COMMUNITY PARTNERS
LOAN POOL
PARTICIPATION GUIDELINES

NORTH CAROLINA HOUSING FINANCE AGENCY
Home Ownership Community (HOC) Programs/HOC Team

Sonia B. Joyner, Director of Home Ownership Programs, 919-877-5630
Joshua Burton, Team Leader HOC, 919-877-5678
Rich Lee, Senior Community Partner Coordinator, 919-877-5688
Kim Hargrove, Team Leader – Documentation & Compliance, 919-877-5682
Deborah Hamilton, Senior Program Documentation Specialist, 919-877-5709
Mark Lindquist, Senior Compliance Coordinator, 919-501-4263

Mailing Address: Post Office Box 28066 - Raleigh, NC 27611-8066
Delivery Address: 3508 Bush Street - Raleigh, NC 27609

Effective: January 1, 2020
Last Revised: March 2, 2020

These guidelines will be revised periodically. The most current version can be found on the NCHFA website:
# Table of Contents

1. **Program Overview** ................................................................. 3
   - What We Offer and How CPLP Works
   - Program Funding and Civil Rights Act & Fair Housing

2. **Becoming a Member of the Community Partners Loan Pool (CPLP)** ........................................... 6
   - Eligible Applicants for CPLP Membership and Applying to be a CPLP Member
   - Agency Evaluation of the Application for Membership, Applicant Capacity, Home Buyer Education & Pre-Purchase Counseling, and Eligible Home Buyer Programs
   - Evaluating Affordable Housing Stock in Service Area and Other Membership Info
   - Required Services of the CPLP Member, Civil Rights Act & Fair Housing, Conflict of Interest, Record Retention, and Monitoring of Member

3. **Eligible Properties for CPLP** ................................................................. 13
   - Newly Constructed Units and Recently Built Builder Inventory
   - Existing Housing and Required Inspections for Existing Housing
   - NC Home Inspection and List of Repairs / Work Writeup
   - Comprehensively Evaluated & Rehabilitated Homes and Gut Rehabilitated Homes, Pre-1978 Properties, Lead Based Paint Pamphlet & Disclosure and Timing on Submission
   - Maximum Sales Price

4. **Borrower Requirements for CPLP** ................................................................. 20
   - Eligible Home Buyers, Borrower Ratios, and Residual Income & Cash Flow
   - Grossing Up Non-Taxable Income, Income Stability, and Minimum Credit Score
   - Borrower Contribution & Cash Out, Verification of Employment/Income, Borrower Reserves & Assets, Other Property Ownership, Borrower Marital Status, Legal Status
   - Required Home Buyer Education & Pre-Purchasing Counseling for CPLP Borrowers

5. **Program Financing / Program Options** ................................................................. 27
   - CPLP Financing Availability & First Mortgage Requirements
   - CPLP Terms
   - CPLP Assistance Options (Charts)
   - Special CPLP Assistance: SystemVision™ Only Assistance & IDA Matching Funds

6. **General Loan Requirements for CPLP** ................................................................. 33
   - Subsidy Layering Review
   - Lender/Borrower Requests for CPLP Assistance After Sales Contract Signed
   - Upgrades for Newly Constructed Homes
   - Existing Home Referrals After Sales Contact Signed
   - Borrower Paid Appraisals
   - CPLP Submissions and Underwriting Package
   - PRE-CLOSING: Closing Date & CPLP Loan Closing Docs, and Loan Amount Changes After Approval
POST-CLOSING: Documentation Needed
Required Timeline for Payment of Member Fees
USDA 502 Mutual Self-Help or Construction-to-Permanent Loan
USDA 502 Direct Underwriting for Credit & Combined Loan to Value
Foreclosure or Death of a Borrower and Recapture
Loan Modifications, Subordinations and Assumptions

7. Additional Program Requirements ........................................................................................................42
   Information Security and Helping Home Buyers with Limited English Proficiency
   Relocation Assistance and Affirmative Marketing & Fair Housing
   Conflict of Interest, Records Retention, and Monitoring of CPLP Members
   Homebuyer Written Agreement and Faith Based Organizations

8. Program Loan Underwriting & Income Qualifications ........................................................................46
   Timing the Verification of Income, and Qualifying and Household Income,
   Student Loan Debt and Calculating Total Monthly Subsidy
   Third Party Documentation
   How Much Income Documentation, Annualizing Income, and Overtime and Other Income
   HUD Guidance on Determining Income
   Notes Regarding Documentation of Household Income and Annual Income Includes
   Household Annual Income Does Not Include
   Borrower Assets

Appendix 1: New/Existing Home Site Standards ...................................................................................... 54
Appendix 2: Submitting CPLP Application via NCHFA Loan Pool Portal .............................................. 56
Appendix 3: Sample Loan Conditional Approval Letter ............................................................................. 58
Appendix 4: Lead-Based Paint Visual Assessment Introduction & Forms .............................................. 60
Appendix 5: NCHFA Guidance for Developing a Four Factor Analysis and LAP .................................. 64
Appendix 6: Cash-Flow Worksheet ............................................................................................................. 76
Appendix 7: Recertification Form: Supplement Home Buyer Education Completed ................................ 78
Appendix 8: CPLP Contacts ....................................................................................................................... 80
1. Program Overview

Introduction
The **Community Partners Loan Pool (CPLP)** program is a down payment assistance (DPA) program for low- and moderate-income home buyers. Eligible households can use CPLP funds to purchase new or existing homes that meet the program standards. Also, the CPLP assistance must be combined with either a NC Home Advantage Mortgage™ or a USDA Rural Development 502 loan. Finally, home buyers **must** work with a CPLP Member who will help them apply for CPLP assistance.

NCHFA provides a fee for service to Members for each CPLP loan closed as well as certification fees for homes built or renovated to meet certain energy efficiency standards.

The primary objectives of CPLP are:
- To assist qualified households at or below 80% of Area Median Income to become home owners;
- To increase home ownership opportunities in underserved communities;
- To increase the capacity of housing nonprofits and local government housing programs to produce more affordable homes;
- To leverage other public and private investment; and
- To encourage the production of healthy, energy efficient homes through the application of advanced building science.

**What We Offer (UPDATED)**
For 2020, CPLP will offer the following funding options for eligible home buyers:

- Up to 20% of the sales price, with a maximum of $30,000 per loan, when used in combination with a NC Home Advantage Mortgage™. CPLP funds are provided as a deferred payment, subordinate mortgage loan at 0% for 30 years to eligible borrowers who purchase a newly constructed or existing home through a CPLP Member.

- Up to 10% of the sales price when used in combination with a USDA Rural Development 502 loan (*Direct Purchase, Construction-to-Permanent or Mutual Self-Help*). CPLP funds are provided as a deferred payment, subordinate mortgage loan at 0% for up to 33 years to borrowers who purchase a newly constructed or existing home through a CPLP Member.

- $1,000 to $2,000 secondary match for Individual Development Account (IDA) savings for home buyers participating in a NCHFA-approved IDA Program (*see IDA Matching Funds on page 32 for more information*).

**Loan Pool Member Benefits**

- **$2,000 fee** for home buyer readiness services provided, including home ownership education, and pre-purchase counseling as well as submitting the CPLP application. **Fee increase from 2019**

**NOTE:** Member Fees will be reduced or eliminated for poor performance (incomplete packages, insufficient documentation for property condition, last minute omissions on key eligibility data, poor communication by Member, etc.)
• $4,000 (slab) or $5,000 (crawl space) certification fee for homes built to SystemVision™ for New Homes Standard [Fee increase from 2019]
• $5,000 or $6,000 (new HVAC) fee for homes rehabilitated to SystemVision™ for Existing Home Standard
• $1,000 certification fee for recognized Green Building Certification for New or Existing Homes

How CPLP Works
1. CPLP membership is open to North Carolina non-profits or government agencies that assist income-eligible home buyers prepare for the purchase of a home. Applications for membership are accepted throughout the year (For more info, see pages 6-12).
2. Once approved, the Member can reserve CPLP loan funding on a loan-by-loan basis for potentially eligible borrower(s).
3. After the underwriting and unit information has been submitted and approved, the Member selects the closing date, and the Agency provides funds and loan documents at closing.
4. After the loan has been closed and required documentation received, the Agency pays the Member the appropriate fee for home buyer prep services provided as well as any fee for SystemVision™ certification with or without Green Building certification.

Program Funding (UPDATED)
The Agency utilizes HOME funds from the U.S. Department of Housing and Urban Development (HUD) to provide Second Mortgage financing as well as to cover Member fees. The amount of assistance requested per unit/borrower depends on which option(s) the Member requests (*For more info, see pages 29-30).

For 2020, NCHFA has budgeted $10 million for CPLP down payment assistance. Please note that the total program budget may change during the year. These guidelines as well as the NCHFA website serve as the announcement of funding availability. Funding availability is typically announced in January each year at: https://www.nchfa.com/homeownership-partners/community-partners/community-programs/community-partners-loan-pool

For 2020, NCHFA will limit how many CPLP loans each Member can reserve per quarter. This will ensure that CPLP funds are available throughout the year. Here are quarterly caps for 2020:
• 1st Quarter (JANUARY-MARCH): Up to 18 loans per CPLP Member
• 2nd Quarter (APRIL–JUNE): Up to 15 loans per CPLP Member
• 3rd Quarter (JULY-SEPTEMBER): Up to 15 loans per CPLP Member
• 4th Quarter (OCTOBER-DECEMBER): Up to 12 loans per CPLP Member

NCHFA will monitor how much funding has been reserved/approved throughout 2020 and may increase or decrease the quarterly caps based on demand for CPLP-assistance and funds availability.

Two important notes regarding the quarterly reservation limits/caps:
• Reservations can only be made for home purchases that are expected to be fully underwritten within 90 days, and closed within 90 days of underwriting approval.
• For the last quarter of 2020, Members should only submit reservations anticipated to close no later than January 15, 2021. Otherwise, new reservations should be submitted for the program year in which they are anticipated to close.

Additional funding may also be available under SystemVision™ Only Assistance and/or IDA Matching Funds (*For more info, see page 32). NCHFA will communicate with Members about funding availability throughout the calendar year.

Civil Rights Act & Fair Housing
The Civil Rights Act of 1968 and the Fair Housing Amendments Act of 1988 apply to all housing in the United States, including homes purchased with Community Partners Loan Pool assistance. The Federal Fair Housing Act & NC Fair Housing Act prohibit discrimination based on the following protected classes:

• Race
• Color
• Religion
• Sex
• National Origin
• Disability
• Familial Status (Having children or being pregnant)

The NC Fair Housing Act also includes low income housing as a protected class.
2. Becoming a Member of the Community Partners Loan Pool (CPLP)

Eligible Applicants for CPLP Membership (UPDATED)
The following types of organizations can apply for membership, either individually or in partnerships with other organizations:

- Non-profit developers of affordable homes for home buyers
- Non-profit agencies with a home buyer education and/or counseling program
- Public agencies that administer a homeownership program: City Department of Housing or Community Development, Regional Council of Governments, Public Housing Authority, or Other

*NOTE: Lenders are not eligible to apply for CPLP membership. They must partner with a CPLP member who will help an eligible borrower apply for assistance. However, lenders must be approved to offer NCHFA’s first mortgage product, the NC Home Advantage Mortgage™.

Eligible Applicants for CPLP membership must have the capacity to prepare low-wealth families for successful home ownership and identify program eligible properties. If a nonprofit or local government wants to participate in the program but does not have the expertise to offer home buyer education and counseling, it can form a partnership with an agency that has a certified housing counselor.

NOTE: Effective August 1, 2020, NCHFA will require all Members partner with a HUD-Approved Housing Counseling Agency with at least one HUD-certified housing counselor.

To search for CPLP Members by County, please go to the Current Community Partners page on the NCHFA website:

Applying to be a CPLP Member
To become a CPLP Member, please complete and return the Membership Application which you can download from the Agency website’s CPLP Forms and Resources page:

NCHFA accepts CPLP Membership Applications on an on-going basis. All Applications that meet Program threshold criteria will be admitted to membership in the CPLP; this is not a competitive program. Interested organizations are encouraged to talk with Agency staff prior to submitting their Application. To schedule a meeting or for further information about funding availability, please contact:
Joshua Burton Team Leader for HOC 919.877.5678 jdburton@nchfa.com
Rich Lee Sr. Community Partner Coordinator 919.877.5688 rylee@nchfa.com

Completed Membership Applications can be emailed to staff listed above or mailed to:
Community Partners Loan Pool / HOC Team
NCHFA, P.O. Box Mailing Address: P.O. Box 28066, Raleigh, NC 27611
Agency Evaluation of the Application for Membership

The Agency will evaluate an Applicant’s staff capacity, legal standing, financial standing, fair housing affirmative marketing and outreach plan, and past performance. Applicants should provide a good overview of their Home Buyer program. Roles and responsibilities necessary for implementation must be identified, including, but not necessarily limited to marketing, home buyer education and pre-purchase counseling, screening, and qualifying applicants, working with local government and appropriate others, and communicating with first mortgage lenders.

Each application will be evaluated taking the following into consideration:

Applicant Capacity

- If the Applicant is a nonprofit organization, they must provide documentation of their 501(c) (3) tax exempt status.
- The Applicant organization (or at least one key member of the partnership) must have at least 1 year of experience managing a home buyer program and/or facilitated the purchase of at least 5 affordable homes.
- There must be no unresolved audit or monitoring findings or legal proceedings against the Applicant or Partnership.

Home Buyer Education & Pre-Purchase Counseling *(CLARIFIED)*

Members should have a certified housing counselor or partner with an agency that has a certified housing counselor to provide the required home buyer education and pre-purchase counseling services (*For more info, see pages 24-25). NCHFA encourages Members to partner with a HUD-approved housing counseling agency whenever possible.

On August 1, 2020, the HUD counseling rule that effects federally-funded home buyer assistance program will take effect. The rule states that any required home buyer education or pre-purchase counseling must be provided by a HUD-certified housing counselor working at a HUD-approved housing counseling agency. Since CPLP is funded with HOME dollars from HUD, all CPLP borrowers must comply with this rule.

*CPLP Members who are not a HUD-approved housing counseling agency must partner with one by the deadline. Failure to do so will be grounds for terminating their membership in CPLP. Please contact your assigned Community Partner Coordinator if your agency needs assistance to meet this requirement.*

Eligible Home Buyer Programs

CPLP Members must operate a Home Buyer Program that serves households at or below 80% of the Area Median Income.

Evaluating Affordable Housing Stock in Service Area

When reviewing Applications, the Agency will focus on determining whether there is a sufficient supply of quality, affordable housing below the 95% of Area Median Sales Price Limit for the county or counties served by the Applicant as well as if there are sufficient potential borrowers under 80% of the Area Median Income.
To view the current Sale Price Limits for North Carolina, go to the CPLP page on the NCHFA website: 

OTHER MEMBERSHIP INFORMATION:
Once an organization is preliminarily approved for membership, NCHFA will send the new Member the following documents:

HOME Written Agreement: At least every two years, each Member must sign a HOME Written Agreement with NCHFA that includes the following items:
  1. Maximum amount of CPLP assistance available to an eligible home buyer (*For more info, see pages 29-30)
  2. Member Fees that can be earned (*For more info, see page 31)
  3. Member Responsibilities (*For more info, see pages 9-10)

OPTIONAL SystemVision™ Agreement(s): Members that want to sell homes built or rehabilitated to SystemVision™ standards must first sign a separate SystemVision™ Agreement that outlines program provisions and governs the relationship with NCHFA. This is a three-party agreement between the Member, NCHFA, and Advanced Energy, which operates the SystemVision™ program. In addition, the Member must send a representative (i.e. staff member and/or builder) to a free technical training session provided by Advanced Energy.

For more information about the SystemVision™ standards, please contact Lisa Manuel at Advanced Energy: 919-857-9053 or lmanuel@advancedenergy.org

Once the appropriate Member agreements have been executed, NCHFA will assign the new Member a Community Partner Coordinator who will be their primary point of contact for CPLP program questions and training needs.

NCHFA will provide training for Member staff on CPLP Program Guidelines as well as instruction on applying for CPLP assistance via the NCHFA Loan Pool Portal. As part of the Portal Training, NCHFA will provide appropriate Member staff with a User Name and Temporary Password (*temporary password can be changed once the Member logs into the Portal). Each Member must designate a primary staff member to work on CPLP as well as a backup person.

Before a new Member submits their first CPLP application via the Portal, they should contact their assigned Community Partner Coordinator to review the application process and answer any questions the Member may have (*NOTE: See Appendix 8 for a list of current CPLP Contacts including Community Partner Coordinators).

Finally, at the beginning of each calendar/program year, the Member must submit a CPLP Membership Renewal form which updates NCHFA on changes with key personnel (staff & Board), Home Buyer Education/Counseling services, and Outreach/Marketing efforts. The Member also provides an estimate of the number of CPLP loans they plan to submit for the year.
A Member can become inactive and suspended from requesting CPLP funds for any of the following reasons:

- Member fails to submit their Annual CPLP Membership Renewal Form
- Member fails to sign a HOME Written Agreement or other applicable Program Agreements
- Member has failed to comply with the terms of their Program agreements or fails to adhere to established Program Guidelines.

The suspension will stay in place until corrective action has been taken.

In addition, CPLP membership may be revoked or terminated if a Member is delinquent on submission of the required post-closing documents, applicable certifications, and/or other required documentation more than 3 times in a calendar/program year. However, the Member may reapply for membership when their organizational capacity has improved.

**Required Services of the CPLP Member**

All CPLP Members must perform the following services to remain active in the Loan Pool and be eligible to receive a fee for services:

1. Perform outreach in their disclosed service area, intake of potential home buyers, and evaluation of their potential eligibility to participate in the Program. Outreach efforts must affirmatively further Fair Housing opportunities.

2. Ensure that participating borrowers have completed an approved home buyer education course (In-person or Online) within 12 months of the date of entering into a sales contract, and one-on-one counseling within 90 days of closing; and ensure borrowers receive at least 2 hours of Pre-purchase counseling from a certified housing counselor. Members develop a homebuyer readiness plan for each CPLP borrower which includes evaluation, pre-purchase education, and housing counseling. Home buyer education courses must comply with the National Industry Standards for Homeownership Education and Counseling and be HUD-approved by August 1, 2020. Housing counselors must have certification recognized by NCHFA and be HUD-certified by August 1, 2020.

3. Assemble/collect required documentation for the Agency to review the potential property and underwrite the potential borrower’s household within six (6) months of closing or at the time the sales contract is signed for newly constructed homes. This includes but is not limited to the documentation needed to conduct the environmental review, documentation of property condition, income documentation, loan documentation, and other needed documentation to review the property, funding, or borrower household.

4. Review all documentation regarding property condition. Members collect sufficient documentation for existing housing including but not limited to all needed inspections, work write ups, and proof of repairs. For properties older than 10 years old, Members carefully review property conditions which may include, but is not limited to, examining photos and videos of property, site visits to property, and careful review of repair documentation, inspections, and work write ups.
5. Facilitate communication between loan officers, realtors, inspectors, builders, repair contractors, energy raters, city officials, down payment assistance program staff, closing attorneys and their paralegals, and potential borrowers. Further, Members may need to share information including but not limited to disclosures, loan approvals, loan amounts, program requirements, and timing with any of the parties listed above. Members facilitate communication throughout the entire process and make efforts to ensure information shared is accurate and current.

6. Members ensure that units receiving SystemVision™ and/or Green Certification fees meet the applicable performance and design standards; and are approved for certification by the respective programs. To receive the applicable certification fee, units must pass final inspection before occupancy or closing; and NCHFA must receive appropriate documentation within 30 calendars days for SystemVision™ homes and within 120 calendar days for Green Building certified homes.

Civil Rights Act & Fair Housing
The Civil Rights Act of 1968 and the Fair Housing Amendments Act of 1988 apply to all housing in the United States, including homes assisted by the Community Partners Loan Pool. The Federal Fair Housing Act & NC Fair Housing Act prohibit discrimination based on the following protected classes:

- Race
- Color
- Religion
- Sex
- National Origin
- Disability
- Familial Status (Having children or being pregnant)

The NC Fair Housing Act also includes low income housing as a protected class.

Conflicts of Interest
Every CPLP member must submit a copy of their organization’s Conflict of Interest policy as part of the initial membership application. The Policy should be reviewed at least once every 2 years by the member’s Board and documentation of the review should be submitted with their annual membership renewal form, when appropriate.

Further, any potential conflict of interest MUST be disclosed to NCHFA at the time of loan reservation or prior to starting the reservation. NCHFA will review the potential conflict of interest case-by-case and make a determination as to whether a conflict of interest exists.

NCHFA will not provide CPLP assistance to individuals who assemble loan pool applications or are part of the leadership (staff or Board) of loan pool member organizations. However, staff that do not have a direct decision-making role for CPLP and are required to work through the same process as an external client, may apply for CPLP assistance.

Organizational conflicts of interest exist when the organization knowingly enters into undisclosed preferential relationships with service providers who are owned or operated by close family, friends, or members of a shared interest group.
In all cases, borrowers should be given the option to "shop for" lenders, realtors, appraisers, inspectors or any other real estate service provider related to their transaction. While choices for real estate service providers may be limited in some areas, the borrower(s) must be allowed to choose.

Under no circumstance may staff of the Loan Pool member personally receive a commission or payment for real estate services offered through another business entity to a CPLP borrower if they were also involved in helping that borrower apply for a CPLP loan. Any organizational commissions earned by brokers on staff must be managed as revenue which is reviewed by the board or other governing body.

Should the borrower(s) choose to work with a real estate business that employs a loan pool member staff or one of their family members, that loan pool employee cannot work with the potential borrower(s) on their CPLP application. Other CPLP member staff can assist in assembling and submitting the loan package. As part of the underwriting package, the borrower(s) must provide a signed statement that they voluntarily chose to work with the business entity that has a relationship with an employee of the loan pool member and that the employee referenced was not involved in their application for a CPLP loan.

Finally, any fees paid by the borrower for services provided by the loan pool member (i.e. home buyer education, reviewing credit, or other services related to the home buyer preparation) must be modest.

Records Retention Policy:
In addition to the HOME Written Agreement provisions regarding Record Keeping & Reporting (*see Section I of Agreement), the CPLP Member should retain documents that support their efforts to Affirmatively Further Fair Housing and Affirmatively Market the CPLP program. Records should be kept for:

- Any Fair Housing Complaints Filed Against the Member’s Organization
- Affirmative Marketing Efforts
- Limited English Proficiency requests for accommodation and compliance with Member Organization’s Language Access Plan (LAP), if applicable
- Documentation that supports housing counseling time spent with clients served by CPLP

Monitoring of Member
NCHFA staff will conduct a monitoring visit of active CPLP members at least once every 5 years. Items to be monitored include:

- Updates to Four Factor Analysis or LAP, if applicable, plus documentation of any Limited English Proficiency requests for accommodation and how they were addressed
- Plan and actions to Affirmatively Further Fair Housing
- Documentation that supports home buyer education and/or housing counseling time spent with clients served by CPLP
- Documentation related to the approval of CPLP files
- Agreements with partners to provide home buyer education & pre-purchase counseling (if applicable)
- Agreements with partners to provide financial assistance for construction or rehab of a CPLP-assisted home *(if applicable)*
- Programmatic Agreements
- Programmatic Documents such as the annual CPLP Membership Renewal Form

*NOTE: Additional items may be monitored, including programmatic requirements addressed in any of the CPLP-related Agreements.*
3. Eligible Properties for CPLP

The Community Partners Loan Pool (CPLP) program is designed to support the purchase of quality homes for households that meet program income requirements. NCHFA requires that eligible CPLP properties have an appraised value equal to or greater than the full contract sales price. All properties must also have an appraisal or comparative market analysis conducted within 6 months of closing to document value.

To be eligible for CPLP financing, properties should be located on, or have direct access from, a publicly maintained road. Properties accessed by a privately maintained road will be reviewed on a case-by-case basis. The Agency discourages the purchase of properties where the home buyer is responsible for maintaining the access road to the property. Eligible properties can be new or existing single family, stick-built homes; new modular homes; new manufactured homes built to HUD Code on permanent foundations; and townhouse or condominium units (condominiums must be Fannie Mae Approved when applicable).

All existing homes must pass 2 required property inspections. Needed repairs or replacements must satisfactorily address health, safety, deferred maintenance, and durability issues for the home to be eligible for CPLP-assistance. Quality, safety, and energy efficiency are important for the long-term success of participating borrowers, and therefore are priorities of the program.

Homes more than 10 years old MUST also show that major systems have at least 5 years of useable life remaining as determined from the information documented by inspections. Major systems are structural support; roofing; cladding and weatherproofing (windows, doors, siding, gutters); plumbing (supply, drainage, water heaters); electrical; and heating, ventilation, and air conditioning (HVAC). If any major system has less than 5 years of remaining useful life, the system must be replaced, or the home will be ineligible for CPLP assistance.

For existing homes, the Member may coordinate the rehabilitation of the property or simply identify properties in like new condition. If the Member has not comprehensively evaluated and/or rehabilitated the home to be purchased, they should strongly encourage the borrower(s) to select a home with minimal deferred maintenance issues; that is, less than 10 years old. Otherwise, the Member must help the borrower determine if the home has been comprehensively rehabilitated within the last 10 years.

Eligible properties under CPLP include:

Newly Constructed Units
- Must have a Certificate of Occupancy before the Member can close on the CPLP loan.
- If a home is certified to meet SystemVision™ standards, EnergyStar, or other Agency recognized Green Building Programs, Member can earn a fee to offset the cost of certification and/or to provide energy guarantees to CPLP-assisted borrowers. The Agency only recognizes certain programs which are expected to address the long-term affordability of heating and cooling for CPLP borrowers. NOTE: For information on approved Green Building Programs, contact Josh Burton at 919-877-5678 or jdburton@nchfa.com

NOTE: For information on approved Green Building Programs, contact Josh Burton at 919-877-5678 or jdburton@nchfa.com
• All homes financed under CPLP must meet local development regulations and applicable building codes, zoning, and other regulations.

• All properties should also meet the New/Existing Home Site Best Practices Reference (*see Appendix 1 for more information).

• If applicable, homes certified under the SystemVision™ option must also meet specific design, construction and performance standards developed by Advanced Energy Corporation. For more info, contact Lisa Manuel at Advanced Energy (919-857-9053 lmanuel@advancedenergy.org)

• Members are encouraged to have Universal Design and/or Visitability features incorporated into newly constructed and/or rehabilitated homes whenever appropriate (https://projects.ncsu.edu/design/cud/pubs_p/docs/UDinHousing.pdf).

Recently Built Builder Inventory
• Newly constructed homes that have been unoccupied for less than 12 months are eligible. However, if the property has been unoccupied for more than 12 months, the property will be classified as an existing home, even if never occupied, and will require additional housing inspections (*see Existing Homes section below).

Existing Homes (CLARIFIED)
• Existing homes less than 10 years old OR ones that have been comprehensively rehabbed within the last 10 years are the best “fit” for someone seeking CPLP assistance.

• All homes must pass two (2) required Inspections:
  1. Home Inspection by a licensed N.C. Home Inspector
  2. Local Minimum Housing Code Inspection OR a Housing Quality Standards (HQS) Inspection, whichever is applicable

*For more info, see pages 15-16

• Homes more than 10 years old will be considered for CPLP assistance on a case-by-case basis ONLY under one of the following conditions:
  1. Units are COMPREHENSIVELY inspected/evaluated and meet the existing property standards previously mentioned, including documentation that major systems have at least 5 years of useable life as verified by a licensed inspector, licensed contractor, or a certified Rehab Specialist. Some lenders or realtors may use the term “effective life” to describe an existing home that has been upgraded/rehabbed, so it is effectively a home less than 10 years old in terms of major building systems. However, HUD requires a higher level of assessment. Specifically, that all major building systems have at least 5 years of useable life.
  2. Units have undergone a GUT REHABILITATION before sale, have passed all applicable state and local building codes, and received a new Certificate of Occupancy (CO).

• Moreover, homes BUILT PRIOR TO 1978 are the most challenging homes to assess properly due to the presence of Lead-Based Paint. As such, Members MUST contact their Case Manager to discuss any Pre-1978 home under consideration and receive PRE-APPROVAL from the Agency before submitting a reservation for CPLP assistance. Units must comply with all applicable State and Federal regulations for Lead-Based Paint (*For more info, see pages 17-18).

• Any repairs that would cause a property to fail a minimum housing inspection must be addressed before closing, or the property is ineligible for funding.
NCHFA encourages Members to incorporate Universal Design/Visitability features in any homes they sell: https://projects.ncsu.edu/design/cud/pubs_p/docs/UDinHousing.pdf

Required Inspections for Existing Homes

NC Home Inspection
The home inspection should cover the functionality of building systems and relative age of these systems. The home inspection should also document the age, based on manufacturer’s label or estimated age range if exact information is not available, of all major equipment and systems, including but not limited to water heater, HVAC system, roof and exterior.

In the case of homes that are greater than 10 years old and not undergoing comprehensive evaluation and rehabilitation, the Agency will require specific system inspections if documentation of replacement is not available. All major systems must demonstrate at least 5 years of remaining usable life at inspection.

As per HUD, major systems are structural support; roofing; cladding and weatherproofing (e.g. windows, doors, siding, gutters); plumbing (supply, drainage, water heaters, etc.); electrical; and heating, ventilation, and air conditioning. If any major system has less than 5 years of remaining useful life, the system must be replaced, or the home will be ineligible for CPLP assistance.

Please allow additional time for supplemental inspections to assess the remaining life of the building systems. Depending on the age of the home, the supplemental inspection and any needed system replacement(s), may require two or more weeks to complete.

Local Minimum Housing Code:
For homes undergoing a gut rehabilitation, the permitting process, state and local code inspections, and corresponding Certificate of Occupancy adequately satisfy that the property meets the local Minimum Property Code (or local Minimum Housing Code). However, an existing home not undergoing a gut rehab must provide other documentation as outlined below.

If the local government (City or County) has adopted a local Minimum Housing Code for existing housing, then meeting the local Minimum Housing Code is required. Members must provide certification from the local government that the property meets the local Minimum Housing Code. Members should also retain a current copy of their local Minimum Housing Code and be prepared to provide NCHFA with a copy of it upon request.

In the absence of a local Minimum Housing Code for existing housing, units must pass a Housing Quality Standards (HQS) or Uniform Physical Conditions Standard (UPCS) inspection. The inspection must be performed by an individual that has experience conducting HQS inspections. The inspection must be documented on the standard HUD forms (52580-A or 52580). Local housing authority staff, local government staff, and some licensed home inspectors are able to perform HQS inspections.

*NOTE: UPCS inspections may be replacing HQS inspections pending HUD’s release of guidelines. Currently, UPCS inspections are not available for single family homes. Additional guidance will be provided as it becomes available.
Other instances when a **Housing Quality Standards (HQS) Inspection** can be substituted for a local Minimum Housing Code Inspection are:

- If the local government uses their local Minimum Housing Code to inspect rental properties for health and safety concerns and they provide written documentation that the local government does not inspect existing for-sale homes to certify they meet the local Minimum Housing Code.
  
  **OR**

- If a local government does not have sufficient staff to inspect existing for-sale homes for compliance with their local Minimum Housing Code during the Due Diligence Period defined in the sales contract and the local government provides written documentation.

The Member **must** provide documentation that the home has passed the HQS inspection.

**List of Repairs / Work-Writeup**

Members should review the local Minimum Housing Code Inspection or the HQS Inspection, when applicable, as well as the Home Inspection to identify any needed repairs to be performed on the property before CPLP assistance can be approved.

When a major deficiency has been identified, a good rule of thumb for prioritizing needed repairs is:

1. Threats to the household (homeowner) if not addressed
2. Threats to the property if not addressed
3. High cost to replace/repair items that are likely to have less than five (5) years of usable life

Repairs must adequately address:

- all major structural threats to the property (i.e. moisture penetration or standing water, structural integrity)
- all threats to health and safety of the buyers (i.e. trip hazards, air quality, security, fire safety, etc.)
- all major deferred maintenance issues

**NOTE:** All major systems must demonstrate at least 5 years of remaining usable life as determined from the information available in the required inspections performed (*see page 15 for a list of major systems). If any major system has less than 5 years of remaining useful life, the system must be replaced, or the home will be ineligible for CPLP assistance.

- energy efficiency whenever possible

Members must document all repairs to be performed and certify that listed repairs were completed prior to submission of the Underwriting Package.

**Comprehensively Evaluated and Rehabilitated Homes and Gut Rehabilitated Homes**

Comprehensively evaluated and rehabilitated units must still meet all of the inspection requirements addressed above and any additional applicable local and state code requirements. In most cases, substantial or gut rehabilitated properties will be required to obtain a new Certificate of Occupancy to show compliance with the NC Building Code. Existing residential properties built after 1978 may reserve program funds if eligibility criteria are met. Any rehabilitation work performed must meet the current NC Building Code.

In all cases, critical systems should be replaced or repaired if they are estimated to have less than 5 years of usable life.
In the case of an “as-is” sale, the property must pass a local Minimum Housing Code Inspection or HQS Inspection, whichever is applicable, as well as pass a home inspection performed by a licensed NC Home Inspector, to demonstrate that there are no significant deficiencies (i.e. high cost items, threats to the property or homeowner) with the property.

All units with significant deficiencies (health and safety threats, structural threats, minor items that will lead to major repairs if not addressed, etc.) must be addressed or the home will be ineligible for purchase with CPLP funds.

Pre-1978 Properties
If a borrower is planning to purchase of a home built prior to 1978, the Member must contact their assigned Community Partner Coordinator BEFORE submitting a reservation. The Federal Government banned the use of lead-based paint effective in 1978 so homes built before then have additional requirements to meet. Loan Pool Members must fully understand the process and requirements for submitting a pre-1978 property.

NCHFA will ONLY consider purchase of a pre-1978 home on a case-by-case basis under the following conditions:
1. For properties that have undergone a complete gut-rehab, documentation that the home has received a lead clearance report from a NC certified Lead Inspector/Risk Assessor.
2. For properties that have not undergone a complete gut-rehab, documentation that the home has passed one of the following inspections/assessments:
   - Visual Assessment (*minimum required) demonstrating NO deteriorating paint above HUD’s “De Minimus” (minimum) levels
   - Lead-based paint Inspection Including a Visual Assessment documenting the condition of any paint found containing lead
   - Lead-based paint Risk Assessment

*For more information, see Appendix 4: Lead-Based Paint Visual Assessment Introduction & Forms

Contractors working on pre-1978 homes are required to be certified as Renovation, Repair, and Painting (RRP) firm. In addition, they are required to provide verification that a supervisor on the project is RRP certified. This state requirement applies whether or not the borrower applies for loan pool funding.

The 1971 Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846) and the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856) define lead exposure risk and compel actions to be taken to reduce the risk of children being poisoned by lead-based paint hazards. Members involved in rehabilitation, renovation, or repair of homes built before 1978 should identify a strategy to address Lead-Based Paint compliance before any work is performed. NCHFA will not make CPLP funds available to borrowers for pre-1978 homes if applicable Lead-Based Paint regulations were not followed as part of their rehabilitation.
Lead-Based Paint Pamphlet & Disclosure
If a CPLP Member is selling a pre-1978 property, they must provide a fully executed copy of the Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards to the borrower. In addition, all borrowers must be provided a copy of the HUD pamphlet: Protect Your Family from Lead in the Home, whether or not lead has been found in the home. Click on the following link to download a copy of pamphlet:
www.epa.gov/lead/protect-your-family-lead-your-home

*For additional info, please see Appendix 4: Lead-Based Paint Visual Assessment & Forms

Timing of Inspections
Whenever possible, all home inspections, visual inspections (for pre-1978 properties), and minimum property standard inspections should be completed when a Reservation Request is submitted. As some inspections may show the need for repairs, replacement, or possibly paint stabilization (for pre-1978 properties), this investigative work should be performed as early as reasonably possible to allow time for repairs and re-inspections (if needed). In all situations, the due diligence period must allow sufficient time for inspections and re-inspections.

For properties older than 10 years old, the Member should visually inspect the unit or have a qualified professional visually inspect the unit before reservation. The Member must submit the required inspection(s), along with proof that any needed repair and/or replacement has been completed, when they submit the Underwriting Package.

The Agency reserves the right to withdraw the reservation approval if the property does not adequately meet our program guidelines.

Maximum Sales Price
CPLP is supported with HOME funds. Section 215(b) of the National Housing Affordable Housing Act of 1990 requires that the initial purchase price or after-rehabilitation value of homeownership units assisted with HOME funds not exceed 95% of the area median purchase price for single family housing, as determined by the U.S. Department of Housing and Urban Development (HUD). Annually, HUD provides sales price limits by county and by housing type (existing homes or newly constructed).

In addition, HUD sets Households Income Limits for HOME-funded programs at 80% of the Area Median Income.

Both the 95% Area Median Sales Price and the 80% of Area Median Income limits are absolute maximum limits and the Agency has no flexibility to exceed them.

HUD updates both the Sales Price and Household Income Limits on an annual basis. However, there is no set schedule for when these are updated. Generally HUD releases them within the first 6 months of the calendar year but frequently not at the same time. Please note that the HUD household income limits used by the Section 8 Program are not the same as the HOME Program household income limits which are released later in the year.
To view the current HOME Sales Price Limits and the Household Income Limits for North Carolina, please go to the CPLP Page on the NCHFA website:
4. Borrower Requirements for CPLP Assistance

Eligible Home Buyers
For CPLP, eligible home buyers are those with annual household incomes no more than 80% of the area median income adjusted for household size as determined by HUD. The median income limit is adjusted each year, so members should verify the current limit if it appears a household may be close to the 80% limit.

To view the current HOME Household Income Limits for North Carolina, please go to the CPLP Page on the NCHFA website:

Applicants for CPLP funds will be required to document their household income through third party verification to ensure participant eligibility. If a borrower enters into a sales contract for a home that is being constructed or rehabilitated, the home buyer’s income may be verified as of the date the contract to purchase is signed or at the time their CPLP application is submitted. Also, the home buyer’s household income must be verified when the Underwriting Package is submitted with appropriate documentation (i.e., W-2’s, verification of employment, paystubs, etc.). For additional info on Program Underwriting & Income Qualifications, please see pages 46-53.

Home buyers must occupy the property financed under CPLP as their principal residence. When the assisted home buyer no longer occupies the assisted CPLP home, it is considered a default against the CPLP loan.

Members are encouraged to select and prepare home buyers carefully, so the responsibilities of home ownership will not financially overburden them (*see Borrower Ratios section below).

Finally, CPLP home buyers are not required to be first time home buyers (i.e. never owned a home or not owned a home in the past 3 years).

Responsible Lending Standards

1. Borrower Ratios (CLARIFIED)
Borrower’s earning between 60% to 80% of AMI must have a Housing Ratio or “Front End Ratio” (i.e., Principle, Interest, Taxes, and Insurance divided by the borrower’s monthly income) between 25% and 32%* of their monthly household income. CPLP assistance will be reduced to ensure that the borrower(s) is contributing at least 25% of their gross income toward their monthly housing payment.

*NOTE: All borrowers must have household income below 80% AMI for the county in which they are purchasing. However, if the household’s income is below HUD’s published median income for the State of NC, borrowers will be allowed to have a Front End Ratio between 20% and 32%.

For FY 2019, the North Carolina statewide median income is $66,200. Median income limits are available here: https://www.huduser.gov/portal/datasets/il/il2019/select_Geography.odn.
The borrower’s total Debt-To-Income (DTI) Ratio or “Back-End Ratio” cannot exceed 43% of their total monthly qualifying income. This means that after the total monthly housing payment is added to all other debts (i.e. consumer credit debt, car loans, student loans) the total of those payments cannot exceed 43% of their monthly household income. This is the same maximum DTI for a NC Home Advantage Mortgage™ which must be utilized when requesting CPLP down payment assistance.

Borrowers whose Housing Ratio and/or DTI Ratio exceed program maximum will be evaluated on a case-by-case basis by using a cashflow analysis and examining other compensating factors, including but not limited to:
- Strong cash reserves after closing
- Strong cash flow after paying other living expenses
- Significantly lowering payment from current rent
- Consistent work history
- Part-time or self-employment earnings that do not have the tenure yet to be included in qualifying income
- Home Owner Association (HOA) that maintains exteriors, Energy Efficiency certifications, or other enhancements that lower ongoing cost to live in home

2. Residual Income and Cash Flow
Because home ownership frequently requires funds to maintain the home as well as to respond to unforeseen repairs and other household expenses, borrowers must be able to demonstrate that they will have adequate residual income on a monthly basis after all housing expenses (payment, interest, taxes, insurance, maintenance, HOA, utilities, maintenance), revolving debts, and child care expenses are considered.

If borrowers’ ratios exceed program maximum or if borrowers use housing assistance (i.e. Section 8 for Homeownership) to cover 50% or more of their mortgage payment, borrowers must also pass a residual income test modeled after VA underwriting guidelines. After deducting housing expenses, a utility allowance, childcare expenses, and all other monthly debts, the remaining monthly income must meet or exceed the minimum amount detailed below:

<table>
<thead>
<tr>
<th>Household Size</th>
<th>For Total Loan Amounts of $79,999 or Below</th>
<th>For Total Loan Amounts of $80,000 and Above</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$382</td>
<td>$441</td>
</tr>
<tr>
<td>2</td>
<td>$641</td>
<td>$738</td>
</tr>
<tr>
<td>3</td>
<td>$772</td>
<td>$889</td>
</tr>
<tr>
<td>4</td>
<td>$868</td>
<td>$1,003</td>
</tr>
<tr>
<td>5</td>
<td>$902</td>
<td>$1,039</td>
</tr>
<tr>
<td>&gt; 5</td>
<td>+ $75 per person up to a family of 7</td>
<td>+ $80 per person up to a family of 7</td>
</tr>
</tbody>
</table>

*See Appendix 6 for copy of Cash Flow Worksheet to calculate borrower’s residual income.*
3. Grossing Up Non-Taxable Income
While some lenders gross up non-taxable income (i.e. calculating a higher household income because of non-taxable income) for the borrower, CPLP does not allow grossing up of qualifying or compliance income to meet program ratios.

4. Income Stability
To demonstrate that a borrower has sufficient income stability, CPLP follows insurer guidelines (FHA, Fannie Mae/Freddie Mac, USDA, VA) for the first mortgage product the borrower is using. NCHFA prefers 2 years of income or income plus education history supported with W2’s or profit and loss statements for self-employed.

5. Minimum Credit Score
Eligible borrowers listed on the promissory note must have a minimum middle credit score of 640 to be eligible for CPLP. Buyers with a middle credit score less than 640 are not eligible to participate.

For USDA 502 Direct borrowers without a credit score, the Agency will consider non-traditional (alternative) credit. Member should include copies of all credit references reviewed by USDA as part of their CPLP underwriting package submitted to NCHFA.

For USDA 502 Direct borrowers with newly forming credit, the Agency will review borrowers with credit scores 600 – 640 on a case-by-case basis. Member must provide a full credit report with credit history. If the low credit score is only due to limited lines of trade and newly forming credit, the borrower will be considered for CPLP financing. Borrowers with more than two late payments within 12 months, non-medical judgments, or charge-offs in the recent 12 months will not be eligible for consideration.

6. Borrower Contribution and Cash Out (CLARIFIED)
Eligible borrowers must meet the minimum out of pocket contribution of the lender or insurer(s). CPLP also requires borrowers to contribute a minimum of $500 of their own funds to help cover closing costs and/or other fees related to the purchase (i.e. inspections, surveys, earnest deposit, appraisals, etc.).

Borrowers may not receive cash back at the closing except for nominal amounts, $250 or less, due to final adjustments to closing expenses. The Agency requires that any cash out above $250 be applied towards reducing the principle balance of the CPLP loan. Also, any cash back at closing is subject to approval by the Agency. In general, any final adjustment(s) to the loan amount(s) must be verified by the CPLP Member prior to scheduling the closing.

7. Verification of Employment or Income
Verification of employment or income documents (VOEs) must be dated no more than 6-months prior to the date of the loan approval. Paystubs may be used if no more than 90 days old at the time the package is submitted for approval and the Member has included related W-2’s for the previous 2 years of employment. A minimum of 60 days/2-months of Year-To-Date (YTD) earnings must be provided. The home buyer’s income and employment status must remain stable and unchanged from the time of verification through closing.
8. Borrower Reserves and Assets
Borrowers should not only save to cover down payment and/or closing costs, but also to establish a reserve fund sufficient to cover at least two months of housing expenses. While not a factor for denial, strong borrower reserves after paying for closing expenses will be considered a compensating factor for loans where ratios are near the program maximum.

While there is not an asset limit for CPLP, if net assets exceed $5,000, the annual income shall include the greater of the actual interest earned on all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD (*currently less than 1%).

ADDITIONAL BORROWER ELIGIBILITY REQUIREMENTS

Other Property Ownership
The CPLP is a program designed to support the purchase of a qualified home buyer’s primary residence, not to support the development of a rental portfolio. Potential home buyers do not need to be first-time home buyers. Other property ownership is limited to multiple heir property. The home buyer may not own investment property if they are seeking CPLP assistance.

Borrower Marital Status
The home buyer(s) sign a Borrower Affidavit that among other things, verifies their martial status. However, if the prospective CPLP borrower is separated but not legally divorced, one of the following documents must be submitted with the underwriting package:

- A standalone free trader agreement, recorded in the county where the property is located, that specifically addresses future real estate transactions; OR
- A separation agreement, recorded in the county where the property is located, and with free trader language that specifically addresses future real estate transactions.

Legally divorced individuals must provide a recorded divorce decree. A copy of the applicable agreement or decree must be submitted with the underwriting package.

If documentation cannot be provided regarding marital status, the spouse must sign the deed of trust and deed restrictions.

Also, if documentation cannot be provided OR if the borrower can only supply a free trader agreement, the spouse’s income will be included in the household income for eligibility purposes. If the borrower provide(s) a recorded separation agreement OR a recorded divorce decree, the spouse’s income does not need to be included.

The Agency reserves the right to withdraw approval for a potential borrower(s) who cannot adequately document martial status and demonstrate legal protection to allow the purchase of property without having the spouse sign the deed of trust.

Legal Status
All buyers assisted with CPLP funds for the purchase of their homes must be legal residents of the United States of America. The borrower and co-borrower must be permanent residents or working to
become permanent residents as this program is a primary residence program, and not for temporary housing. This standard does not apply to other household members, only to those receiving direct financial assistance through the program. 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 CPLP Member.

**Required Home Buyer Education & Housing Counseling (CLARIFIED)**

Home ownership is both a great opportunity and a big responsibility. The NC Housing Finance Agency wants to help individuals and families not just buy a home but to be successful homeowners. That’s why we require every borrower using CPLP funds to complete an approved Home Buyer Education course and receive Pre-purchase Counseling from a certified housing counselor before their application can be approved. Post-purchase counseling is also strongly recommended.

Each CPLP borrowers must complete the approved **Home Buyer Education course** within 12-months of the anticipated closing date and submit proof of completion (i.e. Certificate of Completion) with their Underwriting Package. **Borrowers who completed their home buyer education course more than 12-months prior to closing must either retake a homebuyer education course (in-person or online) OR complete Supplemental Home Buyer Education with a certified housing counselor.**

Furthermore, the borrower must submit a new Certificate of Completion OR a Recertification Form from a certified housing counselor issued within 12 months of the anticipated closing date (*please use form provided in Appendix 7).

**NOTE:** In the case of borrowers who have a USDA 502 Construction-to-Permanent loan or USDA Mutual Self-Help loan and participating in the SystemVision™ Only option, the original home buyer education course will be accepted for up to 24 months from date of completion of the original home buyer education course if construction requires longer than 12 months.

Home buyer education should cover a variety of topics including, but not be limited to, budgeting and savings, credit, selecting and buying a home, and home maintenance. Pre-purchase counseling should evaluate home buyer readiness, income, debts, and ensure the home buyer has understood the educational component and applied it to their intended home purchase.


NCHFA encourages Members to provide in-person home buyer classes whenever possible. However, when in-person classes are not available or convenient, a Member may use a NCHFA-recognized or HUD-approved online home buyer education course that requires at least 4 hours to complete, and completed modules are tracked and documented.

Borrowers can satisfy the home buyer education requirement by completing **Homebuyer Express (HBX)**, an Online course that takes an estimated 4-5 hours to complete. HBX is based on NeighborWorks America’s acclaimed “Realizing the American Dream” curriculum and exceeds the National Industry Standards for Home Ownership Education and Counseling. For more information on HBX, please go to the CPLP page on the NCHFA website:
In addition to completing a Home Buyer Education course (in-person or online), the Borrowers must receive at least 2 hours of Pre-purchase Counseling from a certified housing counselor to ensure the borrower is “mortgage ready” and that the home they are purchasing is affordable. Moreover, if the borrower(s) entered into a sales contract on a home that is being constructed or rehabilitated, a supplemental session must be provided if the initial counseling occurred more than 90 days before closing.

NCHFA recommends that both home buyer education and pre-purchase counseling should be provided by a housing counselor certified by The Association of Housing Counselors (TAHC), NeighborWorks America, or another nationally recognized entity (i.e., NCRC, NHNLA – National Council of La Raza, National Foundation for Credit Counseling, etc.). If you have any questions about which certifications are acceptable to NCHFA, please contact your assigned Community Partner Coordinator.

If the Member does not have a certified housing counselor on staff, they may partner with another agency that has a certified housing counselor to provide the required home buyer education and pre-purchase counseling. Whenever possible, NCHFA encourages Members to partner with a HUD-approved housing counseling agency that offers home buyer classes and pre-purchase counseling.

**IMPORTANT NEW CLARIFICATIONS**

**HUD COUNSELING RULE**
On August 1, 2020, the HUD counseling rule that effects federally-funded home buyer assistance program will take effect. The rule states that any required home buyer education or pre-purchase counseling must be provided by a HUD-certified housing counselor working at a HUD-approved housing counseling agency. Since CPLP is funded with HOME dollars from HUD, all CPLP borrowers must comply with this rule.

Once the HUD counseling rule takes effect, CPLP borrowers must complete a Home Buyer course overseen by a HUD-certified housing counselor working at a HUD-approved housing counseling agency OR complete a HUD-approved Online Home Buyer Education course. Borrowers must communicate with the CPLP Member to determine which education method is appropriate.

Furthermore, CPLP borrowers must receive at least 2 hours of Pre-purchase Counseling provided by a HUD-certified housing counselor employed by a HUD-approved housing counseling agency.

CPLP Members not already partnering with a HUD-approved housing counseling agency must do so by the deadline. Failure to do so will mean the affiliate cannot access CPLP funding for their buyers until they do so. Members should contact NCHFA if they need assistance identifying a HUD-approved housing counseling agency to provide the required home buyer education and Pre-purchase counseling to their borrowers.

OTHER ELIGIBILITY CRITERIA AND FINAL ELIGIBILITY
NCHFA reserves the right to request any additional documentation it deems necessary to carefully evaluate financial risk for all CPLP loans. In addition, final decisions regarding eligibility will be reviewed by an Internal Review Committee. Strong compensating factors may be considered on a case-by-case basis if ratios, job history, or other eligibility criteria are close to program guidelines. Only loan pool Members may appeal a determination based on additional compensating factors or previously undisclosed underwriting information. No requests from realtors, lenders, or borrowers will be considered. Furthermore, no consideration for an exception may be given for:

- properties that do not meet minimum property standards (existing) or have not secured a certificate of occupancy (new)
- borrowers whose household income exceeds the 80% AMI limit
- borrowers who cannot show ability to repay their total loans
- homes where the final contract sales price exceeds the HUD sales price limit
5. Program Financing / Program Options

CPLP Financing Availability & First Mortgage Requirements *(UPDATED)*
Members may request loans for their clients on a first-come, first-served basis. To maximize the efficient use of CPLP funds, borrowers must utilize one of the following first mortgage products:

NCHFA’s NC Home Advantage Mortgage™ (FHA, VA, USDA, or Conventional)
- For more info on the NC Home Advantage Mortgage™, please go to the home buyer section on the NCHFA website: https://www.nchfa.com/home-buyers/buy-home
- The NC Home Advantage Mortgage™ is ONLY available through a network of participating lenders across the state. To find a list of participating lenders and preferred loan officers in your area, please go to the NCHFA website’s “Find A Lender” page: http://www.nchfa.com/home-buyers/find-lender

USDA Rural Development Section 502 Loan (Direct, Construction-to-Permanent, or Mutual Self-Help programs)
- USDA-RD offers subsidized mortgages for income eligible households purchasing homes in rural communities. For more information on USDA 502 Loans, please go to the USDA-RD website: https://www.rd.usda.gov/programs-services/single-family-housing-direct-home-loans/nc
- For a list of USDA-RD field offices, click on the following link: https://www.rd.usda.gov/contact-us/state-offices/nc

Lenders do not determine how much CPLP assistance the borrower can/should request. That responsibility belongs to CPLP Members who assesses how much assistance the borrower needs to purchase their home.

CPLP members may request Agency staff meet with them and area loan officers to answer questions around coordinating NC Advantage Mortgage™ with CPLP financing. NCHFA also provides CPLP training sessions for lenders throughout the year.

CPLP Terms *(CLARIFIED)*
- CPLP can only be used in combination with a NC Home Advantage Mortgage™ or a USDA 502 loan.
- When combined with a NC Home Advantage Mortgage™, the maximum CPLP loan amount is 20% of the sales price, not to exceed $30,000.
- When combined with a USDA 502 loan (*Direct Purchase, Construction-to-Permanent or Mutual Self-Help*) the maximum CPLP loan amount is 10% of the sales price, not to exceed $30,000.
- The minimum CPLP loan amount is $1,000 (*For more info, please see page 32).*
- Over-subsidized loans will be reduced or denied. The CPLP Loan amount will be adjusted to reflect what is needed to make the home affordable for the borrower. NCHFA considers a loan over-subsidized if the CPLP loan plus any forgivable loans and/or grants exceeds 40% of the sales price.

NOTE: Other deferred loans or loans that amortize at a below market rate will not be counted as subsidy. Equity liens related to land trusts or to preserve long term affordability will also not be counted as subsidy.
• Requests for CPLP assistance will be reduced or withdrawn if a homebuyer is paying less than 25% of their monthly income for principal, interest, taxes, and insurance or less than 20% of their monthly income if they are below the state median household income.

• CPLP funds cannot be used to purchase a home when the contract sales price exceeds the appraised value.

• The combined loan-to-value (CLTV) from all sources for homebuyer financing generally should not exceed 100% of the appraised value, except to cover modest closing costs. If CLTV is greater than 100%, CPLP financing may be reduced or denied. In the case that the CLTV is > 100%, the loan-to-value shall NOT exceed insurer limits (FHA, Conventional, USDA, VA) and must be approved on a case-by-case basis by the Agency. Closing costs and fees must be reasonable. Loans that financially overburden the home buyer (i.e., exceed CPLP borrower ratios) will be denied. The borrower must contribute to the purchase of the home. It is expected, particularly for loans over 100% CLTV, that the borrower(s) must demonstrate they can save and contribute to the purchase of the home. As such, the borrower(s) may not receive cash out of the closing.

• The length of the borrower’s CPLP mortgage shall be equal to the term of the first mortgage and the maximum term shall not exceed 30 years when used with a NC Home Advantage Mortgage™ loan or 33 years when used with USDA 502 loan.

• CPLP assistance is structured as a subordinate lien and typically is in 2nd lien position. If additional downpayment assistance has been secured, the loan amount dictates lien position. However, when CPLP is combined with any NC Home Advantage Mortgage™ down payment assistance (DPA), all subordinate loans must be positioned behind the NC Home Advantage Mortgage™ DPA. Moreover, if DPA is provided by a local unit of government, CPLP may accept a lower lien position upon prior Agency approval.
# CPLP Assistance Options

<table>
<thead>
<tr>
<th>Borrower Benefits &amp; Requirements</th>
<th>Option A: Home Buyer Loan + SystemVision™ with or without Green Cert.</th>
<th>Option B: Home Buyer Loan only</th>
<th>Option C: SystemVision™ Only Assistance with or without Green Cert.</th>
<th>Option D: IDA Matching Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Financing Available</td>
<td>Up to 20% sales price with NC Home Advantage Mortgage™ or Up to 10% when used with USDA 502 loan *Not to Exceed $30,000</td>
<td>Up to 20% sales price with NC Home Advantage Mortgage™ or Up to 10% when used with USDA 502 loan *Not to Exceed $30,000</td>
<td>$1,000</td>
<td>$1,000 minimum $2,000 maximum *CPLP is 2nd source of Match Funds (2:1) for Borrower’s IDA Savings. A local match is required</td>
</tr>
<tr>
<td>Type of Assistance</td>
<td>2ND Mortgage, deferred PMT loan</td>
<td>2ND Mortgage, deferred PMT loan</td>
<td>Down Payment Assistance, Deferred PMT. forgivable loan</td>
<td>Matching funds to be used for home purchase only</td>
</tr>
<tr>
<td>Interest</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>n/a</td>
</tr>
<tr>
<td>Term</td>
<td>30 to 33 yrs. *matches term of 1ST mortgage</td>
<td>30 to 33 yrs. *matches term of 1ST mortgage</td>
<td>5 years 20% forgiven per year</td>
<td>n/a</td>
</tr>
<tr>
<td>Maximum Sales Price of Home:</td>
<td>95% of Area Median Sales Price</td>
<td>95% of Area Median Sales Price</td>
<td>95% of Area Median Sales Price</td>
<td>95% of Area Median Sales Price</td>
</tr>
<tr>
<td>Type of Home:</td>
<td>New &amp; Existing Single family homes NOTE: Pre-1978 homes must be pre-approved</td>
<td>New &amp; Existing Single family homes NOTE: Pre-1978 homes must be pre-approved</td>
<td>New &amp; Existing Single family homes NOTE: Pre-1978 homes must be pre-approved</td>
<td>New &amp; Existing Single family homes</td>
</tr>
<tr>
<td>1ST Mortgage Product</td>
<td>NC Home Advantage™ or USDA 502 loan (Direct, Construction-to-Permanent or Self-Help)</td>
<td>NC Home Advantage™ or USDA 502 loan (Direct, Construction-to-Permanent or Self-Help)</td>
<td>NC Home Advantage™ or USDA 502 loan (Direct, Construction-to-Permanent or Self-Help)</td>
<td>NC Home Advantage™ or USDA 502 loan (Direct, Construction-to-Permanent or Self-Help)</td>
</tr>
</tbody>
</table>
**CPLP Assistance Options (UPDATED)**

<table>
<thead>
<tr>
<th>Borrower Benefits &amp; Requirements:</th>
<th>Option A: Home Buyer Loan + SystemVision™ with or without Green Certification</th>
<th>Option B: Home Buyer Loan only</th>
<th>Option C: SystemVision™ Only Assistance with or without Green Certification</th>
<th>Option D: IDA Matching Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Financing Info:</td>
<td>May be used with MCC</td>
<td>May be used with MCC</td>
<td>May be used with MCC</td>
<td>May be used with MCC</td>
</tr>
</tbody>
</table>
| Recapture                         | Upon default or sale. 
*A NOTE: If home is inherited by an income-eligible heir, Agency may roll over loan or issue a new loan.* | Upon default or sale. 
*A NOTE: If home is inherited by an income-eligible heir, Agency may roll over loan or issue a new loan* | Upon default or sale within the first 5 years, Buyer pays remaining principal balance to Agency | n/a |
| Affordability Period              | 5-15 years depending on amount of CPLP assistance                              | 5-15 years depending on amount of CPLP assistance | 5 years                                                                       | n/a |
| Occupancy Requirements            | Borrower’s principal residence during affordability period (*considered default if not) | Borrower’s principal residence during affordability period (*considered default if not) | Borrower’s principal residence during affordability period (*considered default if not) | Principal Residency at closing |
| Home Buyer Education & Counseling Requirement | Complete approved Home Buyer course & Pre-purchase counseling.               | Complete approved Home Buyer course & Pre-purchase counseling. | Complete approved Home Buyer course & Pre-purchase counseling. | Min. 21.0 hrs. of financial & home buyer education |
| Home Buyer Ratios                 | 32% Front End 43% Back End                                                   | 32% Front End 43% Back End    | 32% Front End 43% Back End                                                   | Use 1st Mortgage guidelines |
| Minimum Credit Score              | 640                                                                            | 640                           | 640                                                                            | Use 1st Mortgage guidelines |
| Asset Limits (Requirements)       | If > $5K, must include interest earned in total HH Income                     | If > $5K, must include interest earned in total HH Income | If > $5K, must include interest earned in total HH Income                      | n/a |
## CPLP Assistance Options *(UPDATED)*

<table>
<thead>
<tr>
<th>Member Fees:</th>
<th>Option A: Home Buyer Loan + SystemVision™ with or without Green Certification</th>
<th>Option B: Home Buyer Loan only</th>
<th>Option C: SystemVision™ Only Assistance with or without Green Certification**</th>
<th>Option D: IDA Matching Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Buyer Prep fee</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
<td>n/a</td>
</tr>
<tr>
<td>SystemVision™ New Homes certification fee</td>
<td>$4,000 (slab) to $5,000 (crawl)</td>
<td>n/a</td>
<td>$3,000 to $4,000 Plus $1,000 for Borrower(s)</td>
<td>n/a</td>
</tr>
<tr>
<td>SystemVision™ Existing Homes certification fee</td>
<td>$5,000 or $6,000 if new HVAC installed</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Green Building certification fee</td>
<td>$1,000</td>
<td>n/a</td>
<td>$1,000</td>
<td>n/a</td>
</tr>
<tr>
<td>Total Member Benefits:</td>
<td>Up to $9,000.00</td>
<td>$2,000.00</td>
<td>Up to $7,000.00</td>
<td>n/a</td>
</tr>
</tbody>
</table>
SPECIAL CPLP ASSISTANCE:
SystemVision™ Only Assistance (CLARIFIED)
To encourage the purchase of energy-efficient homes, the Agency provides a fee to Members for homes built or rehabbed to SystemVision™ standards as well as to certain certified Green Building standards. If a Member requests SystemVision™ Only Assistance (with or without a Green Building Certification), the Agency will disburse $1,000 to the Borrower as Down Payment Assistance to be applied to the cost of purchasing their home. The $1,000 will be forgiven over 5 years (20% per year) and recorded with a Promissory Note and Deed of Trust.

To meet HOME affordability period requirements, the Agency must disburse a minimum of $1,000 to the Borrower so that there are funds to recapture should the borrower not occupy the home as their principle residence during the affordability period, which is also five years. This $1,000 must show on the HUD-1 Settlement statement and the same requirement of only minimal cash out at closing (not to exceed $250) applies. Borrowers must income-qualify for a SystemVision™ Only Assistance loan exactly as they would for any other CPLP loan.

NOTE: If the borrower is NOT eligible for a NC Home Advantage Mortgage™ loan and is not applying for a USDA 502 Direct Loan, NCHFA will allow SystemVision™ Only requests from Members if the borrower is income-eligible for CPLP assistance and has secured an affordable 30-year, fixed rate loan.

Individual Development Account (IDA) Matching Funds (CLARIFIED)
CPLP Members that operate a NCHFA approved IDA Program can also access $1,000.00 to $2,000.00 as a 2ND Match Source for home buyers using their IDA savings for down payment assistance and/or to cover closing costs. NCHFA will provide a 2:1 match for the home buyer’s IDA savings:

<table>
<thead>
<tr>
<th>Borrower IDA Savings to be matched:</th>
<th>MINIMUM</th>
<th>MAXIMUM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 500.00</td>
<td>$1,000.00</td>
</tr>
</tbody>
</table>

**NCHFA/CPLP Match (2:1):**
- $1,000.00
- $2,000.00
**Local Match (2:1):**
- $1,000.00
- $2,000.00
**TOTAL MATCH $ Available (Local & NCHFA/CPLP):**
- $2,000.00
- $4,000.00

All IDA Matching Funds (*from NCHFA and non-NCHFA sources*) must be available at CPLP Loan Closing and shown on the HUD-1 Settlement statement and/or Closing Disclosure.

- No cash out allowed at closing for home buyers approved for IDA Matching Funds
- IDA Program must be pre-approved by NCHFA. The IDA Program must: (1) provide at least 21 hours of financial literacy and home buyer education that the Borrower has completed; and (2) the IDA Program Sponsor must provide an equal or greater local match relative to the amount requested of the Agency. For example, if $2,000 is requested from NCHFA, then the local IDA Program must provide at least $2,000 to match the borrower’s savings of $1,000.

NOTE: *CPLP Members that operate an NCHFA-approved IDA Program may also access IDA Matching funds to assist a home buyer who purchases a home from a Self-Help Loan Pool (SHLP) Member. However, in this case, the CPLP Member must apply just for the IDA Matching funds. If approved, NCHFA will send the IDA match funds to the closing attorney for the SHLP loan. Contact your assigned Community Partner Coordinator for additional information.*
6. General Loan Requirements for CPLP

Lender/Borrower Requests for CPLP Assistance After Sales Contract Signed
Many times, a potential CPLP borrower may contact a lender before becoming aware of CPLP or a lender may pre-qualify a borrower and discover that the borrower will need CPLP assistance to purchase a home. In either case, the lender should refer the borrower to the CPLP Member to verify eligibility and assess their readiness for becoming a homeowner BEFORE the borrower enters into a sales contract for a home and BEFORE the lender locks in the first mortgage rate for the borrower.

Lenders must allow enough time, usually 60 calendar days or more, for the CPLP Member to evaluate the home buyer’s readiness to purchase a home, provide home buyer education and counseling required of all CPLP borrowers, collect appropriate documents to underwrite the loan, and review applicable home inspections.

CPLP Members have NO obligation to assist potential borrowers who have signed a purchase agreement or sales contract prior to contacting them to apply for CPLP assistance. ALL referrals should be made before the borrower signs a sales contract and the first mortgage rate is locked.

However, in some cases the lender may be unaware of the CPLP or the borrower may do their own research, discover CPLP, and request to apply as part of their financing. If the CPLP Member is contacted within 10 business days of the sales contract being signed and there are more than 30 calendar days before the anticipated closing, the Member may choose to evaluate the borrower(s) and property for CPLP eligibility. If the Member determines that the borrower(s) and property to be purchased are eligible for CPLP assistance and there is sufficient time to adequately prepare the borrower(s) for homeownership, the Member can apply to NCHFA for CPLP assistance.

However, if there are less than 30 calendar days before the expected closing or the due diligence period has expired or is near expiration, the CPLP Member cannot apply unless the applicable parties take one or more of the following actions, depending on the situation:

1. The lender extends the first mortgage rate lock (Lender)
2. All parties agree to a later closing date (Buyer, Seller, Lender, Attorney); a new/revised sales contract may be necessary to allow for the later closing date (Buyer, Seller)
3. For existing homes, a new/revised sales contract is executed that extends the due diligence period so necessary repairs can be completed (Buyer, Seller, Inspector, Contractors)

If none of the above conditions applies, there is NOT sufficient time to apply for CPLP assistance, including completion of necessary home inspections and any needed repairs, and completion of the home buyer readiness program, which includes evaluation, pre-purchase education, and homeownership counseling. If there is insufficient time to support the entire homebuyer readiness process or meet any of the other CPLP requirements, the borrower is ineligible to apply.

Upgrades for Newly Constructed Homes
For newly constructed homes, particularly in situations where a builder or sales office may be actively selling upgrades to a standard home, potential CPLP borrowers should contact the CPLP member...
BEFORE agreeing to any additional costs for their home. A borrower may no longer be eligible for CPLP assistance if they exceed program ratios.

**Existing Home Inspections After Sales Contract Signed**
CPLP requires at least two inspections for existing homes to ensure the properties meet CPLP housing quality standards. Contacting a CPLP Member after signing a sales contract limits the amount of time available to complete the required inspections and make any needed repairs. This is further complicated if the due diligence period has already begun. CPLP is NOT designed to assist borrowers who enter into a sales contract on an existing home prior to engaging a CPLP Member to help evaluate the property for program eligibility. Therefore, borrowers who enter into a sales contract prior to consulting with a CPLP Member run the risk of forfeiting due diligence funds as well as inspection and appraisals fees.

*NOTE: See Required Inspections for Existing Homes on pages 15-16 for more information.*

**Borrower Paid Appraisals**
All borrower-paid appraisals must be shared with the Borrower(s) at the time of receipt. In the case of builders who may be selling newly developed housing and may be using preferred lenders or employees as loan officers, a builder/lender may not challenge a borrower-paid appraisal without informing them of the initial appraisal value and providing an explanation to the borrower for the challenge to the initial appraisal due to Fair Market Value.

**CPLP Submissions**
Members submit appropriate documents to the Agency in the following three submissions:

1. **The Reservation Request:** Member submits Reservation Request via the NCHFA Loan Pool Portal with Flood Map of home to be purchased attached. Members may submit their request no more than **90 calendar days** but no less than **18 Agency business days prior** to the anticipated closing.
2. **The Underwriting Package:** Member submits the underwriting package via the NCHFA Loan Pool Portal with applicable documents attached. Documents will include income documentation, affidavits, and required Inspections for an existing home or a Certificate of Occupancy (CO) for a new home. Members may submit the Underwriting Package as soon as their Reservation Request has been approved but no less than **15 Agency business days prior** to the anticipated closing.
3. **Scheduling Closing:** After conditional approval of the CPLP Underwriting Package, Members review the funding for the loan for accuracy one last time. If the information is accurate and the First Mortgage has been approved (**by NCHFA for a NC Home Advantage Mortgage™ or by USDA for a USDA 502 Direct Loan**), they may schedule the closing through the NCHFA Online Portal. The portal enforces the Agency’s requirement that notice of at least **6 Agency business days** must be given so the Agency can communicate with the Closing Attorney, process CPLP funds, and finalize CPLP loan documents.
4. **The Final Closeout Package:** Includes copies or originals of recorded loan documents and energy efficiency and/or green building certifications, if applicable. As specified in the NCHFA Closing
Instructions sent to the Closing Attorney, the appropriate closing documents must be received at NCHFA within 5 Agency business days of the CPLP loan closing.

**Underwriting Package (CLARIFIED)**
After receiving notice of Reservation Approval, the Member may upload the Underwriting Package to NCHFA anytime thereafter but generally *not less than 15 Agency business days prior* to the scheduled closing. The Member must submit the Underwriting Package electronically via the NCHFA Loan Pool Portal and upload the required documents.

The required documents include:
- Current Paystubs covering 60 days but not more than 90 days old. Borrowers starting a new job must provide at least 30 days of paystubs plus verification of employment from their previous job.
- W-2 for last year
- Verification of Employment (VOE)
- Sales Contract
- **Required Inspections for an Existing Home:** (1) Home Inspection by a licensed NC Home Inspector, and (2) Local Minimum Housing Code or Housing Quality Standards (HQS) Inspection, whichever is applicable (*For more info, see pages 15-16). If a major problem is identified by either inspection, Proof of Repairs must also be submitted.
- **Required Inspection for a Newly Constructed Home:** Certificate of Occupancy (CO). Should be submitted with Underwriting Package if available. **Must** be submitted prior to closing.
- Completion of approved Home Buyer course and Pre-purchase Counseling
- Loan Estimate Disclosure
- The following borrower signed CPLP documents (*generated by Portal based on info entered)
  1. Home Buyer Written Agreement
  2. Borrower Affidavit
  3. Addendum to Sales Contract

**NOTE:** NCHFA does not currently accept electronic signatures on any of the above borrower signed CPLP documents.

**** IMPORTANT NOTE ****

CPLP Member staff must complete a NCHFA Loan Pool Portal Training *before* they submit an application for assistance. For more info, please see Appendix 2.

** QUESTIONS? Please contact your assigned Community Partner Coordinator **

**PRE-CLOSING: Confirming Closing Date & CPLP Loan Closing Documents**
Once the Borrower has been approved for CPLP assistance, the Agency will send an Underwriting Approval Letter / Conditional Approval Letter (*see sample letter in Appendix 3) to the Member so they can finalize the closing date.
The Member must use the NCFHA Loan Pool Portal to select the closing date and provide NCHFA with at least **6 Agency business days** so agency staff has time to prepare the applicable CPLP closing documents and to process the CPLP check needed for the closing. Available closing dates will be reflected in the Online Calendar on the Portal.

If there are *any* changes to the financing or property appraisal submitted to NCHFA, the Member should update the unit financing in the Portal *before* scheduling the closing date. If any financing changes after the closing has been scheduled, the Member should use the Portal to contact NCHFA immediately.

Once the closing has been scheduled, **Liz Hair or the assigned NCHFA paralegal**, will send a Pre-Closing Instructions Letter to the Closing Attorney with a list of documents, including Proof of Homeowners Insurance with acknowledgement of NCHFA’s loan interest(s), to be sent to NCHFA. Within 24 hours of receipt of the Pre-Closing Instructions, the Closing Attorney must return the *signed* Pre-Closing Instructions, and a list of closing costs for the CPLP loan, to the assigned NCHFA paralegal. The Closing Attorney is required to submit the final due diligence documents listed on the Pre-Closing Instructions **no less than 3 Agency business days** prior to the scheduled closing.

Please email requested documents specified in the Pre-Closing Instructions to Liz Hair (echair@nchfa.com) or the assigned NCHFA paralegal.

**Failure to submit the final due diligence documents in a timely fashion will result in the closing being postponed or delayed.**

After Liz Hair or the assigned NCHFA paralegal receives and reviews the requested documents, she will send the CPLP loan closing documents, including a Promissory Note and Deed of Trust for the approved CPLP loan amount, directly to the Closing Attorney along with a Closing Instructions Letter and an Authorization Code.

**Loan Changes Prior to Closing That Require Resubmission for Underwriting**

Before scheduling the closing date, the CPLP Member should reconfirm that information in the portal is accurate. If there have been any changes to the financing for the property or if the property appraisal previously submitted to NCHFA has changed, the Member should send a portal message to NCHFA notifying us of the change(s) *prior* to scheduling the closing date.

NCHFA will review the final Closing Disclosure for the first mortgage and all other financing before issuing authorization to close. The loan closing must be rescheduled if any of the following conditions apply:

1. Change in First Mortgage Amount of $5,000 or more* (increases or decreases)
2. Change in First Mortgage Loan Term
3. Other Changes in Financing Package including any undisclosed loan(s) or other funding added or deleted

The CPLP loan will be unapproved and the file must be resubmitted for underwriting. Once the loan is re-approved, the Member can schedule a new closing date via the portal.
NOTE: For a change in First Mortgage Amount of less than $5,000, the CPLP member must notify NCHFA of the change at least 3 Agency business days prior to the scheduled closing. Failure to do so will result in CPLP loan being unapproved and the file resubmitted for underwriting and re-approval.

POST-CLOSING: Documentation Needed
After the closing has taken place and the appropriate loan documents have been recorded at the Register of Deeds Office, please send the Recording Receipt to Liz Hair or the assigned NCHFA paralegal.

**** IMPORTANT ! ****
If the loan closing does not take place as scheduled, please contact Liz Hair (919-877-5712 or echair@nchfa.com) or the assigned NCHFA paralegal, immediately so we can instruct the Closing Attorney on next steps to take. Depending on how long the closing is delayed, a new check and/or set of closing documents may have to be generated by NCHFA.

NOTE: Assigned NCHFA paralegal is identified in the Pre-closing Instructions sent to Closing Attorney.

Required Timeline for Submission of Closing Documents (UPDATED)
The following closing documents must be submitted within 5 Agency business days of closing to Laura Welk, Program Documentation Specialist:

1. Original Promissory Note
2. Recorded Deed of Trust (original or copy)
3. Recorded Declaration of Restrictive Covenants (original or copy)
4. Recorded Request for Notice(s) (original or copy)
   (originals to be completed, executed, and recorded by closing attorney’s firm)
5. Original Borrower’s Affidavit
6. Copy of Executed Loan Closing Disclosure for the 1st Mortgage
7. NCHFA CPLP HUD-1
8. Signed W-9 for all Borrower(s)
9. Supplemental Closing Instructions executed by closing attorney

Please mail the above listed loan documents to:

North Carolina Housing Finance Agency
Attn: Laura Welk, Program Documentation Specialist
3508 Bush Street
Raleigh, North Carolina 27609-7509

If you have any questions about the closing documents to send, please contact Laura Welk, Program Documentation Specialist (lmwelk@nchfa.com or 919-981-2649).
**Required Timeline for Payment of Member Fees (UPDATED)**

NCFHA will process a single payment for Member fees earned once all the required documentation has been submitted.

Before the Member can receive the $2,000 fee for home buyer prep service provided, the Closing Attorney must submit the required loan documents within 5 **Agency business days** after the loan closing as specified above. NCHFA will only process the payment after all the required documents are received.

Should the Attorney fail to provide the above listed documents within 5 **Agency business days** of closing, **the Member must intervene** to insure the closing-related items listed above are provided no later than 15 **Agency business days** after the closing. The $2,000 fee for services for the Member will be forfeited if documents are not received within this timeframe unless they can demonstrate the delay is due to situations beyond their control.

Members receiving a Certification fee for SystemVision™ and/or Green Building must submit the required certification within the following timeline:

- within 30 calendar days of the closing for homes built or rehabbed to SystemVision™ standards
- within 120 calendar days of the closing for homes built to Green Building standards

In addition, the home must pass a final SystemVision™ inspection **PRIOR to occupancy** and ideally **PRIOR to closing**. The SystemVision™ and Green Building fees will be forfeited if the buyer occupies the home prior to passing of the applicable final inspection. This requirement is both for the safety of the home buyer and to prevent needless delays due to re-inspections after occupancy.

As such, SystemVision™ certifications should be obtained no later than **30 calendar days after occupancy or closing**. Failure to do so within this timeframe will result in the Member forfeiting the appropriate fee: **$4,000 (slab) or $5,000 (crawl)** for a newly constructed home, and up to $6,000 for an existing home.

Processing a Green Building certification will require more time than SystemVision™ certification. As such, Members have **up to 120 calendar days after occupancy or closing** to submit the applicable Green Building certification to NCHFA. Failure to do so within this timeframe will result in the Member forfeiting the $1,000 certification fee.

However, if a delay in submitting any of the required documentation was due to circumstances beyond the Member’s control, they may submit an appeal with appropriate documentation to Josh Burton, HOC Team Leader, for his review. He will make the final determination if any or all the SystemVision™ and/or Green Building certification fee(s) will be forfeited.

Finally, CPLP membership may be revoked or terminated for any Member is delinquent on submission of the required post-closing documents, applicable certifications, or other required documentation more than 3 times in a calendar year. However, the Member may reapply for membership when their organizational capacity has improved.
USDA 502 Mutual Self-Help or Construction-to-Permanent Loan
When CPLP loans are combined with USDA 502 Mutual Self-Help or Construction-to-Permanent loans, USDA will close the construction loan prior to starting construction. It is at this point that USDA underwrites the borrower and approves them. For CPLP, borrowers should be underwritten and conditionally approved after USDA approves the construction loan AND after construction has begun, but prior to the conversion to permanent financing.

Further, the CPLP loan amount and disbursement will not occur until the construction loan is converted to permanent financing, as CPLP is only a permanent financing resource. The Agency must be notified a minimum of 6 business days prior to conversion to provide staff with time to send closing instructions, review the loan documents, and disburse funds.

USDA 502 Direct Underwriting for Credit and Combined Loan to Value
The Agency will on a case-by-case basis underwrite borrowers who are obtaining USDA 502 Direct financing for credit. The Agency requires that the Member provide all applicable credit reference information for the borrower, including references for alternative credit and a full credit report with history for borrowers with credit scores. Borrowers must demonstrate good credit performance for a minimum of 12 months prior to application for CPLP assistance. Medical collections will be looked at on a case-by-case basis.

For USDA Construction-to-Permanent loans only, the Agency will review total debts against the final appraised value. Agency staff will determine whether the combined loan to value is reasonable if it exceeds the normal program limits of 100% CLTV.

Foreclosure or Death of a Borrower
In the event of the death of a borrower, heir involvement in dissolving owned assets, or the threat of foreclosure after a loan has been closed, the CPLP Member must contact their assigned Community Partner Coordinator or Hal Wright, Senior Servicing Analyst/Special Projects at 919-877-5690 or hewright@nchfa.com

Member may have the option of finding a program-eligible borrower to assume the financing attached to the CPLP-funded unit. If so, the existing CPLP loan must be paid off and a new CPLP loan secured for another program-eligible borrower. It is crucial that Members remain in contact with NCHFA throughout the foreclosure process.

Recapture & Affordability Period:
Recapture provisions are used to ensure that NCHFA recoups all or a portion of the HOME assistance, if the house does not continue to be the principal residence of the Borrower for the duration of the period of affordability. As defined by HOME regulations, the period of affordability expires 5 to 15 years after the date of loan closing. The affordability period is adjusted based on the amount of funding used for the Borrower loan and/or Member fees.

<table>
<thead>
<tr>
<th>Amount of CPLP Assistance ($)</th>
<th>Affordability Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than $40,000</td>
<td>15 years</td>
</tr>
<tr>
<td>$15,000 to $40,000</td>
<td>10 years</td>
</tr>
<tr>
<td>Less than $15,000</td>
<td>5 years</td>
</tr>
</tbody>
</table>
Currently, the HUD affordability provisions require that even if a borrower repays the assistance but chooses to remain in the home before the affordability period expires, the affordability period remains intact and must continue to be complied with until the affordability period expires. If a borrower chooses to sell the property and repay the Agency in full, the period of affordability provision no longer applies.

In simple language, the affordability period is the timeframe the borrower is required to comply with the affordability provisions, which ranges between 5 and 15 years and is specified as part of the HOME Buyer Written Agreement signed by the borrower. During this period borrowers who benefit from CPLP must only use their home as a principle residence during the period of affordability. This means the property cannot be operated as a business or rental investment property. If borrowers choose to vacate the property, the property must be sold and the loan repaid to NCHFA, OR the property must be reoccupied by the borrower immediately. Failure to reoccupy or sell the home is considered a default against the mortgage.

In the event a Borrower proposes to sell (transfer) the property at a price that will not generate sufficient proceeds to pay off the Agency’s CPLP loan in full, NCHFA agrees to accept the net proceeds as full satisfaction. * However, if the price set out in the Borrower’s proposal does not reflect the fair market value of the property, NCHFA has the right to demand full repayment of the CPLP loan.

*CPT: Any balance forgiven due to lack of sufficient proceeds likely may need to be treated as income when the borrower files taxes for the year in which the property is sold. Check with a tax specialist to determine if it is applicable.*

CPLP funds are governed by executed promissory notes and secured by deeds of trust for each unit. The units are also subject to a declaration of deed restriction and must comply with HOME regulations and provisions.

**Refinancing Standards: Loan Modifications, Subordinations, and Assumptions**
Lenders must contact the Agency about CPLP loans modifications or subordinations for refinance by emailing Subordinations@nchfa.com. Each loan requires case-by-case approval by NCHFA for a modification and/or subordination.

Assumptions are allowed in the case of transfer of property due to inheritance or changes to the household configuration (i.e., divorce). Any other reason must be pre-approved by the Agency. In most cases subsequent borrowers must be income qualified to be eligible for assumption due to the affordability requirements for the HOME funding used in CPLP. In all cases, the Agency must approve the assumption and legal documents used.

Subordinations are only allowed in the case of a refinance of the first mortgage. CPLP will not subordinate to other liens including home equity liens. Subordinations may be considered in two circumstances:
1. If the refinance of the first mortgage reduces the total monthly payment and has a lower interest rate than the initial first mortgage, subordination is allowed. Terms must not exceed the CPLP limit of 33 years and the refinanced loan must be a fixed-rate amortizing loan. The overall financial
impact of the proposed refinance must be financially beneficial to the borrower (i.e. not forcing the borrower to refinance a forgiving loan to qualify).

2. A subordination is not allowed for “cash-out” refinances for other expenses (i.e. refinancing other debts, updating the kitchen, etc.) unless the borrower(s) can document that all the additional debt refinanced into the proposed first mortgage will be immediately used to address housing-related threats. To be considered, the health, safety, or structural threats need to be severe enough that the household would no longer be able to safely occupy the property if not addressed.

Borrowers must submit their subordination request to: Subordinations@nchfa.com. All borrowers will be required to provide signed W-9’s as well as other documentation regarding the proposed first mortgage (i.e., 1003/loan application, contractor bids if applicable, etc.). Closing costs for the refinanced loan may be financed into the loan. The sum of any loan origination fees cannot exceed 2% of the first mortgage loan amount.
7. Additional Program Requirements

The CPLP is funded with federal HOME Investment Partnership Program (HOME) funds. The HOME Program was established under the National Affordable Housing Act of 1990 and requires that all housing developed using HOME funds must be consistent with HOME Program regulations. Therefore, in addition to the other CPLP requirements, certain HOME requirements must be met, as outlined in 24 Code of Federal Register Part 92. These requirements include:

Information Security
To protect the privacy of home buyer information (i.e. social security and other account numbers) and to comply with federal and state data security laws, Members should send all documents containing personal information to NCHFA via our secure Loan Pool Portal.

In addition, NCHFA uses encryption for the Reservation Confirmation Letter and Conditional Approval Letter which are emailed to the Member.

You should receive an email notification with a link to view a message, click the link and create a password to read the encrypted message. If you need assistance accessing your encrypted email, please contact your assigned Community Partner Coordinator.

To learn more about our system, please go to: http://userawareness.zixcorp.com/sites/index.php?b=486d9255f67a440f54eddd1cd0df8ac0&type=2&p=2

Helping Home Buyers with Limited English Proficiency
As required by the federal government, CPLP Members are required to take specific actions to make sure that potential home buyers have access to critical information whether or not English is their primary language. Members are required to develop a Four Factor Analysis and if applicable, a Language Access Plan (LAP) in order to address situations that may arise for individuals with limited English proficiency. The Analysis or LAP must address the scope of assistance being provided (such as translation of critical documents or plan for providing language interpreting services, as needed).

NCHFA will ensure that each CPLP Member has a current Four Factor Analysis or LAP if applicable. Organizations applying for new membership in the CPLP will provide this information at application. Also, Members are required to update their Four Factor Analysis or LAP at least every 5 years. If a Member updates their Four Factor Analysis or LAP sooner, they must submit a copy with their Annual CPLP Renewal Form (*For more info, please see Appendix 5).

Relocation Assistance
It is the goal of the Agency to minimize the displacement of existing residents when federal and state funds are used for rehabilitation or acquisition. CPLP Members must comply with all the provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA). The Agency prohibits displacement. This means that in the case of an existing home, previous legal occupants of the property may not be displaced due to addressing the property for the new
homebuyer without complying with URA. For this reason, the agency encourages Members to verify that properties are legally vacant before considering them for CPLP assistance.

**Affirmative Marketing and Fair Housing**

CPLP Members must comply with all federal fair housing laws and regulations, including affirmative marketing and anti-discrimination policies. Marketing of Agency-funded programs like CPLP must be open and non-discriminatory. Guidance on meeting affirmative marketing requirements and additional information on fair housing and non-discrimination may be found at the website: [http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp](http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp).

The Civil Rights Act of 1968 and the Fair Housing Amendments Act of 1988 apply to all housing in the United States. The Federal Fair Housing Act & NC Fair Housing Act prohibit discrimination based on the following protected classes:

- Race
- Color
- Religion
- Sex
- National Origin
- Disability
- Familial Status (Having children or being pregnant)

The NC Fair Housing Act also includes low income housing as a protected class.

**Conflicts of Interest**

Every CPLP member must submit a copy of their organization’s Conflict of Interest policy as part of the initial membership application. The Policy should be reviewed at least once every 2 years by the member’s Board and documentation of the review should be submitted with their annual membership renewal form, when appropriate.

Further, any potential conflict of interest **MUST** be disclosed to NCHFA at the time of loan reservation or prior to starting the reservation. NCHFA will review the potential conflict of interest case-by-case and make a determination as to whether a conflict of interest exists.

NCHFA will not provide CPLP funding to individuals who assemble loan pool applications or are part of the leadership (staff or Board) of loan pool member organizations. However, staff that do not have a direct decision-making role for CPLP and are required to work through the same process as an external client, may apply for CPLP assistance.

Organizational conflicts of interest exist when the organization knowingly enters into undisclosed preferential relationships with service providers who are owned or operated by close family, friends, or members of a shared interest group.

In all cases, borrowers should be given the option to "shop for" lenders, realtors, appraisers, inspectors or any other real estate service provider related to their transaction. While choices for real estate service providers may be limited in some areas, the borrower(s) must be allowed to choose.
Under no circumstance may staff of the Loan Pool member personally receive a commission or payment for real estate services offered through another business entity to a CPLP borrower if they were also involved in helping that borrower apply for a CPLP loan. Any organizational commissions earned by brokers on staff must be managed as revenue which is reviewed by the board or commission of the organization.

Should the borrower(s) choose to work with a real estate business that employs a loan pool member staff or one of their family members, that loan pool employee cannot work with the potential borrower(s) on their CPLP application. Other CPLP member staff can assist in assembling and submitting the loan package. As part of the underwriting package, the borrower(s) must provide a signed statement that they voluntarily chose to work with the business entity that has a relationship with an employee of the loan pool member and that the employee referenced was not involved in their application for a CPLP loan.

Finally, any fees paid by the borrower for services provided by the loan pool member (i.e. home buyer education, reviewing credit, or other modest fees related to the home buyer preparation) must be modest.

Records Retention Policy:
In addition to the HOME Written Agreement provisions regarding Record Keeping & Reporting (*see Section I of Agreement), the CPLP Member should retain documents that support their efforts to Affirmatively Further Fair Housing and Affirmatively Market the CPLP program. Records should be kept for:

- Any Fair Housing Complaints Filed Against the Member’s Organization
- Affirmative Marketing Efforts
- Limited English Proficiency requests for accommodation and compliance with Member Organization’s Language Access Plan, if applicable
- Documentation that supports housing counseling time spent with clients served by CPLP

Monitoring of CPLP Members
NCHFA staff will conduct a monitoring of active CPLP members at least once every 5 years. Items to be monitored include:

- Updates to Four Factor Analysis or Language Access Plan (LAP), if applicable, plus documentation of any Limited English Proficiency requests for accommodation and how they were addressed
- Plan and actions to Affirmatively Further Fair Housing
- Documentation that supports home buyer education and/or housing counseling time spent with clients served by CPLP
- Documentation related to the approval of CPLP files
- Agreements with partners to provide home buyer education & pre-purchase counseling (if applicable)
- Agreements with partners to provide financial assistance for construction or rehab of a CPLP-assisted home (if applicable)
- Programmatic Agreements
• Programmatic Documents such as the annual CPLP Membership Renewal Form

In addition to on-site monitoring, NCHFA will conduct remote (desktop) monitoring for items such as:
• Programmatic Agreements
• Documentation related to the approval of CPLP files
• Application Approval for Membership
• Three Party SystemVision™ for New Homes Agreement (if applicable)
• Three Party SystemVision™ for Existing Homes Agreement (if applicable)
• Programmatic documents such as the Annual CPLP Membership Renewal Form

**NOTE:** Additional items may be monitored, including programmatic requirements addressed in any of the CPLP related agreements.

**Home Buyer Written Agreement (CLARIFIED)**
The Buyer Written Agreement is one of three required CPLP documents that must be signed and submitted as part of the Buyer’s Underwriting Package. This written agreement incorporates information from other forms and helps the CPLP Program comply with federal HOME funding requirements.

*NOTE: NCHFA does not currently accept electronic signatures on borrower signed CPLP documents.*

**Faith-Based Organizations**
Faith-based organizations that meet the other requirements to participate as a nonprofit organization are eligible for membership. These types of organizations will receive equal consideration. However, housing activities in conjunction with CPLP must be separate in time and location from explicitly religious activities.
8. Program Loan Underwriting & Income Qualifications

Members are expected to qualify all home buyers to be assisted with CPLP financing.

Timing the Verification of Income
The maximum household income under CPLP is 80% of the Area Median Income, adjusted for household size. The current HOME Program Household Income Limits for North Carolina can be found on the CPLP Partner page on the NCHFA website: http://www.nchfa.com/homeownership-partners/community-partners/community-programs/community-partners-loan-pool

When a borrower is accepted into the program, income eligibility for the CPLP must be verified (or re-verified) within six months of the date that CPLP assistance is received by the homebuyer except in the case of a construction-to-permanent loan where the buyer is qualified at the initial closing. For construction-to-permanent loans, verification of employment/income should be resubmitted to NCHFA dated no more than 60 days before conversion.

For a typical purchase loan, verification of employment/income documents must be dated no more than 90 days prior to loan closing, or else recertification will be required. It is therefore advisable to make a preliminary determination of income level as early as possible. If a household is near the 80% of the county median income threshold, they should be advised that significant improvements to their income prior to loan closing could cause them to exceed the maximum for CPLP eligibility if the process takes longer than six (6) months.

Qualifying and Household Income
The Community Partners Loan Pool (CPLP) differs from other lender underwriting with respect to borrower eligibility requirements, calculating the household income (versus qualifying income), and timing of the approval process. The maximum household income under CPLP is 80% of the Area Median Income, as adjusted for household size.

Unlike some loan programs which may calculate earned income or base income only for program eligibility purposes, the CPLP requires that all income, both earned and unearned, be included for all household members over 18 years of age (with the sole exception of documented full-time students).

Student Loan Debt:
If the borrower(s) has student loan debt, the total monthly debt must include one of the following:

- The Monthly Payment Amount if the interest rate is fixed and the loan will fully amortize within the term of the loan;
- One percent (1%) of the remaining loan balance reflected on the credit report for the borrower(s) if the borrower(s) cannot provide a fixed monthly payment amount or
- If the borrower(s) have been accepted and are actively enrolled in a Federal Income Driven Repayment Plan, then either a half percent (0.5%) of the remaining loan balance OR the income driven payment may be used but the payment may be used ONLY if it is greater than a half percent (0.5%) of the remaining loan balance. Proof that the borrower(s) is on a Federal Income Driven Repayment Plan must be provided. For more information, please see:
Calculating Total Monthly Subsidy:

**Homeownership Vouchers**
If a borrower(s) is receiving a home ownership Section 8 voucher, the voucher may be applied against the total house payment (i.e., principal, interest, taxes, and insurance) for the purpose of calculating underwriting ratios. A rental voucher cannot be substituted for a home ownership voucher. Documentation from the applicable Housing Authority must be provided to verify the voucher can be used for home ownership.

**Mortgage Credit Certificates**
A Mortgage Credit Certificate (MCC) requires that the borrower be a first time homebuyer and that he/she applies for the MCC through a participating lender before closing. It is a federal tax credit against mortgage interest paid of up to $2,000 annually, but requires that the borrower(s) have federal tax liability to take advantage of the credit. The credit can be up to 50% of mortgage interest paid for new construction or up to 30% of mortgage interest paid for existing housing.

If a borrower(s) has applied for and is receiving a Mortgage Credit Certificate:
1. The maximum annual tax credit amount is calculated by determining the annual mortgage interest paid on the loan and multiplying by 30% (existing) or 50% (new);
2. This maximum amount must be compared to the previous year’s Federal tax obligation for the household. If the previous year’s Federal tax liability is less than the maximum, then documentation must be provided to show why they anticipate there will be a tax obligation or the subsidy amount must be reduced to reflect the tax liability. The MCC subsidy may be used for underwriting if the borrower(s) Federal tax liability supports that the household will be able to take advantage of the Federal tax credit within two years from the anticipated date of closing;
3. The anticipated annual MCC subsidy is divided by 12 to determine the possible monthly subsidy. This subsidy can be applied one of two ways depending on the first mortgage used by the borrower.
   a) Some first mortgage products apply this amount against the total house payment (principal, interest, taxes, plus insurance).
   b) Other first mortgage products apply the value of the MCC to qualifying income. Please consult with the NC Home Advantage Mortgage™ loan officer to determine which approach aligns with the first mortgage requirements.

**Required Third Party Documentation**
Calculated income must be supported by applicable third-party documentation, such as:
- W-2 forms
- Verification of employment/income forms
- Minimum of 60 days of Year-To-Date (YTD) earnings not more than 90 days old

*Note: Any student loan deferments or forbearance requires use of the amortizing monthly payment or 1% of the remaining loan balance if a monthly payment cannot be provided.*
• Child support decrees - In cases where child support has been ordered, but not paid, on behalf of children in the household, the file must contain a statement to that effect.
• Divorce decrees
• Separation agreements
• Documentation from child support enforcement authorities
• Award letters for Social Security
• Award letters for Social Security Disability
• Award letters for Supplemental Security Income
• Documentation of full-time student status
• Payroll ledgers
• Section 8 vouchers
• Year-to-date Profit & Loss statement and previous 2 years of tax returns (*for Self-Employed only).

How Much Income Documentation
All income documentation must be retained on file and submitted to the Agency in the Loan Underwriting Package. For salaried and hourly employees, paystubs may be used if no more than 3-months old at the time the Underwriting Package is submitted to NCHFA and the Member has included related W-2’s for the previous 2 years of employment. A minimum of 60 days of YTD earnings (*not more than 90 days old) must be submitted. In addition, NCHFA will need a Verification of Employment (VOE) which includes the employee’s date of hire. For self-employed borrowers, NCHFA will require 2 years of tax returns as well as a current Profit & Loss Statement. The homebuyer’s income and employment status must remain stable and unchanged from the time of verification through closing.

Annualizing Income
Annual income is the anticipated gross annual income from all sources received by the borrower, co-borrower, if applicable, and all other household members, including all net income derived from assets for the 12-month period following the effective date of certification of income, exclusive of certain types of income as defined below. “Anticipated” means projecting future income based on current circumstances, which may include a recent job loss, a change in marital status, a recent promotion, etc. If it is not feasible to anticipate a level of income over a twelve (12) month period, the income anticipated over a shorter period may be annualized, subject to a re-determination at the end of the shorter period.

Overtime and Other Income
Overtime, commission and bonus earnings must be included in determining household income if the buyer has a documented history of these earnings and they are likely to continue. Generally speaking, other income is averaged over the 12 to 24 month period of documented income and added to the monthly base pay.

HUD Guidance on Determining Income
1) As defined by 24CFR85 (the federal regulations governing the HOME Investment Partnerships Program, from which CPLP funds are derived), annual gross income includes, but is not limited to:
   a. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
b. The net income from operation of a business or profession. Expenditures from business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included as income, except to the extent that the withdrawal is reimbursement of cash or assets invested in the operation by the family. *NOTE: Net business losses will not be deducted from household income (NCHFA Guideline).

c. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as a deduction in determining net income. Any withdrawal of cash or asset from an investment will be included as income, except to the extent that the withdrawal is reimbursement of cash or assets invested by the family. Where the family’s net assets exceed $5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD (*rate currently less than 1%). In order to properly include income for assets greater than $5,000, actual interest income should be added as part of the household income or if there is no interest income, the current passbook savings rate should be used to impute an interest income amount that should be added to household income.

d. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment;

e. Payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation and severance pay (except as noted in below);

f. Housing assistance: If the housing assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the housing assistance agency in accordance with the actual cost of shelter and utilities, the amount of housing assistance income to be included as income shall consist of the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities, plus the maximum amount that the housing assistance agency could in fact allow for shelter and utilities. If the family’s housing assistance is ratably reduced from the standard need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;

g. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and all regular pay, special pay and allowances of a member of the armed forces (except as noted below).

2) Annual income does not include:

a. Income from the employment of children (including foster children) under the age of eighteen (18) years;

b. Payments received for the care of foster children;

c. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker’s compensation), capital gains and settlement for personal or property losses (except as noted above);

d. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses of any family member;
e. Income of a live-in aide, as defined in 24 CFR 5.403;
f. Amounts of educational scholarships paid directly to the student or educational institution, and amounts paid by the Government to a veteran, for the use in meeting the costs of tuition, fees, books, equipment, materials, supplies, transportation and miscellaneous personal expenses of the student.
g. Any amount of such scholarship or payment to a veteran not used for the above purposes that is available for subsistence is to be included as income;
h. The special pay to a family member serving in the armed forces who is exposed to hostile fire;
i. Amounts received under training programs funded by HUD;
j. Amounts received by a disabled person that are disregarded for a limited time for purposes of Supplemental Security Income (SSI) eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);
k. Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program.
l. Temporary, nonrecurring or sporadic income, including gifts;
m. Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the United State Housing Act of 1937. A notice will be published in the Federal Register and distributed to PHAs and owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.
n. Earnings in excess of $480 for each full-time student 18 years old or older (excluding the head of household or spouse).
o. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.

Notes Regarding Documentation of Household Income
• In cases where child support has been ordered, but not paid, on behalf of children in the household, the file must contain a statement to that effect.

• Income documentation must be retained on file and submitted to the Agency in the Loan Underwriting Package. Paystubs may be used if not more than 90 days old at the time the package is submitted for approval and the Member has included related W-2’s for the previous two years’ employment. The homebuyer’s income and employment status must remain stable and unchanged from the time of verification through closing. A minimum of 60 days of income information not more than 90 days old must be submitted.

• Annual income is the anticipated gross annual income from all sources received by the family head and spouse (even if temporarily absent) and by each additional member of the family, including all net income derived from assets for the 12-month period following the effective date of certification of income, exclusive of certain types of income as defined below. “Anticipated” means projecting future income based on current circumstances, which may include a recent job loss, a change in marital status, a recent promotion, etc.
• Overtime, commission and bonus earnings must be included in determining household income if the buyer has a documented history of these earnings and they are likely to continue.
• If it is not feasible to anticipate a level of income over a twelve (12) month period, the income anticipated over a shorter period may be annualized, subject to a re-determination at the end of the shorter period.

**Annual income includes:**

According to 24 CFR 85 (the federal regulations governing the HOME Investment Partnerships Program, from which CPLP funds are derived), annual gross income includes, but is not limited to:

- The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
- The net income from operation of a business or profession. Expenditures from business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included as income, except to the extent that the withdrawal is reimbursement of cash or assets invested in the operation by the family.
- Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as a deduction in determining net income. Any withdrawal of cash or asset from an investment will be included as income, except to the extent that the withdrawal is reimbursement of cash or assets invested by the family. Where the family’s net assets exceed $5,000, annual income shall include the greater of the actual income derived from all family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD (*currently less than 1%). Members shall note on the compliance analysis worksheet if a potential borrower has more than $5,000 of assets or interest income.
- The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment;
- Payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation and severance pay (except as noted in below);
- Housing assistance: If the housing assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the housing assistance agency in accordance with the actual cost of shelter and utilities, the amount of housing assistance income to be included as income shall consist of the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities, plus the maximum amount that the housing assistance agency could in fact allow for shelter and utilities. If the family’s housing assistance is ratably reduced from the standard need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;
• Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and all regular pay, special pay and allowances of a member of the armed forces (except as noted below).

**Household Annual income does not include:**

• Income from the employment of children (including foster children) under the age of 18 years;
• Payments received for the care of foster children;
• Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker’s compensation), capital gains and settlement for personal or property losses (except as noted above);
• Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses of any family member;
• Income of a live-in aide, as defined in 24 CFR 5.403;
• Amounts of educational scholarships paid directly to the student or educational institution, and amounts paid by the Government to a veteran, for the use in meeting the costs of tuition, fees, books, equipment, materials, supplies, transportation and miscellaneous personal expenses of the student.
• Any amount of such scholarship or payment to a veteran not used for the above purposes that is available for subsistence is to be included as income;
• The special pay to a family member serving in the armed forces who is exposed to hostile fire;
• Amounts received under training programs funded by HUD;
• Amounts received by a disabled person that are disregarded for a limited time for purposes of Supplemental Security Income (SSI) eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);
• Amounts received by a participant in a public-assistance program which are specifically for or in reimbursement of out-of-pocket expenses incurred (i.e., special equipment, clothing, transportation, child care, etc.) to participate in a specific program.
• Temporary, nonrecurring or sporadic income, including gifts;
• Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the United State Housing Act of 1937. A notice will be published in the Federal Register and distributed to PHAs and owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.
• Earnings in excess of $480 for each full-time student 18 years old or older (excluding the head of household or spouse).
• Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.
Borrower Assets
➢ Borrowers whose total liquid assets exceed $5,000, must have the actual income derived from all family assets included when calculating household income for CPLP eligibility. The asset income will be imputed at the current HUD passbook rate (\textit{currently less than 1\%}). Members shall note on the compliance analysis worksheet if a potential borrower has more than $5,000 of assets or interest income. Liquid assets include, but are not limited to: checking accounts, savings accounts, cash, CDs, stock accounts, and mutual fund accounts. Protected retirement vehicles such as 401Ks are not considered liquid assets due to the penalty charged to make them liquid.
APPENDIX 1
Best Practices for Siting New/Existing Homes

1. The home must be outside the 100-year floodplain.

2. Property should have no problems with drainage, steep slopes or waterways that threaten the property or increase costs for homeowners above normal site maintenance. While applying across the state, the following issues often are critical for specific regions:
   a. Coastal Region:
      i. salinization of potable surface and ground water
      ii. positive storm water drainage over entire site including away from the home
   b. Coastal Plain Region:
      i. access to potable ground water
      ii. positive storm water drainage away from home
      iii. wetlands
   c. Piedmont:
      i. excessive storm water drainage issues
      ii. foundation issues due to soil composition mixed with water drainage
      iii. accessibility issues due to moderately steep slopes
   d. Mountain Region:
      i. soil loss due to steep slopes
      ii. accessibility issues due to steep slopes

3. Access to property should be compatible with existing traffic patterns and street capacity. Site should not enter or exit onto a major high-volume traffic artery that would create problems for resident access or hazards to children.

4. Property should be located on, or have direct access from a publicly maintained road.

5. Property should be free from excessive traffic and noise, including that from cars, trains and airplanes

6. The property should be free from significant industrial or agricultural hazards, including hazardous substances, toxic chemicals, gas, oil and chemical storage tanks and facilities, runoff, spills, odors, noise, and airborne particulates.

7. Property should be near schools, food and other shopping, appropriate services, and recreational facilities.
8. Property should be well-integrated into existing neighborhood or community and not isolated.

9. The neighborhood should be primarily residential or a well-planned mixed use development. Adjacent areas should be compatible with residential development.

10. Physical conditions of buildings and infrastructure in the neighborhood should be acceptable unless the home is part of a neighborhood revitalization program that will upgrade the buildings and infrastructure in the neighborhood. In the latter case, a comprehensive revitalization strategy should be adopted by the locality, with revitalization work already underway.
APPENDIX 2
Submitting Application for CPLP Assistance via the NCHFA Loan Pool Portal

General Information
NCHFA created a secure, web-based Loan Pool Portal to submit applications for CPLP Assistance. On June 1, 2016, the portal replaced the previously used Excek Workbooks. All applications must be submitted via the portal.

What Tools Do You Need to Use the Portal?
- An internet-connected computer with an up-to-date internet browser
- A multiple page or high-speed scanner
- Adobe Acrobat Reader (or another PDF Reader that will allow you to mark a PDF). This is a free PDF reader loaded on many computers by default.
- An email address to receive notifications

Member staff must complete a mandatory NCHFA Loan Pool Portal Training before they will be issued a Username and Password. For more information on Portal Trainings, please contact your assigned Community Partner Coordinator.

SUBMITTING A RESERVATION FOR CPLP FUNDS
When a Member has an eligible home and home buyer, they may submit a Reservation Request for CPLP funds using the NCHFA Loan Pool Portal: http://www.nchfa.org/LPPortal
The Reservation request consists of basic information on the Borrower/Co-Borrower and Property to be purchased. The only required document to be submitted with the reservation is a Flood Map that shows the location of the home to be purchased.

Key websites used to generate the required Flood Map of property to be purchased:
- Google Maps: https://www.google.com/maps

The Member should submit the Reservation Request no more than 90 days from the anticipated loan closing.

**SUBMITTING THE CPLP UNDERWRITING PACKAGE**

Once the reservation for funds has been approved, the Member must assemble and submit the Underwriting Package which shows that both the Borrower and the home to be purchased meet program guidelines. The Member can submit the Underwriting Package as soon as the Reservation has been approved and but no later than 15 business days prior to the anticipated closing date.

A number of supporting documents must be uploaded with the Underwriting Package including the following three documents that must be signed by the Borrower:

- Home Buyer Written Agreement
- Borrower Affidavit
- Addendum to Sales Contract

NOTE: For more information on other documents to be submitted as part of the Underwriting Package, please see Underwriting Package on pages 30-31 for more information.

Please note that as you enter information on the Borrower and House to be purchased, the Portal will identify supporting documentation that must be attached to the Underwriting Package submission. The system will not allow you to submit the Underwriting Package without these required documents.

***** IMPORTANT NOTE *****

For more information on NCHFA Loan Pool Portal

Please download the recorded webinar that Josh conducted (Aug. 2018):
Loan Pool Training for New Staff & Those New to Using the Portal which can be accessed by clicking on the following link:

https://register.gotowebinar.com/recording/8960710096731691021

QUESTIONS? Please contact your assigned Community Partner Coordinator.
APPENDIX 3
Sample Loan Conditional Approval Letter
COMMUNITY PARTNERS LOAN POOL
LOAN CONDITIONAL APPROVAL

**Insert Date**

**CPLP Partner Name**
**CPLP Partner Mailing Address**

The referenced underwriting package has been reviewed by NCHFA and your request for funding is approved subject to all the conditions outlined in the Community Partners Loan Pool participation guidelines and Community Partners Loan Pool HOME Written Agreement. Funding for Community Partners Loan Pool is funded at closing by NCHFA. An authorization to close must be issued by NCHFA to the closing attorney prior to closing.

The CPLP Member must use the NCHFA Online Loan Pool Portal to schedule the closing date. All closing dates must be selected in the portal at least 6 business days prior to the actual closing.

Borrower(s):
**Borrower Name**
Address:
**Borrower Mailing Address**
City:
**Borrower City**
County: **Borrower County**

CPLP Loan Amt: $XXXXX.00
Member Fee: $XXXXX.00

NC Housing Finance Agency requires the closing attorney provide us the following documents at least 3 business days prior to closing:

- Copy of Title Commitment for 1st Lienholder
- Copy of Final Loan Closing Disclosure issued by 1st Mortgage
- Proposed HUD-1/HUD-1A Settlement Statement for the NCHFA CPLP Loan
- Loan Closing Disclosure or Promissory Note for all other subordinate financing
- Proof of Homeowners Insurance with acknowledgement of NCHFA’s loan interest(s)
- Flood Insurance (if applicable)
- Endorsement to Master Condo Policy (if applicable)
- Endorsement to Master Flood Policy (if applicable)
- Pre-Closing Instructions executed by closing attorney

In addition to the items above, the 1st mortgage MUST have NC Home Advantage (except USDA) loan approval before scheduling a closing date.

To avoid closing delays, please note that the Borrower’s Homeowners Insurance MUST include the Mortgagee Clause:

North Carolina Housing Finance Agency
ISAOA/ATIMA
P.O. Box 28066
Raleigh, NC 27611-8066
Loan #: XXXXXXX-XX

Sincerely,

Scott Farmer
Executive Director - Authorized Officer

NC Housing Finance Agency Program Contact: Josh Burton
Email: jdburton@nchfa.com Phone: (919) 877-5678
APPENDIX 4
Lead-Based Paint Visual Assessment Introduction & Assessment Forms
Lead-Based Paint Visual Assessment: Introduction
For Homes Constructed Before 1978

As a potential purchaser of a home constructed before 1978, you must know:

1. The seller must provide all known records and documents of the presence of lead-based paint on the property. Any knowledge of lead-based paint hazards MUST be disclosed by the seller.
2. You are required, for your health, to review the EPA Pamphlet entitled “Protect Your Family From Lead in Your Home” which can be downloaded at: www.epa.gov/lead/protect-your-family-lead-your-home.
3. The seller must allow at least a 10-day period, usually as part of the due diligence period, to conduct a lead-based paint visual assessment, inspection, or a full lead-based paint risk assessment to identify both the presence of lead-based paint and/or the location of lead-based paint hazards currently in the home.

A lead-based paint Visual Assessment examines the condition of the painted surfaces on the property. It must be conducted by a certified Visual Assessor who documents if there is evidence of deteriorated paint that exceeds the HUD de minimis (minimum) levels. The HUD de minimis levels are calculated differently for interior and exterior paint. A visual assessment does not determine the presence or absence of lead.

A lead-based paint inspection includes a visual assessment and provides a report of all the painted or glazed surfaces inside and outside the home and indicates which do and do not contain lead.

A lead-based paint risk assessment includes the elements of a lead-based paint inspection, but also includes soil and dust testing and the identification of frequently impacted friction surfaces like doors and windows that contain lead and will easily release lead dust during normal daily use.

If you waive your right to order a lead-based paint inspection or lead-based paint risk assessment, a Visual Assessment MUST be conducted to examine the property for deteriorated paint. If the lead-based paint inspection or lead-based paint risk assessment shows there is no lead found on the property, then paint stabilization is not required.

Please note that a visual assessment will NOT identify the presence of lead, only the condition of the painted surface. Even if the visual assessment indicates that there are NO deteriorated painted surfaces, this does NOT mean that there is NOT lead in the paint. Painted surfaces must be carefully and safely maintained unless the property was inspected for the presence of lead and no lead was found OR documentation is provided showing that the lead was abated.

If evidence of deteriorated paint beyond the HUD de minimis levels is discovered, it MUST be stabilized before any loan pool loan can be approved. If a contractor is used for the paint stabilization, the contractor must be RRP or Renovation, Repair, and Painting certified. More information on RRP certification for contracting firms can be found at: https://epi.publichealth.nc.gov/lead/rrp.html.

After the deteriorated paint is stabilized and any dust or paint chips have been safely removed from the property, a lead-based paint clearance examination must be conducted by a certified lead professional in each worksite or area where the work was performed. If the deteriorated area did not exceed the HUD de minimis levels, no clearance examination is required.

A certified Lead-Based Paint Inspector or Risk Assessor can also conduct a Visual Assessment. A list of state certified lead-based paint inspectors, risk assessors, and lead professionals is maintained on the NCDHHS website at: https://schs.dph.ncdhhs.gov/lead/accredited.cfm.
Lead-Based Paint Acknowledgement Form For Homebuyers
For Homes Constructed Before 1978
(section below to be completed by the borrower and co-borrower)

Property Address: 

Borrower: 

Co-Borrower: 

I acknowledge that I am aware of the requirements for a Visual Assessment to be conducted on the property listed above. I also acknowledge that if deteriorating paint is found above the HUD de minimis (minimum) levels, it must be stabilized before my loan pool loan can be approved. Furthermore, I understand that after the paint is stabilized, the property must pass a lead-based clearance inspection to be eligible. Finally, I am also aware that a Visual Assessment does not reveal the presence of lead or any lead hazards. If I want to verify the presence of lead or lead hazards, I can order a lead-based paint inspection or risk assessment, which will provide details about the presence of lead and where lead hazards exist or are likely to occur based on normal behaviors in the home.

Borrower Signature: ______________________  Date: __/__/ 

Co-Borrower Signature: ____________________  Date: __/__/ 
Lead-Based Paint Visual Assessment Form
(section below to be completed by the certified Inspector/Assessor)

Property Address: 

Business Name: 

Inspector/Assessor: 

☐ Property has been tested and determined to not to contain lead-based paint (attach documentation)

☐ Property has had lead-based paint hazards abated/remediated (attach documentation)

☐ Property required a Visual Assessment (if not abated or tested and no lead found)

Visual Assessment Date: / / 

☐ I have completed a visual assessment of the above property and there is NO evidence of deteriorated paint.

☐ I have completed a visual assessment of the above property and there is evidence of deteriorated paint but the area(s) of deterioration does NOT exceed the HUD de minimis (minimum) levels.

☐ I have conducted a visual assessment of the above property and there is evidence of deteriorated paint and the area(s) does EXCEED the HUD de minimis (minimum) levels.

<table>
<thead>
<tr>
<th>Interior: Is there any peeling, chipping, chalking, or cracking paint?</th>
<th>Interior: Deterioration exceeds the HUD de minimis (minimum) level?</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ YES ☐ NO</td>
<td>☐ YES ☐ NO ☐ NA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exterior: Is there any peeling, chipping, chalking, or cracking paint?</th>
<th>Exterior: Deterioration exceeds the HUD de minimis (minimum) level?</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ YES ☐ NO</td>
<td>☐ YES ☐ NO ☐ NA</td>
</tr>
</tbody>
</table>

Location(s) of Deteriorated Paint Exceeding the HUD de minimis (minimum) levels:

Signature Inspector/Assessor: 
Date: / / 

*Attach copy of Inspector/Visual Assessor credentials
APPENDIX 5
NCHFA Guidance for Developing a Four Factor Analysis and Language Access Plan
NCHFA Guidance for Developing a Four-Factor Analysis and LAP

Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000(d) and Executive Order 13166 require that recipients of federal funds take responsible steps to ensure meaningful access by persons with limited English proficiency. A Limited English Proficient (LEP) person is a person who does not speak English as their primary language and who has a limited ability to read, speak, write, or understand English. To ensure meaningful access to its programs for LEP persons, NCHFA requires that all its recipients receiving federal funds conduct a four-factor analysis.

To conduct a four-factor analysis, you must assess the following:
1. The number or proportion of LEP persons eligible to be served or likely to be encountered by the program or recipient (see below for instructions);
2. The frequency with which LEP individuals come in contact with the program;
3. The nature and importance of the program, activity, or service provided by the program to people’s lives; and
4. The resources available to the recipient and costs.

To conduct the first part of the Analysis, you must access Census data:
1. Go to www.factfinder.census.gov, scroll down the page to the “What we Provide” section and click on “American Community Survey - Get Data.”
2. On the left, choose “Geographies.” Choose county for the geographic area, select NC for the state, then the county your organization serves, and finally “add to your selections.” At this point you can choose another county if your organization serves more than one county. Close this box by clicking on the “X” when finished in the upper right section of the geographies box.
3. At the top of the main page under “Topic or Table Name”, type B16001. Check the box next to the table at the top of the list (“Language Spoken at Home by Ability to Speak English for the Population 5 Years and Over”). Be sure to select the table that has the most recent year and “5-year estimates” listed under the Dataset heading. Then, click on “View” at the top left.
4. On the page that opens, click “Download” from the Actions list, click the bubble next to “View the data”, choose “PDF”, then click “OK”, then “Download”, then open the downloaded file.

For any language group with a population that speaks English less than “very well” (considered LEP) that is 5% or more of your county’s total population, NCHFA requires a Language Assistance Plan (LAP). Each project still needs to conduct the four-factor analysis if the LEP populations are smaller than 5%.

To determine if you reach the 5% or higher threshold, take the total number of people in your county and multiply by .05. After you have this number, compare it to the numbers for “Speaks English less than ‘very well’”. If the number is the same or higher than the 5% number you calculated, the population is considered to be of significant size and requires a LAP, which is discussed later in this guidance.
If your Census data percentage is 5% or greater, you will need to create a LAP. In addition to the information provided for your four-factor analysis, your LAP, which should be a concise document of 1-2 pages, should address what language assistance services will be provided if requested or needed. For example, if your organization has bilingual staff or a program website in another language, these would be considered language assistance services. You can also include items like your organization will contact the Carolina Association of Interpreters and Translators if language services are requested and/or have HUD’s “I Speak” cards available in your office for LEP persons who walk in. Other examples of language assistance services include: contracting with another organization to supply an interpreter when needed; using a telephone service line interpreter; or seeking the assistance of another agency in the same community with bilingual staff to provide oral interpretation. HUD’s “I Speak” cards and some translated materials are available here: https://www.hud.gov/program_offices/fair_housing_equal_opp/17lep

The LAP should also include the following:

- Plan for outreach to LEP communities;
- Plan for training staff members on your LAP and on federal LEP guidance (available at https://www.lep.gov/guidance/guidance_index.html);
- List of vital documents to be translated (if any);
- Plan for translating informational materials that detail services for beneficiaries;
- Plan for providing interpreters for meetings (if needed);
- Plan for developing community resources, partnerships, and other relationships to help with the provision of language services; and
- Designation of LEP/LAP contact person and address the process for handling complaints and updating the LAP.

Furthermore, the organization must maintain records regarding their efforts to comply with Title VI LEP obligations, including documents related to the four-factor analysis, the LAP, and LEP services provided. Such records should be available for State monitoring if needed.

Updated 6/15/18
Conducting a Four Factor Analysis

Go to Factfinder.census.gov

Scroll to the bottom of the page & Click “get data” next to the American Community Survey

Click Geographies
To search for tables and other files in American FactFinder:

Select geographies to add to Your Selections

- Select from:  
  - most requested geographic types  
  - all geographic types
- Select a geographic type:
  - select a geographic type

Didn't find your geographic type? Click the 'all geographic types' radio button above, or try the Name, Address or Map geography search options instead.
Under “Select a Geographic Type” select “County – 050”.
Under “Select a State”, select “North Carolina”.
Finally, select each county in your service area one at a time & click “Add to your Selections”. Click “Close” in the top right when you have added all the counties in your service area.
Enter “B16001” into the search table & Click “Go”

Click on the 2015 ACS 5-year Estimates
The Data for Each County in Your Service Area should be visible
To produce a PDF of the Census Data, click “Print”

Then click “Ok” to produce the PDF

Once complete, click “Open” to open the PDF document.
Right click on the PDF & select “Save as” to name & save the document to your computer. This document should be emailed to support your four factor analysis.
Option 1:
Multiple the Total by 5% or 0.05. In this example, 5% of Alamance County’s population would be 146,029 X 0.05 = 7301 people.
To conduct the analysis, look down the estimate column for each “Speak English less than “very well”” entry to see if 5% or more of any language group does not speak English very well in that county. If any group equals or exceeds 5%, then the language access plan is required.
In this example, since “Spanish or Spanish Creole” is the highest non-English language group in Alamance county and 6,966 is LESS THAN 7301, no language access plan is required. To complete your four factor analysis, you must calculate, compare, and review each county in your service area. If 5% or more exists, then a language access plan must be created.
**Option 2:**
Another way to conduct the analysis would be to look at the largest populations, and divide the number that speak English less than very well by the total estimated population in the county.
For the Alamance County example, the # of Spanish or Spanish Creole individuals that speak English less than very well is 6,966. Divide that number by the total estimated population of Alamance County, or 6,996 divided by 146,029. The % of Spanish or Spanish Creole individuals that speak English less than very well is 3.02%
Since this % is less than 5.0% threshold set by HUD, development of a Language Access Plan (LAP) is not required.

However, in all cases a member may voluntarily choose to create a LAP to better serve this segment of their county’s population.
APPENDIX 6
Cash Flow Worksheet for Calculating Borrower‘s Residual Income
## Monthly Cash Flow

**FirstHome Mortgage Program**

<table>
<thead>
<tr>
<th>Gross monthly taxable income</th>
<th>Borrower</th>
<th>Co-Borrower</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less federal taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less state taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less social security taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less mandatory retirement plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Monthly taxable Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add Non-taxable Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Net Monthly Income</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Circular E publication for federal and state should always be used. (Please do not use figures from pay stub).**

**Grossing up of non-taxable income is not allowed (i.e., Social Security Income).**

<table>
<thead>
<tr>
<th>Total Net Income (borrower &amp; co-borrower combined)</th>
<th>Balance Available for Family Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less total mortgage payment (PITI + HOA dues)</td>
<td>Family Size</td>
</tr>
<tr>
<td>Less Maintenance &amp; utilities (square footage x .14)</td>
<td>1</td>
</tr>
<tr>
<td>Less other recurring expenses used in calculating debt ratio</td>
<td>2</td>
</tr>
<tr>
<td>Less debts less than 10 months Remaining</td>
<td>3</td>
</tr>
<tr>
<td>Less child care expense</td>
<td>4</td>
</tr>
<tr>
<td>Balance available for family support</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>7</td>
</tr>
</tbody>
</table>

The balance available must meet or exceed the chart above to qualify for a down payment assistance loan.

**DAP Loan**

---

FirstHome/MCC-203 (Rev. 2012)

Rev. 2012
Recertification Form: Supplemental Home Buyer Education Completed
Recertification Form:
Supplemental Home Buyer Education Completed

Loan pool borrowers who completed an approved Home Buyer Education course more than 12 months ago must receive Supplemental Home Buyer Education provided by a certified housing counselor.

Loan Pool Borrower: ______________________________________________________________

Anticipated Closing Date: _________________________

Certified Housing Counselor: _______________________________________________________

Agency: __________________________________________________________________________

Phone: ___________________________ Email: ___________________________________________

I certify that the Loan Pool Borrower listed above received Supplemental Home Buyer Education from me on ____________ (date) and, in my opinion, has a good understanding of the home buying process. The topics covered included (*attached additional sheet if needed):

______________________________
Signature of Certified Housing Counselor

______________________________
Date
APPENDIX 8 *(UPDATED)*
Community Partners Loan Pool (CPLP) Contacts

Josh Burton, HOC Team Leader & Community Partner Coordinator
919.877.5678
jdburton@nchfa.com

Liz Hair, NCHFA Paralegal:
919.877.5712
echair@nchfa.com

Deborah Hamilton, Senior Program Documentation Specialist
919.877.5709
dmhilton@nchfa.com

Kim Hargrove, Team Leader – Documentation & Compliance
919.877.5682
kchargrove@nchfa.com

Rich Lee, Senior Community Partner Coordinator
919.877.5688
rylee@nchfa.com

Mark Lindquist, Senior Program Compliance Coordinator:
919.501.4263
mwlingquist@nchfa.com

Laura Welk, Program Documentation Specialist
919.981.2649
lmwelk@nchfa.com

For more info on CPLP: