital currency exchange to be considered as an eligible asset, it must be converted to US currency and deposited into an eligible asset account. All assets must be verified in accordance with B3-4.2-01, Verification of Deposits and Assets.

#### **4.10 Gift Funds**

Gift funds are allowed and must meet the loan type (i.e., FHA, USDA, VA or conventional) Agency guidelines. Conventional loans must also comply with any requirements of the private mortgage insurance (PMI) company used.

#### **4.11 Lien Position Policy**

At time of closing, NCHFA will NOT take a lower lien position on down payment assistance loans against any other non-NCHFA subordinate loans from any source. The NCHFA DPA must be in 2nd lien position, including when combined with CPLP – in which case CPLP is 3rd. IRS tax liens are not allowed. All subordinate financing must meet all investor, GSE, and federal regulatory requirements.

#### **4.12 Principal Reduction Policy**

Master servicer does not allow recasting of loan amounts after closing. Excess funds or investment from borrower after all closing costs are paid should be used to reduce the 1st mortgage loan amount before closing.

Maximum cash back to borrower at closing cannot exceed \$2,500 and must be from verified POCs paid into the transaction by the borrower(s). Excess Borrower funds resulting from gift funds or verified Borrower POCs, EMD, or Due Diligence fee, may be applied as a principal reduction.

To make the necessary changes at closing:

- a. Do NOT change the Promissory Note
- b. Amend the Closing Disclosure to reflect the amount of the Principal Reduction
- c. Post-closing, after ServiSolutions has purchased the loan, send the amount of the Principal Reduction to ServiSolutions at:

ServiSolutions  
Data Validation  
7460 Halcyon Pointe Dr, Ste 200  
Or PO Box 242967  
Montgomery, AL 36117

#### 4.13 Down Payment Assistance (DPA) – 3%

Down payment assistance (DPA) is available to all homebuyers who qualify for an NC Home Advantage Mortgage™ loan from participating lenders. Income limits are the same for borrowers whether they choose NCHFA 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 3% of the first mortgage total loan amount for FHA and VA loans and up to 3% of the first mortgage loan amount for conventional loans.

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.

The **maximum Origination Fee is capped at 1%** of the loan amount. Fees not directly paid to a 3<sup>rd</sup> party are **capped at \$1,300**. The 1% cap and \$1,300 are shown in Section A of Loan Estimate (LE). Example fees under the \$1,300 cap in Section A of the LE are underwriting fee, application fee, commitment fee, etc. These are capped at \$1,300 max and must meet state or federal high-cost guidelines. Total fees are 1% + \$1,300 as appropriate.

**a) Key NC Home Advantage Mortgage™ 3% DPA Highlights:**

- 15 year deferred/subordinate lien
- Forgiven at 20% per year at end of years 11-15
- 0% interest rate on DPA
- Repayable when home is sold or refinanced before year 15, or borrower breaches the Promissory Note
- 3% calculated on total loan amount
- 1003 Qualifying Income (1003 income)
- Not restricted to first-time home buyers

**4.14 Down Payment Assistance (DPA) – General Guidelines**

- 1) NCHFA does not offer stand-alone subordinate liens. The DPA is not assumable.
- 2) The DPA must comply 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 principal residence located within the State.
- 3) A separate Loan Estimate (LE) is required for the subordinate mortgage.
  - a. No attorney fees may be charged on the second mortgage (DPA).**
    - i. Allowable fees are a Housing Counseling fee, if paid on behalf of the borrower
    - ii. A recording fee (cost to record at the register of deed's office)
    - iii. An application fee, if actually charged by lender on all loans.
- 4) There is no prescribed allowable amount for these fees per the CFPB under the Partial Exemption rule, but they must be reasonable, normal and customary.
- 5) DPA cannot be used to pay negative equity (meaning the property appraises for less than the sales price), nor to pay extension fees, or to pay off debts, collections or judgements.
- 6) The borrower may obtain subordinate financing from other sources that also meet FHA, VA, USDA and conventional guidelines. NCHFA will only take 2<sup>nd</sup> lien position.
- 7) 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.
- 8) DPA used in conjunction with USDA loans must meet USDA's underwriting thresholds. The lender is responsible for verifying that rates and program meet USDA guidelines.

- 9) DPA funds cannot be used for repairs or repair escrows.
- 10) DPA funds cannot be used to pay Realtor / real estate commissions.
- 11) Lender is responsible for 2nd mortgage (DPA) until purchased by Master Servicer.
- 12) Box 4b on the new URLA 1003 should list “NCHFA” as the creditor.

#### **4.15 Funding of the DPA by Participating Lender**

The lender must fund the subordinate DPA mortgage at closing, except for CPLP subordinate mortgages.

The subordinate DPA mortgage must be closed in NCHFA’s name and utilize NCHFA’s Deed of Trust (Form 405) and Promissory Note (Form 406), available 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.

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.

**Loans that are not purchased by Master Servicer will not be reimbursed by NCHFA under any circumstances, for the 1<sup>st</sup> or 2<sup>nd</sup> mortgage. This includes FHA loans.**

#### **4.16 Subordination Policy for Refinances (DPA)**

To be eligible for subordination on the down payment assistance (DPA):

- 1) The age of the NCHFA second mortgage must be at least 7 years old from the date of closing (84 months).
- 2) The refinance of the first mortgage must not allow any cash back to the borrower(s) except for a refund of Paid Outside Closing (POC) items paid during the processing of the new mortgage, such as an appraisal fee.

- 3) The new first mortgage Principal and Interest (P&I) payment must be lower than the current first mortgage P&I payment. Exception: Reduction in loan term from 30 years to 25 or fewer years.
- 4) The new first mortgage must be a fixed rate loan. (Credit union ARM loans may be permitted).
- 5) The subordination, if approved, will retain NCHFA's lien position. If the current NCHFA subordinate lien position is second, then the subordinated lien retains the second lien position.
- 6) Closing costs may be financed into the new loan if allowed by the new loan product. The request for subordination will be denied if the sum of any Loan Origination Fee(s) and/or Commitment fees exceeds 2% of the new first mortgage loan amount.
- 7) Subordinations will be allowed if the new first mortgage is a reverse mortgage.
- 8) A non-refundable processing fee of \$250 must be submitted with the subordination request documents. The check must be payable to North Carolina Housing Finance Agency. No personal checks allowed. Any changes made after NCHFA's subordination approval will require an additional non-refundable processing fee of \$250. (Note: No fee(s) will be charged if the source of funding for the subordinate loan is HOME funds.)

Requests should be emailed to: [subordinations@nchfa.com](mailto:subordinations@nchfa.com)

## Section 5: Borrower Eligibility Guidelines

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Lenders must review the borrower requirements in this section to assess 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 for the 3% down payment.
- 3) Citizens, permanent legal residents, and non-permanent legal residents of the United States are eligible for NC Home Advantage Mortgage if they meet all residency requirements applicable to their lender and loan type (i.e., conventional, FHA, VA, USDA). Due diligence for confirming citizenship and/or residency status and compliance with federal and other requirements for mortgage loan financing for borrowers is the responsibility of the lender.
- 4) Co-signors or non-occupying borrowers are not allowed.
- 5) Pre-purchase education is required for first-time homebuyers. Certificate is valid for 1-year.

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

Pre-purchase education is required for first-time homebuyers (only one borrower is required to take the training; follow GSE requirements by loan type). The lender should upload the pre-purchase education certificate to NCHFA prior to issuance of NCHFA's Commitment. FHA, HUD, or Freddie Mac approved on-line or in-person pre-purchase education programs are acceptable. Per Fannie Mae Selling Guide Part B2-2-06, conventional loans require the homeownership education course or counseling meet standards defined by HUD or the National Industry Standards for Homeownership Education and Counseling. Certificates are valid for 1-year.

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. CPLP loans require

in-person training or a NCHFA approved on-line class. CPLP member partners can provide more information.

CPLP loans require in-person training or a NCHFA approved on-line class. CPLP member partners can provide more information.

### **5.3 Income Limits**

Borrower(s) must meet program income limits, and lenders must calculate income using the procedures outlined in this section. If the NC 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, Fannie Mae HFA Preferred, or Freddie Mac Home Possible HFA Advantage industry guidelines. The NC 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. Application of future income regarding qualifying income should follow FHA, FNMA, USDA or VA investor requirements.

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

Current income limits can be found on the NCHFA website at [www.nchfa.com](http://www.nchfa.com) or via OLS at <https://www.nchfa.org/MySystems>.

Tax Transcripts are NOT required for NC Home Advantage loan approval, however ServiSolutions may require the most recent year's transcripts for all borrowers for post-closing audits. The ServiSolutions funding checklist can be found at [www.servsol.com](http://www.servsol.com).

### **5.4 Section 8 Vouchers**

When using a Section 8 Voucher, the lender must verify that the underlying income calculation meets all GSE guidelines. The Servicer will not accept split payments, meaning that the customer is solely responsible for submitting the full mortgage payment when due. (The non-profit or local issuer of the voucher cannot send in the partial payment to the Servicer.)

### **5.5 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. There is no front ratio limit at this time, but you must follow the industry guidelines for the loan type.

## **5.6 Credit Score Requirements**

All loans must receive an AUS Approve/Eligible or Accept credit recommendation (DU/GUS/FHA Total Scorecard. LPA allowed on FHA/VA and Freddie Mac HFA Advantage only). 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.

## **5.7 Collections Policy / Liens / Judgments / Student Loans**

Industry standards for payment of collections vary based on loan type. The Automated Underwriting Systems [Desktop Underwriter (DU), Desktop Originator (DO), Loan Product Advisor (LPA), 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 balance, must be paid in full prior to or at closing or meet industry guidelines for repayment, if applicable.

IRS liens are not allowed. Borrowers enrolled in a payment plan with the IRS must provide a copy of the agreement.

Calculation of student loan debt(s) should comply with FHA, FNMA, USDA or VA requirements for calculation of monthly payment and follow any AUS Finding messages.

## **5.8 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.

## **5.9 Short Sales/Foreclosures**

The participating lender should follow industry standards regarding short sale/foreclosure waiting periods which may vary based on loan type. NCHFA does not have a standalone policy regarding short sales or foreclosures.

## **5.10 Flip Properties**

The participating lender should follow industry standards regarding flip transaction waiting periods which may vary based on loan type. NCHFA does not have a standalone policy regarding flip transactions.

Non-arms-length transactions must follow industry guidelines.

## **5.11 Key NC Home Advantage Mortgage™ Highlights**

- Owner Occupied Primary residence only
- Maximum Income on 1003 \$126,000 (check website for up-to-date limit)
- Max DTI 45% (no NCHFA imposed front ratio)
- Minimum mid/low credit score 640, each borrower needs min. 2 scores
- NO FTHB requirement – repeat buyers allowed
- No Minimum Investment from the borrower
- Homebuyer education required if all borrowers are FTHB
- No Maximum Sales Price
- Maximum cash back of \$2,500 and only from verified borrower(s) funds invested prior to closing.

The **maximum Origination Fee is capped at 1%** of the loan amount. Fees not directly paid to a 3<sup>rd</sup> party are **capped at \$1,300**. The 1% cap and \$1,300 are shown in Section A of Loan Estimate (LE). Example fees under the \$1,300 cap in Section A of the LE are underwriting fee, application fee, commitment fee, etc. These are capped at \$1,300 max and must meet state or federal high-cost guidelines. Total fees are 1% + \$1,300 as appropriate.

## Section 6: Property Eligibility Guidelines (NC Home Advantage: 97% LTV & 3% DPA only)

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 NC Home Advantage Mortgage™ program unless the NC Home Advantage Mortgage™ is paired with an MCC or the NC 1<sup>st</sup> Home Advantage \$8,000 DPA program.

**Sales price limits are determined by the loan program and insurer guidelines.**

The residence must be in North Carolina and must be eligible for mortgage insurance under FHA, VA, USDA, or conventional guidelines as a principal residence.

**Eligible Property Types by Loan type (up to 97% LTV & 3% DPA):**

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

**Requirements for manufactured homes** are more restrictive than for other property types. These include the following:

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

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

Loans requiring repair escrows are acceptable. However, the lender must follow ServiSolutions guidelines before proceeding. Approved repairs typically include paint (interior and exterior), carpet, appliances, roofing and minor exterior repairs such as fascia boards, eaves, gutters and window replacements. No structural repairs allowed.

ServiSolutions® does not require prior approval of escrow hold backs. The lender must maintain a copy of the escrow agreement and copies of work bid estimates. The escrow agreement usually provides 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. Escrow repairs must be completed prior to submittal of the closed loan file to Master Servicer for purchase. More details are available at: [www.servsol.com](http://www.servsol.com).

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 6 and apply to all borrowers on the loan.

All escrow funds must be released prior to submission of closed loan file to and purchase of loan by ServiSolutions.

## **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.

In no case may a borrower have more than one (1) property financed through NCHFA at any time or one outstanding NCHFA product.

## **6.4 Property Appraisal Condition Requirements**

Eligible property conditions are C1, C2, C3, and C4.

If the URAR appraisal indicates a C5 and C6 property condition, it is not eligible for NCHFA programs or financing. The property condition will be shown on the Uniform Appraisal from a licensed property inspector.

**Appraisal waivers are not allowed.**

All homes must have a working HVAC system and meet all appraisal and/or repair inspection requirements.

Any appraisal with a CU Risk Score of 4 or 5 will require a written signed statement from the Participating Lender's Underwriter explaining why the appraisal was approved with a credit risk score 4 or 5. This statement must be provided as part of the Closing Package to ServiSolutions for evaluation.

## Section 7: Loan Origination and Underwriting Steps

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### 7.1 General

Eligible borrowers apply for the NC Home Advantage Mortgage™ program through participating lenders by completing a standard mortgage application. If the loan meets the applicable credit and underwriting guidelines, the lender will enter the requested information and lock the loan in OLS, establishing the Lock-In Expiration Date (the date by which the Master Servicer must purchase the loan). After 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. Under no circumstances should any NC Home Advantage Mortgage™ loan close without a Commitment from NCHFA.

Documents required to be uploaded via OLS electronically should be submitted as early as possible, but not before the final underwriting review has been completed, 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 NCHFA Normal Review Time

Every effort will be made to review all loans within 48 hours of submission to NCHFA via the OLS portal. Pend conditions may take an additional 48 hours to review, after the last condition has been received.

### 7.3 Loan Origination

Borrowers and non-borrowing occupants are required to meet all FHA, VA, USDA or Fannie Mae HFA Preferred 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 and ServiSolutions 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 NC Home Advantage Mortgage™ loans:

- 1) Borrower reviews program details or visits the NCHFA 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 NCHFA 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, a separate Loan Estimate (LE) is required for the subordinate mortgage. No attorney fees may be charged on the second mortgage (DPA). Allowable fees are a Housing Counseling fee, a recording fee (cost to record at the register of deed's office), and an application fee. There is no prescribed allowable amount for these fees per the CFPB, but must be reasonable and customary.
- 5) All loans must receive an AUS Approve/Eligible or Accept 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 or LPA Accept are allowed. LPA is acceptable for FHA and VA and Freddie Mac conventional.
- 6) 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. A borrower with only one credit score is not eligible for financing.
- 7) NCHFA will not accept loans with non-traditional credit histories or those with only one credit score, regardless of the loan type.
- 8) After the lender has underwritten the borrower loan file, the lender will access the Online Lender Services System (OLS) (<https://www.nchfa.org/MySystems>) 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 must be requested via OLS, for which extension fees apply.
- 9) After the rate is locked and the loan has received final underwriting approval by lender, and prior to closing, the lender must upload the documents required for NCHFA's review via OLS.
- 10) 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, if NCHFA believes the mortgage loans do not comply with all rules, procedures and guidelines set forth in this Program Guide.

The **maximum Origination Fee is capped at 1%** of the loan amount. Fees not directly paid to a 3<sup>rd</sup> party are **capped at \$1,300**. The 1% cap and \$1,300 are shown in Section A of Loan Estimate (LE). Example fees under the \$1,300 cap in Section A of the LE are underwriting fee, application fee, commitment fee, etc. These are capped at \$1,300 max and must meet state or federal high-cost guidelines. Total fees are 1% + \$1,300 as appropriate.

#### 7.4 Pre-Approval Forms/Documents Required

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

- Final Uniform Residential Loan Application (Form 1003)
- Automated Underwriting System (AUS) Findings (final)
- Uniform Residential Appraisal Report (URAR), all pages, PDF, Color
- Loan Estimate (LE) on 1st
- Loan Estimate (LE) on the 2nd, if applicable
- Proof of homebuyer's homeownership education (if first-time home buyer)
- Form-026 Notice to Borrower, if utilizing Down Payment Assistance (DPA)

Please note that if the NC 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 issue a written Commitment, which the lender can print via OLS. No loan may close without the formal approval and Loan Commitment from NCHFA. Any loan that closes before NCHFA approval is subject to non-purchase by Servicer or repurchase.

If the loan is an FHA loan and has DPA attached, the Commitment letter will also contain **FHA Award Letter** and a Legally Enforceable Obligation Letter. These documents must be signed before closing or the entire loan is no longer FHA eligible.

**Loans that are not purchased by Master Servicer will not be reimbursed by NCHFA under any circumstances, for the 1<sup>st</sup> or 2<sup>nd</sup> mortgage. This includes FHA loans.**

The Master Servicer will purchase a first mortgage loan and a DPA loan in a specified amount from the lender upon evidence of compliance with the NC Home Advantage™ program requirements and the closing of the mortgage loan.

Note: Any changes on Form 1003 or to the AUS findings after the issuance of the Commitment Letter will render the loan subject to non-purchase. A Loan Estimate (LE) is always required on the second mortgage. No attorney fees can be charged on the second mortgage.

### 7.5 Loan Closing After NCHFA Issues Commitment

- 1) No loan can be closed without NCHFA’s formal Commitment Letter. Any loan that closes before formal NCHFA approval will be subject to non-purchase by Servicer and/or NCHFA.
- 2) The lender should provide the Quality Control Certification & Authorization to the closing attorney prior to closing (forms available at [www.servsol.com](http://www.servsol.com)). If the loan does not meet all program and industry guidelines, the loan will not be purchased by the Master Servicer.
- 3) The lender closes the loan following its normal procedure after NCHFA approval. If using NCHFA DPA, the NC Home Advantage Mortgage™ DPA Deed of Trust (Form 405) and the NC Home Advantage Mortgage™ DPA Promissory Note (Form 406) must be used. These forms are available on the NCHFA website.
- 4) All participating lenders must be MERS® members.
- 5) All Closed Loan Files are submitted separately to BOTH NCHFA and Master Servicer (ServiSolutions) for review.

#### Steps for MERS® Members

- 1) Generate a MIN (Mortgage Identification Number) within your system and place the MIN on the Deed of Trust.
- 2) Use the MOM (MERS® as Original Mortgagee) Deed of Trust form.
- 3) 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.
- 4) Initiate Transfer of Beneficial Rights (TOB) and Transfer of Servicing Rights (TOS) or combined TOS/TOB to ServiSolutions.

Servicer	ORG ID
ServiSolutions	1002536

- 6) The lender should further instruct the closing attorney/agent as follows:
- The borrower(s) may not be charged discount points.
  - The mortgage payment must include amounts to pay the property taxes and all applicable insurances. For loans closing after July 31st, all taxes for current/prior year MUST be paid in full with proof provided with closing package.
  - The **maximum allowed cash back cannot exceed \$2,500** and must be from verified POCs paid into transaction by borrower(s).
  - The Trustee fee on all Deeds of Trust must be 5%.
  - If the borrower is receiving DPA, the Closing Disclosure for the first mortgage must reflect the correct subordinate financing calculation. An initial and a final CD are required on the first mortgage per ServiSolutions' funding checklist available at [www.servisol.com](http://www.servisol.com). No CD is required on the 2<sup>nd</sup> mortgage.
  - Homeowners' and flood insurance mortgagee clauses:
    - First 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
    - Second Mortgagee – 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

## 7.6 Interest Credit

ServiSolutions will allow an interest credit through the 5<sup>th</sup> of the month.

## 7.7 Interim Servicing

Until the closed loan is formally purchased by the Master Servicer, the originating lender must process all mortgage payments, including servicing of the loan. Lender is required to follow all federal and state requirements for proper servicing of customer payments.

Bi-weekly payments are not allowed on NC Home Advantage Mortgage™ program loans.

## 7.8 Hazard/Flood Insurance Requirements

Per ServiSolutions, the maximum deductible is not to exceed greater of 2.5% of the face amount of the policy or \$2,500 unless a higher amount is required by state law. Wind, hail and hurricane policies deductibles should not exceed 5% of the face amount of the policy. Lower amounts apply if loan type regulations mandate different amount.

Maximum **Flood Insurance** deductible varies by loan type:

- FNMA/FHLMC - 2.5% or \$2,500 whichever is greater
- FHA/VA - \$2,500
- USDA - \$1,000

For more information refer to ServiSolutions AllRegs at [www.servsol.com](http://www.servsol.com).

## 7.9 Electronic Signatures

Electronic Signatures are allowed on certain Agency forms and industry forms, subject to the following general rules. The e-Signature must be e-Sign or UETA compliant.

The use of e-signatures is voluntary, but lender transactions utilizing e-signatures must meet the following standards:

- 1) NCHFA does not accept documents that have been signed solely via voice or audio. The electronic signature and date should be clearly visible on any and all documents when viewed electronically and on a paper copy of an e-signed third-party document.
- 2) for borrowers that are entities, the signatory must be a representative who is duly authorized in writing to bind the entity;
- 3) evidence of such written authority must be maintained by Lender;
- 4) lenders are not permitted to have borrowers sign documents in blank or with incomplete documents;
- 5) e-signatures and the accompanying dates must be clearly visible on all e-signed documents;
- 6) e-signatures are **NOT permitted** on promissory notes, deeds of trust, mortgages, documents that require notarization or witnesses, or transactions utilizing a power of attorney; and
- 7) e-signature must meet all state and federal laws and regulations.

## **7.10 Power of Attorney (POA) Guidelines**

NCHFA will accept Powers of Attorney (POA) that meet certain criteria. In all cases the POA must be provided to NCHFA PRIOR to approval of the loan and before closing. POAs may be used on NCHFA forms including the Deed of Trust and Promissory Note if they meet the criteria below and all legal requirements under NC State Real Estate law. Nothing below supersedes federal or state laws.

The criteria for use of a POA on any document in the NC Home Advantage program are as follows:

- 1) The power of attorney used for signature on a deed of trust or deed (or other recorded document) must be recorded in the county where the property is located prior to the documents being recorded. The date of the power of attorney must be valid as of the time of execution of the closing documents.
- 2) The name on the power of attorney must match the name of the person on the loan documents for which that person is acting as attorney-in-fact.
- 3) The power of attorney must be notarized and in recordable form.
- 4) It is preferred that the wording for a POA specifically refers to the subject property address. It is not required by NC Statute, but is recommended whenever possible.
- 5) A copy of the power of attorney must be provided to NCHFA prior to loan approval by NCHFA and prior to closing of the first and/or second mortgages.
- 6) “Agent’s Certification for POA” document required when the borrowers are using POA for their closing docs.
- 7) A POA is NOT acceptable if the attorney-in-fact or authorized party is:
  - a. the lender;
  - b. any affiliate of the lender;
  - c. any employee of the lender or any other affiliate of the lender;
  - d. the loan originator;
  - e. the employer of the loan originator;
  - f. any employee of the employer of the loan originator;
  - g. the title insurance company providing the title insurance policy or any affiliate of such title insurance company (including, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate; or
  - h. any real estate agent with a financial interest in the transaction or any person affiliated with such real estate agent.

## Section 8: Post-Closing Processing Steps

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### 8.1 General

After the participating lender has closed the NC 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, and which comply with program guidelines including federal and state requirements.

The closing package related to the closed loan must be uploaded to BOTH NCHFA and Master Servicer in designated stacking order within 10 calendar days after closing. The stacking order of documents is detailed in the following link on the ServiSolutions website: [www.servsol.com/lenders/nchfa\\_documents.aspx](http://www.servsol.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.

\*Loans not in proper stacking order may be subject to delayed review and purchase.

The current Closing Package Checklist is available at [www.servsol.com](http://www.servsol.com).

The NCHFA EIN #: 56-1700536

#### a) Review of the Mortgage Loan

The closed mortgage loan package must be received by ServiSolutions within ten (10) days of loan closing (upload closing file to BOTH NCHFA and ServiSolutions websites).

- 1) Lenders must check the closed loan package to confirm that 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.

- 3) Loans where the interest rate, loan amount, or loan type do not match the Commitment issued by NCHFA may not be eligible for purchase by Master Servicer (ServiSolutions).

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 and NCHFA (upload to both websites). A loan is considered to be in a fundable condition when a complete closed loan package is delivered without errors or missing documents. 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 purchased/funded by Master Servicer by the applicable expiration date. The amounts of all fees and penalties are subject to change. The current schedule of penalties and fees is located at [www.servsol.com](http://www.servsol.com).

**c) Funding of the Mortgage Loan**

ServiSolutions will issue an ACH (or wire) on single and multiple fundings every Wednesday and Friday for each lender. A breakdown of the multiple lenders' fundings will be included with the ACH or wire. Any discrepancies should be communicated 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. Those received by the close of

business on Thursday will be funded on Wednesday of the next week. All loans must be approved and cleared for purchase by ServiSolutions prior to funding.

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 (1st mortgage only).
- 3) Interest from the closing date through the purchase date or interest from the last paid installment date to purchase date at the loans per diem rate.

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

- 1) penalties or fees assessed in 9.1 (b) or (c);
- 2) prepaid interest (Loans purchased by the 15th of the month prior to the first payment due date only);
- 3) prepaid escrow (unless after first payment) or current amortized escrow balance on the loan, less any disbursements;
- 4) Tax Service fee of \$80; and
- 5) Loan funding fee of \$211.

**d) Final Documentation.**

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

- 1) Recorded General Warranty Deed showing conveyance of subject property from the seller to current borrower.
- 2) **Recorded** First Mortgage Deed of Trust (MERS)
- 3) Title Policy
- 4) Mortgage Insurance documentation (FHA Mortgage Insurance Certificate, PMI Certificate of Coverage, Loan Guaranty Certificate)
- 5) **Recorded** Second Mortgage Deed of Trust (NCHFA Form 405 for DPA Home Advantage (if applicable)
- 6) Original, recorded intervening Assignment/ MERS® assignment

**e) Transfer of Loan Servicing Rights and Benefits.**

The originating lender retains 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 transfer to ServiSolutions at the time of loan purchase. The lender will be sent a reminder along with the purchase payment advice to send out a 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 15th, the effective date will roll to the following scheduled monthly payment due date. The lender must transfer the 1<sup>st</sup> lien mortgage loan to ServiSolutions through the MERS® system immediately after purchase.

**Examples:**

- 1) A loan that closed on 06/02/18 is received by ServiSolutions 06/8/18 and is being funded on 06/10/18. This loan will be purchased at the original note amount with no late delivery penalty.
- 2) A loan that closed on 06/24/19 is not received by ServiSolutions until 7/28/19 and is ready to be funded on 08/16/19. The initial payment on this loan is due on 08/01/19. If the loan is purchased after the 15th day of the month, the effective date of transfer to ServiSolutions will roll to the following scheduled monthly payment due date with the lender collecting the next scheduled payment. The lender will be charged a late delivery fee of 50 basis points (0.50%) of the principal purchased.

**8.2 Closing of DPAs in NCHFA’s Name**

The lender must close the NCHFA DPA subordinate mortgage in NCHFA’s name and utilize NCHFA’s Deed of Trust (Form 405) and Promissory Note (Form 406), available at [www.nchfa.com](http://www.nchfa.com).

**8.3 Signatures on the DOT and Promissory Note**

Everyone who is a borrower must sign the Deed of Trust (Form – 405). Non-borrowing spouses may sign the Deed of trust also, but are not required to sign if they are not a borrower. A recorded free-trader agreement, either stand-alone or containing such language in a Separation Agreement for separated borrowers is required regardless of the AUS Findings or loan type.

Only the borrower(s) sign the Promissory Note (Form 406).

**8.4 Uploading the Closing Package (Required to BOTH NCHFA and ServiSolutions)**

Closing must be uploaded to BOTH the Master Servicer (ServiSolutions) Lender Portal website and NCHFA OLS website. Files will not be reviewed until upload is complete.

All closing documents are to be uploaded 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). Assistance may be requested by emailing the Master Servicer at [lenderinquiries@servsol.com](mailto:lenderinquiries@servsol.com).

The closing package will be uploaded as a single, combined pdf document 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 must upload additional documents directly to Master Servicer via their Lender Portal (go to [www.servsol.com](http://www.servsol.com)). 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 lender must endorse the first mortgage Note as follows:

“Pay to the Order of ServiSolutions, a Department of Alabama Housing Finance Authority without Recourse.”

The Note 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 Promissory Note (Form 406) and Deed of Trust (Form 405) for the NCHFA subordinate mortgage (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).

## **8.5 Loan Purchase Review and Funding**

As noted in Section 8.1, mortgage loan closing documents must be uploaded 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 should upload the

additional documents directly to Master Servicer via their eDocs platform. ServiSolutions must have the correct contact information, and the contact email address inbox must be monitored. ServiSolutions will use the contact information provided on the Funding Checklist.

- 2) ServiSolutions requires the most recent year's tax transcript for all borrowers.
- 3) The Master Servicer purchases loans 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.
- 4) The Master Servicer will purchase mortgages in the order in which they are approved for funding. The Master Servicer will transfer funds via wire or ACH to the specified account of the lender. The Master Servicer cannot make assurances about the time required for mortgages to be purchased.
- 5) Purchase schedules will be forwarded to originating lenders by the Master Servicer indicating which loans will be purchased.
- 6) Upon completed purchase of the loan(s), the Master Servicer will pay to the lender compensation based on the first loan amount, inclusive of any servicing release premium. 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.
- 7) For fees and costs at loan purchase/funding please refer to section 8.1.

## **8.6 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.
- 2) The lender should send all final documents to the following address:

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

- 3) The Master Servicer checklist can be found at:  
[www.servsol.com/lenders/nchfa\\_documents.aspx](http://www.servsol.com/lenders/nchfa_documents.aspx).
- 4) The 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.

- 5) If a subordinate mortgage is included in the transaction, the Title Policy may reference both the first and second Deed of Trust mortgages in the policy. The title insurance companies may 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.
- 6) A separate Title Policy for the subordinate lien is not required.
- 7) The Master Servicer, ServiSolutions, does not offer mortgage life or disability insurance or any other type of optional insurance. Lenders may not include any 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 all the qualifying guidelines and program requirements, including program income limits and all information described in this Section.

### 9.1 Late File Submission

The loan must be purchased by the Master Servicer prior to the Lock-In Expiration Date to avoid extension fees. **The locked interest rate does not expire**, just the protection from extension fees if loan is not funded & purchased by Master Servicer before the expiration date. If the loan is not going to be purchased by the Lock-In Expiration Date, and the loan has not been delivered to ServiSolutions and NCHFA, 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 Master Servicer purchases the loan.

Extension fee or mark-to-market fee cannot be charged to the borrower. Proper disclosures and re-disclosures must meet all federal and state requirements. Loans remain valid and active, until either canceled or withdrawn by lender.

#### **Extensions and extension fees are applied in the following manner:**

If the complete closing package has been uploaded by the Lender 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 0.0625% applied for each 7-day extension until the loan is purchased by the Master Servicer or has exceeded the maximum 30-day extension period.

If the closing package has not been uploaded by the Lender 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 will be assessed a mark-to-market fee based on market conditions at the time the Master Servicer purchases the loan. The loan (and locked interest rate) is still active unless canceled or withdrawn by lender, regardless of expiration status.

If the lender requests an extension via OLS prior to the Lock-In Expiration Date, 7-day extension option is available, as well as a 15-day or 30-day extension. A 30-day extension is assessed an extension fee of 0.25%.

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 .0625% 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 prior to the end of the 30-day extension period, the lock will be assessed a mark-to-market fee based on market conditions at the time the Master Servicer purchases the loan. The exact amount is unknown until day of purchase by Master Servicer.

If the lender requested a 15-day extension, but the lender has not yet uploaded the complete closing package 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 been uploaded, the lock will be assessed a mark-to-market fee based on market conditions at the time the Master Servicer purchases the loan. The loan is still active unless canceled or withdrawn by lender.

For the closing package to have been properly uploaded, it must contain all the documents requested and in correct 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 an incomplete file does not constitute a valid upload 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 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 NC 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 for review by the Master Servicer and NCHFA 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. The loan is still active unless canceled or withdrawn by lender, even if “expired” meaning extension fees begin to accrue.

If the original lock-in period 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.

**The loan is still active unless canceled or withdrawn by lender.**

**Note:** If a lock is withdrawn or canceled, the lender cannot initiate a new lock for the borrower until 60 days after the withdrawal/cancellation date. There is an exception, however. Each lock-in applies to a specific borrower and subject property. If the property is not purchased and the borrower later goes under contract for a different property (new subject property address), a new lock can be requested immediately by logging into the OLS system and making a new lock reservation. The new lock request will be reviewed within 48 hours and confirmation or denial will be emailed to lender.

### 9.3 Requesting an Extension

Extensions for expiring locks may be requested via OLS. All extensions will incur an extension fee, which will be deducted from lender compensation at the time that the Master Servicer purchases the loan.

If the complete closing package has been uploaded in the proper stacking order prior to the original Lock-In Expiration Date, the loan will automatically be granted up to a 30 day extension. If the loan has not been purchased by the Master Servicer by the end of the 30 day extension period, then a mark-to-market fee may be assessed. 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 closing file documents do not reflect a complete closing package in accordance with the Master Servicer stacking order checklist, 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 by the original Lock-In Expiration Date, and the lender fails to request an extension via OLS prior to the Lock-In Expiration Date. The loan is still active unless canceled or withdrawn by lender.
- 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 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 loan is purchased by the Master Servicer. The loan is still active unless canceled or withdrawn by lender.

#### **9.4 Changes to a Lock-In**

A lender may update the initial lock-in data by e-mailing the requested changes to [ratelocks@nchfa.com](mailto:ratelocks@nchfa.com). The request will be reviewed to determine if the changes may be made. Address changes are not valid change requests!

If any loan amount changes before closing, all changes must be submitted to NCHFA prior to closing including at any time prior to NCHFA underwriting review.

#### **9.5 Withdrawal of Loan Locks**

The lender must notify NCHFA of any loan withdrawals by accessing OLS (<https://www.nchfa.org/MySystems>) and withdrawing the lock. The reason for withdrawing the loan must be entered.

If a lender withdraws or cancels a loan lock, the borrower(s) will not be eligible to re-lock under the NC Home Advantage Mortgage™ program for 60 days after the withdrawal date.

Only new locks due to customer changes in subject property address are allowed under 60 days. Rates and program guidelines in effect at that time 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, complete the reservation as normal. NCHFA will review the new lock within 48 hours and either Confirm or Deny the new lock reservation.

#### **9.7 Lock Expiration**

Unless the Lender cancels/withdraws the locked loan, the original locked interest rate will be honored by NCHFA. The Lender will pay a mark to market fee for the current cost of the original locked rate. The original lock expiration date is the guarantee date of Lender Compensation before extension fees accrue. Loans purchased after the lock in expiration are subject to extension fees or mark to market fees.

#### **9.8 Re-locking a Cancelled/Withdrawn Loan**

The lender cannot re-lock the same borrower on the same property until 60 days have elapsed from the time of cancellation/withdrawal. Only cancelled or withdrawn loans can re-lock. The interest rate does not expire for the loans that have not been withdrawn or cancelled, the Lender's guarantee of compensation expires.

## **Section 10: Program Summary**

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### **10.1 Preliminary Lender Participation Guidelines**

Participating lenders who have executed a Mortgage Origination Agreement (the Agreement) with NCHFA and the Master Servicer may originate, close and fund 30-year fixed-rate mortgages and 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, CFPB, 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.

### **10.2 Eligibility Criteria**

- 1) The borrower(s) must meet published income guidelines. Income limits for the NC Home Advantage Mortgage™ program do not vary by county and are not dependent on family size unless the NC 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 \$126,000 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 NC 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 mid or low 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 Fannie Mae HFA Preferred conventional (and Freddie Mac HFA Advantage) established guidelines. For conventional loans, Desktop Underwriter (DU) findings will be accepted for Fannie Mae loans and LPA for Freddie Mac conventional loans.
- 8) All loans must receive a commitment from NCHFA prior to the participating lender closing the loan.
- 9) For conventional loans, any FNMA and ServiSolutions approved PMI company may be used.
- 10) NCHFA reserves the right to request any additional documentation needed to make an accurate determination on any given loan.

### **10.3 Down Payment Assistance (3% DPA) Offered Under NC 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. DPA cannot be used to pay extension fees, or to pay off debts, collections or judgements.
- 3) The amount of DPA is up to five percent (3%) of the first mortgage total loan amount for FHA or VA loans 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) The borrower may contribute their own additional cash resources for down payment and closing costs as allowed by FNMA, FHA, VA, or USDA guidelines.
- 5) A separate Loan Estimate (LE) for the subordinate mortgage is required. A separate CD is not required on the 2<sup>nd</sup>.
- 6) The lender will fund the first mortgage and the DPA directly at closing.

- 7) The 3% DPA option may be unavailable from time-to-time if interest rates are considered too high and will show n/a on the public website rate sheet.

#### **10.4 Closing/Purchase Guidelines**

- 1) The **maximum allowed cash back cannot exceed \$2,500** and must be from verified POCs paid into transaction by borrower(s). 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 first 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> lien 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.
- 5) In order for the loan to be purchased, it must be current in payments of principal and interest, be approved by NCHFA, and be in compliance with applicable requirements of FHA, VA, USDA, PMI insurer, GNMA, FNMA, and/or Freddie Mac.

#### **10.5 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 EST. During periodic rate updates, OLS 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 Master Servicer via their eDocs platform.

**10.6 Documentation Checklist / Matrix**

Documents Submitted for Loan Approval by NCHFA (Note: additional docs will be needed for Closing Package sent to Servicer)	NC Home Advantage Mortgage™ (97% LTV, 3%)	NC Home Advantage Mortgage™ with MCC	MCC Only	NC 1st Home Advantage Mortgage (e.g., \$8,000)
Form 08 – Underwriter Certification		X	X	X
Final AUS findings	X	X		X
Final Application (1003)	X	X	X	X
URAR Appraisal, PDF, Color – Subject Property	X	X	X	X
All VOE’s for current employment		X	X	X
Credit Report(s)		X	X	X
Other income documentation		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
Form-013: Seller Affidavit		X	X	X
Form-015: Preliminary Notice to Applicants of Potential Recapture		X	X	X
Form-016: Mortgage Affidavit		X	X	X
Form-026: Notice to Borrower	X (w/ DPA)	X (w/ DPA)		X
Form-101: Borrower Closing Affidavit		X	X	X
Form-102: Lender Closing Affidavit		X	X	X
Loan Estimate (LE) on 1st	X	X		X
Loan Estimate (LE) on 2nd (DPA)	X	X		X
Pre-purchase education (only if all borrowers are first-time homebuyer)	X	X		X

*Note: The lender must close the NCHFA DPA subordinate mortgage in NCHFA’s name and utilize NCHFA’s Deed of Trust (Form 405) and Promissory Note (Form 406), available at [www.nchfa.com](http://www.nchfa.com). Closing documentation required by ServiSolutions are available at <http://www.servsol.com>.*

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## Major Revisions History

July 8, 2017:

1. Added 7.5 - Electronic Signatures Policy
2. Updated Sales Price limit to \$250,000 in \$15k section

August 29, 2017:

Definitions

3. Extension Fees – Changed to .25% effective September 1, 2018
4. First Time Homebuyer added
5. Free Trader Agreement added
6. Seller Contribution added

Section 4

- 4.2 – added “only 1 NCHFA loan at a time”.
- 4.2 – 4 - HFA preferred access clarified
- Escrow Holdbacks and Repairs clarified
- 4.3 – Added 203k as ineligible loan type
- 4.4.1 – DPA cannot be used to cover negative equity

Section 5

- 5.2 – Clarified Pre-Purchase education requirement

Section 7

- 7.2 – Added Review Time – 48 hours
- 7.3 – Added Perfect Submission
- 7.4 – Added Interest Credit
- 7.5 - Added DOT
- 7.6 - Added Power of Attorney
- 7.7 7.7 – Added Free Trader

Section 8

- 8.1 A.3 – Loans...may not be eligible for purchase

Section 9

- 9.1 – Changed Extension fee to .25%

Appendix A – NC Home Advantage Mortgage Summary

1. Down Payment Assistance -2 – DPA cannot be used for negative equity
2. Closing/Purchase guidelines – 1 – Added POCs for cash back at closing

Removed Section 11 - \$15k DPA Option

September 26, 2017:

Section 4

1. 4.7 – Subordination Policy defined
- All Sections – DTI increased to 43%

Section 8

1. 8.2 – XML File upload added

September 29, 2017:

Definitions updated

1. Removed Substitute TIL

2. Removed TIL

Section 7

1. 7.4.4 – Changed LE information and fees allowed

2. 7.5 – Added LE required as #4.

3. 7.5 – Changed Note to reflect new LE requirement

Program Summary – Removed language about APR not allowed to exceed “0”%

Document Submission Matrix – Removed TIL

October 9, 2017:

Section 7 – 7.5 Added URAR – Uniform Residential Appraisal Report

November 21, 2017:

Added new policy on POAs being acceptable.

January 26, 2018:

Section 4 – 4.3 – Added Rebuttable Presumption

Section 8 – 8.1 – C 5 - changed Tax service fee to 71.50

8.3.7 – added Rebuttable Presumption not allowed

February 18, 2018:

Section 10 – NC 1<sup>st</sup> Home Advantage Down Payment added to Program Guide

April 28, 2018:

- Section 8: Added non-warranty deed exception and free-trader requirement
- Section 4.7: Added lien position requirement for NCHFA loans being in 2<sup>nd</sup> position

May 21, 2018

The following changes apply to the entire document

- Edited for grammar, typos, punctuation and formatting consistency
- Created text box to pull out 2<sup>nd</sup>-person instructions
- Added dynamic Table of Contents
- Formatted headings, sections and lists
- Moved Program Summaries and FAQs to earlier in the document
- Revamped Section 12 (Recapture) to better align with rest of document
- Suggest creating flow chart for late fees

August 28, 2018

- Removed Early Default document
- Clarified Citizenship eligibility
- Added ServiSolutions requirement for 1 year tax transcripts for borrowers for post closing audits.
- Added IRS tax liens not allowed.

September 26, 2018

- Section 9.1 - Clarified allowable circumstances for Extension fees to be paid by borrower

October 5, 2018

- Added “Color” to appraisal requirement

December 21, 2018

- New fee structure from Alabama
- Max cash back of \$1,000
- Added form08, Underwriter Certification
- Removed UCD XML upload requirement.
- Added two-step process for upload of closing file to NCHFA and Alabama.

January 23, 2019

- Section 8.1 – C 4 – updated Tax Service fee

June 17, 2019

- Updated LPA references to include Freddie Mac
- Added HFA Advantage references
- Updated TBA income limit to \$89,500

September 24, 2019

- No limit on principle reduction before closing.
- Updated MI chart for over/under 80% AMI.

December 10, 2019

- Updated termination of AIS grants section for 12/31/2019.
- Update 80% AMI cap on Freddie Mac loans

July 2, 2020

- Updated escrow section.
- Remove Freddie Closing Cost Grant section
- Agent Certification, POA
- Max fees \$1,300 and 1%

September 6, 2020

- Added HBE Fannie Mae HUD requirement

November 16, 2020

- Added section 6.1 4 – non-occupying co-borrowers not allowed.

January 11, 2021

- Updated Insurance Deductible to align with ServiSolutions Sect 7.8
- Updated QM change Sect 4.2

March 3, 2021

- Updated # of allowed NCHFA products at one time Sect 4.2
- Added Bitcoin Sect 4.7
- Added at closing guidance for cash back in excess of \$1,000 Sect. 4.12
- Corrected Non-Occupying Co-Borrower (not allowed) Sect. 5.1
- Removed DACA 5.1 3
- Added Section 8 Voucher information Sect. 5.4
- Amended IRS Liens policy Sect. 5.6
- Amended Final Documentation Sect. 8.1
- Added EIN # Sect. 8.1
- QM / APOR

April 29, 2021

- Added Fannie Mae closing costs assistance

May 20, 2021

- New income limit.

Dec 6, 2021

- Removed 10 day wording under repair escrows.
- Clarified that free-trader language is needed in Separation agreement or stand alone

Mar 7, 2022

- Revised cash back to \$2,500 from \$1,000
- Raised DTI to 45% from 43%. Effective once IT updated OLS.

Aug 12, 2022

- Rural closing cost assistance ended Sep 15<sup>th</sup>, 2022.

Dec 19, 2022

- Changed minimum loan production from 10 to 12 loans.
- Clarified that DPA cannot be used to pay Realtor/real estate commissions.
- Updated Alabama Funding Fee / Tax Fee

Jan 9, 2023

- Over 80% AMI Freddie Mac loans allowed