NORTH CAROLINA
HOUSING
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EQUAL HOUSING OPPORTUNITY

NCHFA's Homebuyer Programs

CREATING OPPORTUNITIES

Civil Rights Act & Fair Housing

- Civil Rights Act of 1968 and the Fair Housing Amendments Act of 1988 apply to all housing in the US
- The Federal Fair Housing Act & NC Fair Housing Act prohibit discrimination on the basis of: (protected class)
  - 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.

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NC Home Advantage First Mortgage Program

CREATING OPPORTUNITIES

NC Home Advantage Mortgage

- Amortizing **30** year Mortgage
- Fixed Rate Financing w/ market rates
- All eligible borrowers are eligible for:
  - **3%** (Conv, FHA, VA, or USDA) or
  - **5%** (FHA or VA)
  - Forgiving Down Payment Assistance (DPA) from years 11 to 15
- **NO** Sales Price Limits
- Annual Income (applicant income) cannot exceed **$87,500**

NC Home Advantage MORTGAGE™

Think home ownership is out of your league?

THINK AGAIN.

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NC Home Advantage Mortgage Eligibility

- **43% Debt-To-Income ratio** (back end)
- NO Housing Ratio (front end)
- NO borrower contribution requirement
- NO First Time Buyer Requirement
- Middle credit score of 640 or higher
- Automated Underwriting System (AUS) approval required
- Streamlined Underwriting (4 forms, required for loan application)
- New/Existing Single Family Homes, Townhomes, Condos, Duplexes (not Conv), & New Manufactured (not Conv)
- Generally Follows Insurer (FHA, VA, Conv, or USDA) Guidelines

New $8,000 NC 1st Home Advantage Option

- Same Amortizing 30 year Mortgage with $8,000 of Forgiving Down Payment Assistance (forgives years 11 to 15)
- Participants must be 1st time home buyers or buy in eligible census tract
- Sales Price Limit: **$260,000 Statewide**
- Annual HOUSEHOLD income same as NC Home Advantage Tax Credit (MCC) – Differs by County & Household Size
- www.nchfa.com/home-buyers/income-limits

Wake County Limits

	NC Home Advantage Mortgage™ with 3%/5% Down Payment Help	NC Home Advantage Mortgage™ with NC 1st Home Advantage Down Payment Help	NC Home Advantage Tax Credit (Mortgage Credit Certificate)
1 Person	$87,500.00	$84,000.00	$84,000.00
2 Persons	$87,500.00	$84,000.00	$84,000.00
3+ Persons	$87,500.00	$87,500.00	$87,500.00

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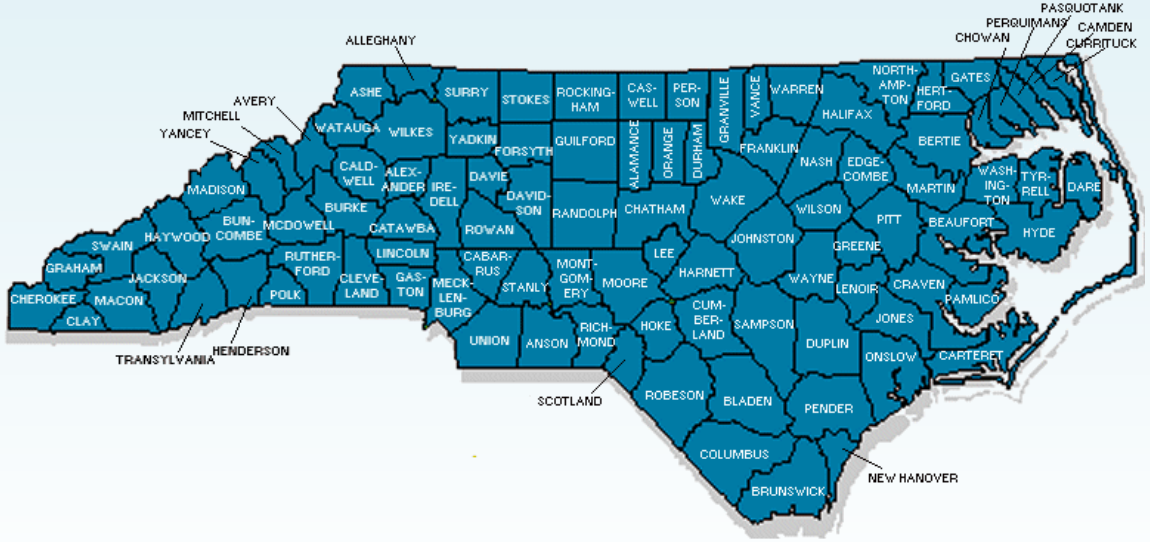
Finding a Preferred Loan Officer

Visit: www.nchfa.com/home-buyers/find-lender

Preferred Loan Officer = 5 or more loans in recent 12 months



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NC Home Advantage Tax Credit
Mortgage Credit Certificates
For First-Time Buyers

CREATING
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What is a Mortgage Credit Certificate (MCC)?

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- **Federal Tax Credit** on a borrower's federal income tax return
- **For 1st time homebuyers or requalifying as 1st time homebuyers**
- Tax credit of **30%** (existing homes) or **50%** (newly constructed) of total mortgage interest paid annually not to exceed **$2,000/yr**
- **Requires borrower have taxable income to receive value of the credit** (not a refundable tax credit)
- Must be applied for **BEFORE** closing
- Available for **life of the loan** as long as property is owner occupied
- Can be re-issued 1 time w/n 12 months of refinancing when refinanced from a fixed rate loan to another fixed rate loan
- Income Limits: https://www.nchfa.com/home-buyers/income-limits

What is a Mortgage Credit Certificate (MCC)?

- Only available through lenders working with the Agency: **www.nchfa.com/home-buyers/buy-home/mortgage-credit-certificate**
- Income & Sales Price Limits: **www.nchfa.com/home-buyers/income-limits**

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Community Partners Loan Pool (CPLP)

Income-Targeted Down Payment Assistance to combine with NC Home Advantage Mortgage™

CREATING OPPORTUNITIES

Community Partners Loan Pool (CPLP)

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Down Payment Assistance+ (Gap Funding):

- **Up to 20%*** of Sales Price, not to exceed **$40,000.00**, when combined with a **NC Home Advantage Mortgage™**
- **0%, deferred, no payment 2nd mortgage**
- Term matches 1st Mortgage (30 to 33 years)

Designed to make monthly payment affordable long-term, not just to cover closing costs

Community Partners Loan Pool (CPLP)

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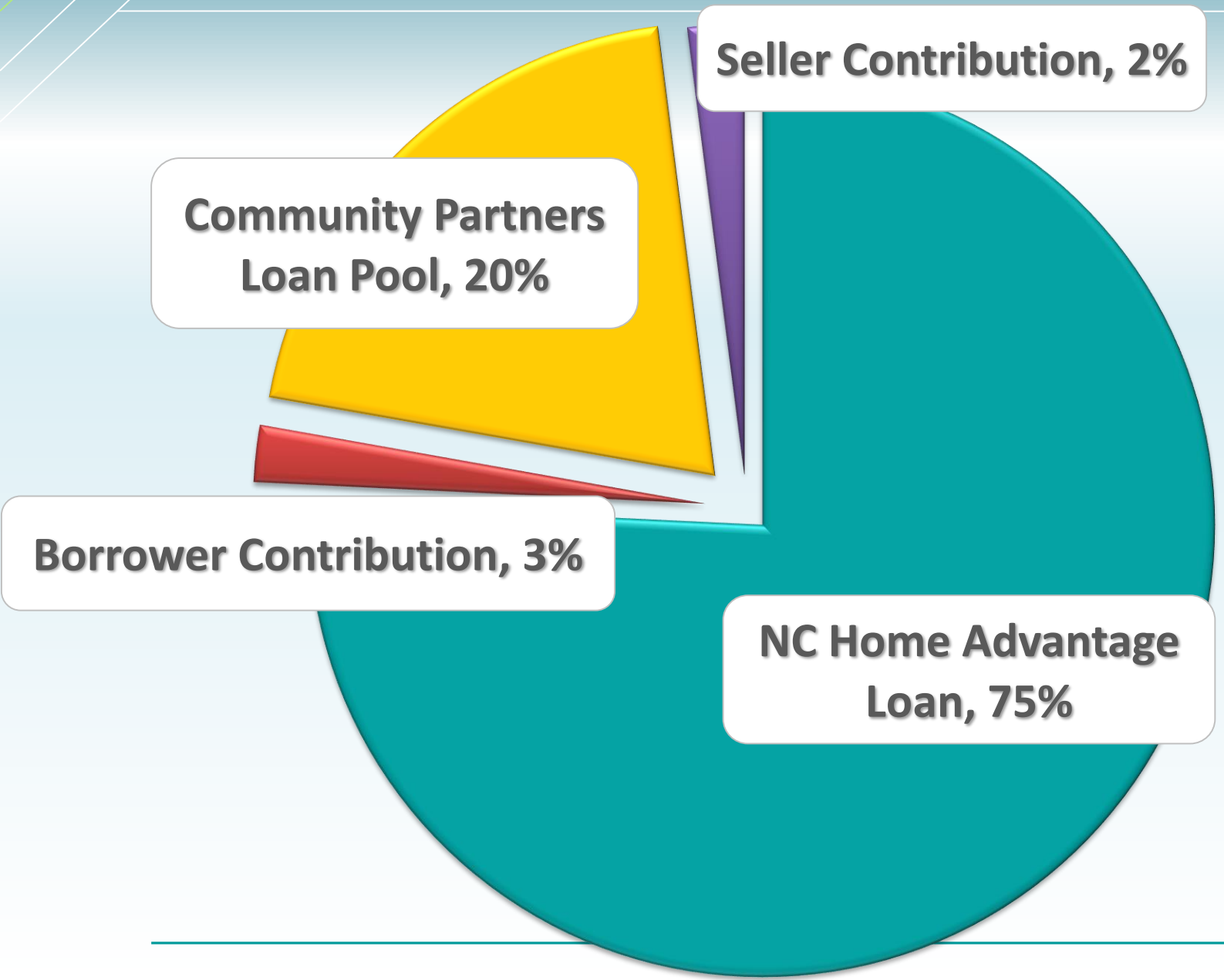
Down Payment Assistance:

- **Up to 10%** of the Sales Price when paired with a **USDA Section 502 Loan** *(Direct, Construction-to-Permanent or Mutual Self-Help)*

USDA United States Department of Agriculture Rural Development

- **0%, deferred, no payment 2nd mortgage**
- Term matches 1st Mortgage up to **33** yrs.
- For Construction-to-Perm, CPLP closes at time of loan conversion not initial closing

CPLP: Benefits & How This Might Work



- **Reduces Monthly Mortgage Payment** by up to 20%*
- **No Private Mortgage Insurance** for Conventional loans with < 80% LTV
- **No payments due*** until 1ST Mortgage paid off (typically 30 years)

Community Partners Loan Pool (CPLP)

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CPLP uses federal HOME funds from HUD to serve **Low- to Moderate-Income** buyers at or below **80%** of the area median income

- **NO** First Time Buyer requirement but Borrowers must complete ***at least* 8 Hrs.** of Homeownership Education & Counseling w/ CPLP Member
- Maximum **Sale Price Limits** for each county
- Typically for **New Homes or Homes ≤ 10 Yrs. Old**
- Must apply for assistance thru a **CPLP Member** → **www.nchfa.com/homeownership-partners/community-partners/current-community-partners**

COMMUNITY PARTNERSHIPS

Eligible Homes

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NC Home Advantage Mortgage™

- Single family, townhomes, condos, duplexes & new manufactured
- Property age: No restrictions
- Maximum Sales Price Depending on Loan Type

Community Partners Loan Pool

- **New Homes** <u>and</u> Existing Homes < 10 Yrs. = GOOD FIT FOR PROGRAM
- Avoid Pre-1978 Homes (Lead-based Paint)
- **Maximum Sales Price Limits**
- Homes > 10 Yrs. old ***must*** have **5 Yrs. Usable Life** on Major Building Systems. Consult CPLP Member EARLY!

Both: Follow Insurer Guidelines!

Inspections for Existing Homes:
CPLP Property Condition & Health / Safety Requirements

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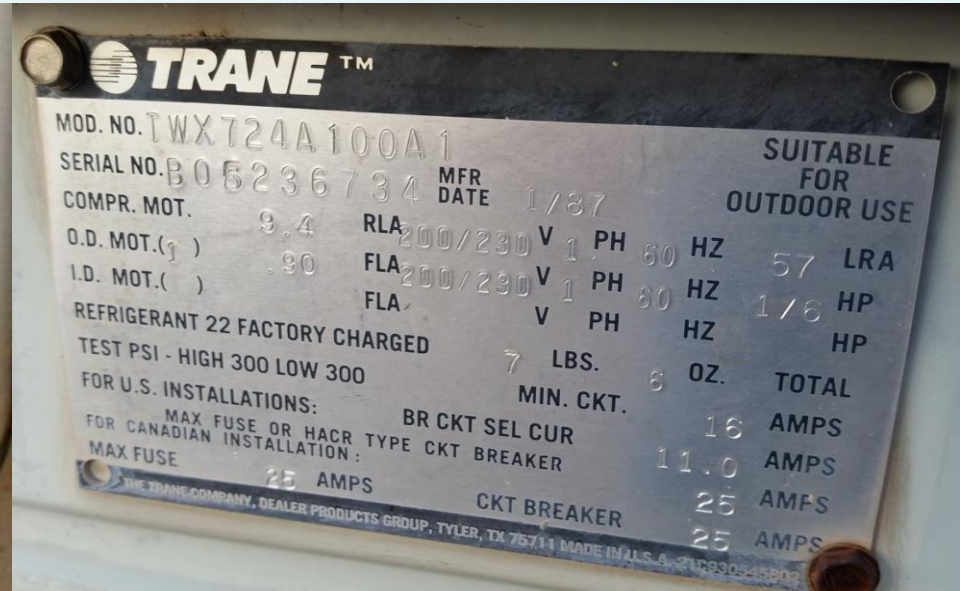
- **5 years of likely usable life for all major systems**
  - What is a major system? (Basically, what a licensed home inspection addresses)
    - Typical Culprits: Roof, HVAC, Exterior finishes, Water Heater, & anything identified by the home inspector that will threaten the home or household
  - Have the inspector provide the manufacturing & install dates on the HVAC, Water Heater, and Roof (if known)
- **No Threats to Health or Safety** (must **pass** minimum housing code inspection)



Who are our CPLP Members?

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- **Non-profit Developers** of homes
- **Non-profit Agencies** that provide Home Buyer Education & Counseling
- **Public agencies** which offer a homeownership program
- **Fee paid to Loan Pool Members for loan packaging, education, & counseling**

CPLP Member Roles:

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Reviews Borrower Eligibility for CPLP:

- Total Household Income ≤ **80% of Area Median Income**
- Minimum Middle Credit Score of **640** for Borrower/Co-Borrower
- Housing Ratio: **20% Min. - 32% Max**. & Debt-to-Income Ratio: **43% Max**

Verifies home meets Program Guidelines:

- **Sales Price** < HOME Program Limits for N.C.
- Passes ***required*** **Inspections**

  For New Construction: Certificate of Occupancy

  For Existing homes:

  (1) Home Inspection by licensed NC Home Inspector

  (2) Minimum Housing Code Inspection*

**If no local Code, Housing Quality Standards or HQS Inspection may be substituted.*

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Combining Homebuyer Tools

NC Home Advantage™ + CPLP

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Lender & CPLP Member Referrals

NC Home Advantage Lender *refers* borrower to CPLP Member for Homebuyer Education, Counseling & Down Payment Assistance or Credit Education

Ready

Ready

Needs Help

CPLP Member *refers* CPLP eligible borrower to NC Home Advantage Lender for 1st Mortgage & counsels, educates, & helps borrower(s) become ready for homeownership

Loan officers & CPLP Members who support layered financing are a gift to their community. What a fantastic way to make a difference in the lives of your borrowers!

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Working With NCFHA

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- NCHFA typically underwrites the CPLP loan in **48 hours** & the NC Home Advantage loan in **24 hours**
- **CPLP Member** selects closing date & coordinates with Closing Attorney
- NCHFA requires **≥ 6 NCHFA business days**
- **NCHFA always sends CPLP Closing Docs** & Sends Check with Loan Funds to Closing
- Once NCHFA approves CPLP loan, CPLP Member schedules Closing & Informs **Closing Attorney**

NC Home Adv Loan should be approved by NCHFA BEFORE scheduling closing

Closing Process for CPLP Loan:

- NCHFA's Paralegal will send **CPLP Pre-Closing Instructions & Documents** to the **Closing Attorney** including Authorization to Close the CPLP loan
- **Closing Attorney** needs to send requested closing documents to NCHFA Paralegal for final review and approval at least **three (3) business days** before closing

When to Refer for Successful Referrals

Before the Borrower(s) signs a sales contract

- CPLP Members are responsible to counsel the borrower.
- A signed sales contract makes it very difficult to counsel the borrower(s) if they are over-burdening themselves with a future monthly payment.

Before the LO locks the NC Home Advantage loan

- Locking the loan begins the typical 45 days to close timeline

After Prequalification

- By Prequalifying the Borrower(s), you should be able to determine whether they are:
  - Mortgage Ready or Need Extra Counseling to Become Ready → Refer to CPLP Member
  - Need CPLP to reasonably afford a home in the community in which they want to reside

Why CPLP Requires Early Referrals?

Required by CPLP: Referral before sales contract

- At CPLP Member's Discretion → Borrower may be reviewed by member & submitted to NCHFA for Consideration if Sales Contract is in Place at time of referral
- **> 30 Days to Closing** and **< 10 Days** after contract & may require:
  - The lender extends the first mortgage rate lock **(Lender)**
  - 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)**
  - 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 **all** parties do not work to allow **sufficient** time = **borrower is ineligible**

Why CPLP Requires Early Referrals?

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CPLP Member & Borrower(s) Develop a Readiness Plan

- While 8 Hours is minimum, more may be necessary
- Member & Borrower **agree** on education & counseling strategy
  - Online vs 8 hour class vs series of classes vs one-on-one education
  - In Person vs Telephone Counseling vs Video Counseling

Forms Provided By Lender for Successful Referrals

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Loan Details

- Copy of the Offer to Purchase and Contract, all pages
- **Final** 1003 (first mortgage loan application) → Communicate **IMMEDIATELY** if any changes
- NC Home Advantage Mortgage Lock Confirmation
- First Mortgage Lender's Approval Letter

Property Information

- Copy of Appraisal
- Home Inspection, for existing properties (Documentation of Repairs & Final Inspections)
- Local Minimum Property Code or HQS Checklist, for existing properties → Must Pass

Borrower Income & Credit Information

- Most recent credit report
- Written VOE(s) from current Employer(s) & previous employers in 2016
- Current pay stubs covering 30 days (no more than 2 months old) & all 2016 W-2's
- 2 most recent bank statements, all pages
- Other Household Income Verifications (SSI, Child support, Alimony, etc.)

Other Forms

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Forms Builder or Developer May Provide:

- Certificate of Occupancy (CO), for new construction only
- System Vision Certification & Green Building Certification, if applicable

Forms ALL Borrowers Must Complete (forms provided by CPLP Member)

- NCHFA CPLP Addendum to Sales Contract → Also signed by seller
- NCHFA CPLP Home Buyer Written Agreement
- NCHFA CPLP Borrower Affidavit (child support, divorce/separation agreement)
- Homebuyer Education Certificate → From HUD-Certified provider → > 8 hours including counseling

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Thank You

We appreciate your partnership

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