

FAQ for July 1st – New MRB/MCC Rules

Definitions:

First Time Home Buyer – *a mortgagor*, spouse, or occupying title holder who **has NOT** had an ownership interest in a principal residence within three years of closing on the home purchase.

Mortgagor - the “mortgagor” is *the person “receiving” a mortgage loan* from proceeds of a tax-exempt bond” or “receiving” a Mortgage Credit Certificate with a mortgage loan. The person or persons that borrow the funds and promise to repay the loan.

Family Income – “family income of a mortgagor” to include the income of mortgagors and those who are secondarily liable on the mortgage **and** reside in the home.

Therefore, family income would include the income of 1) the mortgagor(s), 2) the spouse of any mortgagor(s), 3) titleholders residing in the subject property, and 4) any person who guarantees the loan and intends to reside in the property.

Secondarily Liable - would include **someone who acts as a surety** or guarantor if they also intend to live in the residence being financed. It also includes **a person that has a property interest** in the property that will be forfeited in the event there is a foreclosure on the property.

Spouses, because of their *spousal rights* to the property in North Carolina may be **treated as secondarily liable** on the mortgage even though not on the note. They are not required to sign the DoT if not a borrower, however, it is recommended.

Titleholder – Anyone who is listed on the General Warranty Deed will be considered a titleholder. If titleholder lives in the subject property their income will be counted.

FAQ/Questions:

Q: If I am not on the mortgage or promissory note, **but I am a titleholder**, do I have to be a first-time home buyer?

A: Only the person(s) who are the mortgagor(s) and occupying titleholder must be first-time home buyers to qualify for an MRB or MCC program.

B: Non-borrowing spouses must also be 1st time homebuyers since they have marital rights.

Q: Are Credit Reports required?

A: Yes, the mortgagor(s) on the 1003 must provide a tri-merged credit report. Someone who is only secondarily liable, but not a mortgagor does not need a Credit Report but must provide federal income tax returns (3 years) and other income documentation.

Q: Who is required to provide income documents (tax returns/transcripts, W2s, VoEs, paystubs)?

A: The mortgagors, titleholders, and anyone who may be secondarily liable **AND** residing in the subject property need to provide these documents. Refer to Table 1.

Table 1: Family Income Chart (Whose Income is Counted?)

Category of Borrower/Titleholder	Income Counted in Family Income?	VoE, Paystubs, W2 (1099) & Tax Returns?	FTHB?
Borrower	Yes	Yes	Yes
Co-Borrower	Yes	Yes	Yes
Spouse	Yes	Yes	Yes
Someone Secondarily Liable, Occupant	Yes	Yes	Yes
Titleholder, Occupant	Yes	Yes	Yes
Titleholder, Non-Occupant	No	No	No
Adult Occupant only	No	No	No

Q: Why are occupants who are considered “secondarily liable” required to provide income information, including the prior year’s tax returns or transcripts?

A: The IRS requires that we establish Family Income for the borrower(s) and any other occupying title holders. The prior year’s tax returns or transcripts with 1099s, W2s, VOEs and current paystubs is used to calculate Family Income.

Q: I want my parents to go on Deed of Trust / General Warranty Deed. Does their income need to be verified?

A: No, if they not living in the subject property. However, if they intend to reside in the subject property and will be a borrower or titleholder then their income is required.

B. A copy of the General Warranty Deed is a required to be uploaded after closing and will be checked against 1003 and Commitment.

Q: Does my child, a dependent over age 18, or non-dependent need to provide income documentation?

A: No, only if they are a borrower, mortgagor, or are to become secondarily liable.

Q.: What is the difference between Qualifying Income and Family Income?

A: Qualifying income is limited to the income disclosed on the Lenders Final Loan Application (1003) and is used to make sure that the borrower(s) are able to meet the monthly debt obligations, including the Mortgage payment. Family Income is all income that is received by the borrower(s), co-borrower(s), non-borrowing spouses, and other occupying title holders, even though that income may not be used to qualify for the

loan. Family Income is counted even if the income is not likely to continue, or is of brief duration. All income considered Family Income will be counted if it is being received as of the date of loan submission to NCHFA.

Q: Which occupants must be disclosed and listed on Form-016?

A: All adult occupants residing in the property must sign Form 016. You must also disclose any occupying children and any child support/social security/disability income received by all Borrowers/Co-Borrowers, non-borrowing spouses, and occupying title holders on behalf of those children or any disabled adults who will occupy the property. Refer to Table 2.

Q: I plan on getting married and have a fiancé. Is the fiancé income included in Family Income?

A: If the fiancé (or any adult occupant) will be on title or have ownership, then their income is counted.

Q: Are co-signors or non-occupying borrowers allowed?

A: No.

Q: Who should sign the Recapture Notice, Form – 015?

A: Only the person(s) who are “liable” on the mortgage, meaning the borrower(s). Spouses would only have to sign the Recapture form if they are liable on the mortgage. Refer to Table 2.

Table 2: Who Is Required to Sign NCHFA Forms?

Category of Borrower/Titleholder	Recapture Notice Form - 015	Mortgage Affidavit Form - 016	Notice to Borrower Form - 026
Borrower	Yes	Yes	Yes
Co-Borrower	Yes	Yes	Yes
Spouse	No	Yes	No
Someone Secondarily Liable, Occupant	No	Yes	No
Titleholder, Occupant	No	Yes	No
Titleholder, Non-Occupant	No	Yes	No
Adult Occupant only	No	Yes	No