North Carolina
Housing Finance Agency

Servicing Guide

Revised October 2017
Servicing Guide Table of Contents

Note: The North Carolina Housing Finance Agency’s Servicing Guide (“NCHFA’s Servicing Guide”) is the controlling document. If a topic is not addressed in NCHFA’s Servicing Guide, the Servicer should follow the guidelines set forth in the Fannie Mae Servicing Guide. Any questions should be directed to the North Carolina Housing Finance Agency (NCHFA) for clarification.

Section 1: Remittance Responsibilities

1.1 Servicing Overview
1.2 Servicer’s Accounting and Remittance Responsibilities
1.3 Servicing Accounting Records
1.4 Acceptable Mortgage Accounting Method
1.5 Establishment of Custodial or Trust Accounts
1.6 Monthly Remittance Report Packages
1.7 Remittance of Funds
1.8 Wiring Instructions
1.9 Custodial Files Held By Bank of New York
1.10 Penalties for Late Remittances and Reports
1.11 Examination of Servicer’s Records
1.12 1985 Series U/V and Future Bond Issues with the same MBS Structure
1.13 Breach of Servicing Agreement

Section 2: Default Management

2.1 Default Management Overview
2.2 Early Intervention
2.3 Collections and Notices
  2.3.1 Delinquency Letters
  2.3.2 Breach Letter
  2.3.3 North Carolina General Statute (45-Day Letter)
2.4 Acceleration
  2.4.1 Chronic Default
  2.4.2 Abandonment of Property
  2.4.3 Non-Monetary Default
  2.4.4 Occupancy
2.5 Foreclosure Prevention Alternatives
  2.5.1 Forbearance Plans
  2.5.2 Partial Payments
  2.5.3 Home Affordable Modification Plan (HAMP)
  2.5.4 Modification (Recasting, Extending or Re-amortizing)
2.5.5 Deed-in-Lieu of Foreclosure
2.6 Reporting Delinquencies to Credit Bureaus
2.7 Property Inspections

Section 3: Bankruptcy Management
3.1 Bankruptcy Management Overview
3.2 Preparing and Filing the Proof of Claim
3.3 Monitoring Borrower Payments and Crucial Dates
3.4 Delays in the Bankruptcy Process
3.5 Special Circumstance Bankruptcies
   3.5.1 Abusive Filers
   3.5.2 Individuals with Fractional Interest
   3.5.3 Cramdowns of the Mortgage Debt
3.6 Post-Foreclosure Filings

Section 4: Short Sale Procedures
4.1 Short Sale Analysis
4.2 Insurer Approval
4.3 NCHFA Approval (Conventional and USDA Loans)
4.4 Remittance of Short Sale Funds

Section 5: Foreclosure Management
5.1 Overview
5.2 Bidding Instructions
5.3 Deficiency Judgments
5.4 Foreclose In The Name of North Carolina Housing Finance Agency
5.5 Property Conveyance
5.6 Reinstatements
5.7 Property Maintenance and Management
5.8 Eviction Proceedings
5.9 Hazard Insurance Policies
5.10 Reporting to NCHFA During and After Foreclosure
5.11 Compliance with Internal Revenue Service (Form 1099-A)
5.12 Compliance with MERS (Mortgage Electronic Registration System)
Section 6: Real Estate Owned (REO)
6.1 Foreclosure Confirmation
6.2 Insurer Requirements
6.3 Maintenance and Preservation of Property
6.4 Inspections
6.5 Final Claims to Insurers

Section 7: Servicer Claims to NCHFA
7.1 When to File a Servicer Claim
7.2 REO Properties (Conventional or USDA)
7.3 REO Properties (FHA or VA)
7.4 Short Sales Claims
7.5 Attorney Fees
7.6 Servicer Interest Penalty
7.7 Reimbursement of Servicer’s Foreclosure Expense Request
7.8 Removal of Loan from Servicer’s Trial Balance

Section 8: Servicing Subordinate Liens
8.1 New Loan Setup
8.2 Monthly Servicer Subordinate Reconciliation Report
8.3 Payoff Quotes
8.4 Subordinating a Second Loan for a Streamline Refinance
8.5 Wiring Instructions
8.6 Satisfactions

Section 9: Quality Control Servicing Audits

Section 10: Assumptions

Section 11: Waiver Process
Section 12: Exhibits

Exhibit 1: Form SFS-25, Letter of Agreement for Servicer’s Custodial Accounts
Exhibit 2: Automated Investor-Delinquency Reporting File Format
Exhibit 3: Bank of New York Mellon Trust Company, N.A. Registration Form
Exhibit 4: Occupancy Certificate
Exhibit 5: Variance Letter from HUD regarding Mortgagee Letter 2009-35
Exhibit 6: Loan Modification Capitalization Reimbursement Request
Exhibit 7: Short Sale Transmittal Summary
Exhibit 8: Servicer REO Securing Notice
Exhibit 9: NCHFA Claims-Foreclosure Expense Reimbursement Request
Exhibit 10: Servicing Waiver Request Form
Section 1

Servicing, Reporting and Remitting

1.1 Servicing Overview

All Servicers should have fully documented written procedures in place and should also have measures to determine that those procedures are effectively followed in day-to-day operations. The Servicer’s procedures should include a foreclosure management review as part of their process to ensure all Consumer Finance Protection Bureau (CFPB), North Carolina Housing Finance Agency (NCHFA), and insurer loss mitigation requirements are met. The format may vary, but the Servicer should comply with NCHFA and insurer rules and regulations for all phases of servicing mortgage loans. For uninsured loans, follow NCHFA’s Servicing Guide for matters regarding collections, foreclosure, bankruptcy and REO. For matters not addressed in this Servicing Guide, Servicers should follow Fannie Mae’s guidelines.

1.2 Servicer’s Accounting and Remittance Responsibilities

The Servicer’s responsibilities include the following:

- Accounting for and remittance to NCHFA of the principal and interest portions of monthly payments and curtailments. These amounts should be wired to the Trustee no later than the 5th business day following month end.

- Accounting for and remittance to NCHFA for amounts received to pay off a loan. These amounts should be wired to the Trustee within two (2) business days of posting the transaction. This also includes funds received from MI companies and proceeds received from third party and short sales.

- Accounting for and remittance to Fannie Mae of the principal and interest portions of monthly payments and any other sums paid by mortgagors which Fannie Mae may require to be remitted for the Fannie Mae MBS Certificates in the 1985 Series U/V and future bond issues with the same MBS structure.

- Accounting for and remittance to Ginnie Mae of the principal and interest
portions of monthly payments and any other sums paid by mortgagors which Ginnie Mae may require to be remitted for the Ginnie Mae MBS Certificates in the 1985 Series U/V and future bond issues with the same MBS structure.

- Accounting for and administration of escrow accounts for amounts paid by mortgagors for taxes, assessments, ground rents, hazard insurance premiums, premiums due to federal agencies or private mortgage insurers, and other escrowed items.

1.3 Servicing Accounting Records

Permanent mortgage accounting records should be maintained for each mortgage loan. Each individual mortgage loan record should indicate NCHFA ownership, the bond issue under which the mortgage loan was purchased, and the assigned 10-digit NCHFA loan number.

While NCHFA does not specify the particular system or forms to be used for mortgage loan records, the Servicer’s mortgage accounting system should be capable of producing for each mortgage loan an account transcript itemizing the following in chronological order:

- The date, amount and breakdown between principal, interest and escrow of each collection

- The date to which interest is paid

- The date, amount and nature of each disbursement, advance, adjustment, or other transaction affecting the amounts due from or to the mortgagor

- An indication of whether the loan has been modified from its original terms

The system should also be capable of producing the current outstanding principal balance of the mortgage, the current escrow balance, and any escrow advance balances.

The system should be capable of accounting for Ginnie Mae and Fannie Mae MBS according to Ginnie Mae and Fannie Mae guidelines, and the Servicer shall comply with Fannie Mae, USDA, and private mortgage insurer requirements regarding mortgage accounting records for the conventional and USDA loans in the Fannie Mae MBS Certificates. The Servicer shall comply with FHA, VA and Ginnie Mae requirements regarding mortgage accounting records for FHA and VA loans in the Ginnie Mae MBS.
Certificates.

1.4 Acceptable Mortgage Accounting Method

Interest due should be calculated using the interest in arrears loan accounting method. Under this method, the application of an individual mortgage payment to interest and principal is determined by first calculating the interest portion and applying the balance of the payment as a principal reduction. The interest is calculated using the outstanding principal balance after application of the preceding payment.

- All monthly interest calculations shall use a 360-day year. All partial monthly interest calculations shall use a 365-day year. Calculation factors should be carried out six (6) decimal places.

- The Servicer is required to use Fannie Mae’s amortization method of individual loan accounting for the Fannie Mae MBS Certificates in the 1985 Series U/V and future bond issues with the same MBS structure.

- The Servicer is required to use Ginnie Mae’s amortization method of individual loan accounting for the Ginnie Mae MBS Certificates in the 1985 Series U/V and future bond issues with the same MBS structure.

1.5 Establishment of Custodial or Trust Accounts

The Servicer is required to establish and maintain custodial or trust accounts for each trust indenture. These accounts should be demand deposit accounts established in a North Carolina state bank, national bank, or credit union. The deposits should be insured by the Federal Deposit Insurance Corporation, NCUA or established in a Federal Reserve Bank.

The titles of such accounts should be as follows:

- “[Servicer], as agent, trustee and/or bailee for the holders of NCHFA Single Family Revenue Bonds (specify Trust indenture) and/or payments of various mortgagors and as Custodian for The Bank of New York Mellon Trust Company, N.A. (Principal and Interest)”

- “[Servicer], as agent, trustee and/or bailee for the holders of NCHFA Single Family Revenue Bonds (specify Trust indenture) and/or payments of various mortgagors and as Custodian for The Bank of New York Mellon Trust Company, N.A. (Escrow
The Servicer should prepare and forward to NCHFA the original Letter of Agreement for Servicer’s Custodial Accounts (Exhibit 1), properly executed by the Servicer and certified by the depository bank.

The purpose of the Letter of Agreement is to evidence the establishment of Custodial accounts for the deposit of collections of all sums payable under the mortgage loans owned by NCHFA, and that all such amounts are payable to NCHFA on demand. In the event of any changes in the name and address of the depository bank, the Servicer should prepare a new Letter of Agreement for Servicer’s Custodial Accounts and submit it within 15 days to NCHFA.

All funds received under the provisions of any NCHFA mortgage loan should be deposited in the segregated trust custodial accounts within one business day of receipt. The Servicer should maintain all such accounts in conformity with the rules and regulations of the deposit insurer and should maintain detailed records as to the respective interest of each mortgagor and NCHFA in the account(s). If at any time the balance in any custodial account should equal or exceed the insured amount, the Servicer should immediately remit the entire balance to the Trustee with the appropriate breakdown(s).

Custodial accounts established for NCHFA should be reconciled by Servicer staff monthly within 30 days of the statement cycle cutoff date.

For 1985 Series U/V and future bond issues with the same MBS structure, the Servicer should follow the Fannie Mae custodial or trust account requirements for the Fannie Mae Certificates and follow the Ginnie Mae custodial or trust account requirements for the Ginnie Mae Certificates.

### 1.6 Monthly Remittance Report Packages

The Servicer should submit all reports and electronic downloads regarding servicing of any mortgage loan at the time and in the form requested or acceptable to NCHFA. Every report, download and all correspondence regarding a particular mortgage loan should refer to the NCHFA loan number and the related bond issue. It is the Servicer’s responsibility to ensure that all reports and downloads required or requested by NCHFA are prepared accurately and submitted promptly. The download should comply with the requirements set forth in Exhibit 2.
All monthly reports and downloads should have a cutoff date equal to the last business day of the month.

- Remittance downloads and reports are due to NCHFA no later than five (5) business days after the cutoff date.

- There should be no hand-written adjustments on any computer-generated report without prior written approval from NCHFA.

- Remittance reports should be delivered electronically to Liliana Cely - lxcely@nchfa.com.

### 1.7 Remittance of Funds

- The Servicer should remit to Bank of New York Mellon, N.A. Trustee for NCHFA, all payments and curtailments received by the close of business on the last business day of the month within five (5) business days after month-end.

- The Servicer should remit to Bank of New York Mellon, N.A. Trustee for NCHFA, all funds received representing payoffs within two (2) business days of receipt. This includes funds received from MI companies and proceeds received from third party and short sales.

- The Servicer should remit funds received to pay off second mortgages to Wells Fargo Bank, N.A within two (2) business days of receipt.

- The wiring instructions should clearly identify the Servicer, borrower name and the breakdown by trust indenture(s) for the total wire amount. A copy of the remittance and curtailment amounts per series should be sent to NCHFA monthly.
1.8 Wiring Instructions

The Servicer should wire the remittance funds to accounts listed below:

**Bank of New York Mellon, N.A. 1st Mortgages Only**

Date:
Bank Name: Bank of New York Mellon, N.A.
Bank City/State: Jacksonville, FL
Bank Credit Account #: GLA 111-565 TAS A/C #145388
Credit Bank Routing Number: 021000018
Credit Account Name: North Carolina Housing Finance Agency
Borrower Name:
Borrower Loan #:

**WELLS FARGO 2nd Mortgages Only**

Date:
Bank Name: Wells Fargo
Bank City/State: Raleigh, NC
Bank Credit Account #: 2062690003453
Credit Bank Routing Number: 121000248
Credit Account Name: NC State Treasurer
Bank Type: Checking Account
REF: NCHFA General Account Stif3
Borrower Name:
Borrower Loan #:

1.9 Custodial Files Held By Bank of New York Mellon

When a mortgage loan has been paid in full, the Servicer should immediately submit a request to Bank of New York Mellon to release the custodial loan file. The Servicer should ensure compliance with North Carolina General Statute 45-36.9 to submit a satisfaction for recording to the appropriate Register of Deeds office within 30 days of receiving full payment.

Servicers should complete the registration contained in Exhibit 3 in order to gain access to request files on-line. The completed form should be returned to GoverningDocs@bnymellon.com. The Bank of New York Mellon website to request the custodial file is https://ddc.bnymellon.com.
1.10 Penalties for Late Remittances and Reports

The penalties are set forth in the servicing agreement.

1.11 Examination of Servicer’s Records

The Servicer should permit representatives of NCHFA to examine the servicer’s accounting records and related loan documentation during regular business hours. The Servicer should furnish copies at its own expense.

1.12 1985 Series U/V and Future Bond Issues with the Same MBS Structure

The Servicer should follow the custodial or trust account, prepayment and remittance requirements for the Fannie Mae and Ginnie Mae MBS Certificates.

1.13 Breach of Servicing Agreement

If an event occurs in the servicing of a loan which constitutes a breach of the Servicing Agreement, and NCHFA requests that the Servicer repurchase the loan, the repurchase demand will also extend to any subordinate loan originated by NCHFA.

Upon written notice by NCHFA, the Servicer shall repurchase any mortgage loan for the sum of the unpaid principal balance plus accrued interest on the Note. If the repurchase request extends to a subordinate loan, the amount due will equal the unpaid principal balance.

Any such repurchase by the Servicer shall take place on such date as NCHFA specifies in its notice to the Servicer of the occurrence of one or more of the foregoing events, which date shall be not less than ten (10) days from the date of such notice. Upon repurchase, NCHFA shall reassign to the Servicer its interest in such mortgage loan, including the related loan documents, hazard, flood and title insurance policies.
Section 2

Default Management

2.1 Default Management Overview

Servicers should have fully documented written procedures in place and must also have measures to determine that procedures have been implemented and are effectively followed on a day-to-day basis. The Servicer’s procedures must include a foreclosure management review as part of their process to ensure all CFPB, insurer and NCHFA loss mitigation requirements are met. The format may vary, but the Servicer should comply with insurer and NCHFA rules and regulations for all phases of servicing mortgage loans. For uninsured loans, follow NCHFA’s Servicing Guide for matters regarding collections, foreclosure, bankruptcy and REO. For matters not addressed in this Servicing Guide, Servicers should follow Fannie Mae’s guidelines.

2.2 Early Intervention

In compliance with FHA regulations, mortgagees should notify all eligible delinquent borrowers of the availability of home ownership counseling provided by mortgagees or by HUD-approved non-profit organizations. This provision applies to all mortgage loans on residential properties in the Servicer’s portfolio, whether FHA, USDA, VA or Conventional. The list of HUD-approved housing counseling agencies for the State of North Carolina should be sent to all delinquent borrowers as soon as delinquent servicing begins. The list of North Carolina HUD-approved counselors can be located on NCHFA website at www.NCHFA.com.

NCHFA expects the servicer to utilize all available federal and state programs to assist the borrower in keeping their home. NCHFA administers the State Home Foreclosure Prevention Project (SHFPP). This program provides free housing counseling services to the borrower that may assist them with alternatives to foreclosure. The borrower is automatically part of the program once the servicer initiates foreclosure with the SHFPP as required by North Carolina General Statue 45-103. The toll-free telephone number for the program is 1-888-442-8188.
NCHFA also administers the North Carolina Foreclosure Prevention fund. This fund helps North Carolina homeowners who are struggling to make their mortgage payments due to job loss, reduction in income, or temporary financial hardship such as divorce, illness or death of a spouse. The Fund also assists returning veterans who are transitioning to civilian jobs. NCHFA expects all servicers to refer delinquent borrowers to the program to determine eligibility. The toll-free telephone number for the program is 1-888-623-8631.

2.3 Collections and Notices

Servicers are expected to have established written procedures that outline collection practices. The procedures should outline how the servicer monitors compliance with CFPB, investor and insurer guidelines.

The Servicer should employ collection and foreclosure prevention strategies that are designed to meet the goal of bringing delinquent mortgage loans current in as short a time as possible. The Servicer should document all collection efforts in its permanent mortgage loan files.

It is particularly important that the Servicer have procedures to immediately address a one-payment delinquency to prevent it from becoming more serious. An early determination of the reason for the delinquency gives the Servicer and the borrower time to arrange an acceptable method for curing the delinquency. If an arrangement cannot be reached, the Servicer should work with the borrower to determine the appropriate foreclosure prevention alternative.

2.3.1 Delinquency Letters

In the early stages of delinquency, a Servicer should make contact with the borrower no later than the 36th day of delinquency to determine his/her commitment and capacity to cure the delinquency. To better evaluate whether some special relief or foreclosure prevention alternative is appropriate, a Servicer should send a foreclosure prevention solicitation letter to the borrower by the 45th day of delinquency. Elements of the letter should include available foreclosure prevention alternatives pertaining to the particular loan type. The Servicer may determine the content and format of its solicitation letter, as long as the letter includes the following key points:
• A statement that the borrower is in default under the terms of the mortgage loan, acknowledging they may be experiencing temporary or permanent financial problems that led to the default.

• The name, telephone number and address of the representative assigned to the borrower.

• An expression of concern indicating that the Servicer wants to work with the borrower to find a mutually agreeable way to resolve the delinquency and avoid foreclosure.

• A summary of the other options that may be available to help the borrower cure the delinquency, with emphasis on how these options can be tailored to fit the borrower’s individual circumstances (whether they are permanent or temporary in nature) and a caution that not all of the options are available to everyone. This summary can be a part of the letter or a separate brochure, pamphlet, flyer, etc.

• A request for basic information about the borrower’s circumstances (including preliminary financial information) to help the Servicer determine which options appear to be most appropriate for the borrower. The type of information needed may be listed in the letter or included in any summary of the Servicer’s foreclosure prevention options.

• A website address and the HUD toll-free telephone number where the borrower can access the CFPB or HUD list of housing counselors and organizations available in North Carolina.

• A reminder that the borrower is obligated to make all future payments as they become due even while the Servicer is evaluating the types of assistance that may be available.

• A caution that the Servicer cannot guarantee the borrower will qualify to receive any (or particular type of) assistance.
• Appropriate disclosure language related to the Servicer’s role as a debt collector is required.

If the borrower continues to be delinquent beyond 45 days, the servicer should send a statement that includes the following information:

• The date of delinquency.

• The risks associated with the delinquency including fees that could be assessed.

• The account history for the last six months or since the borrower became delinquent, whichever period is shorter. The account history should include all previous fully paid installments and the dates the payments were posted.

• A statement as to whether the servicer has filed a Notice of Foreclosure.

• The amount required to cure the delinquency.

• A website address and the HUD toll-free telephone number where the borrower can access the CFPB or HUD list of housing counselors and organizations available in North Carolina.

### 2.3.2 Breach Letter

The Breach Letter should be sent to all owner(s) of the property who signed the Note and Deed of Trust, between the 42\textsuperscript{nd} and 75\textsuperscript{th} day of delinquency. If the original loan has been assumed and release of liability has not been obtained, copies of the Breach Letter should go to each borrower who signed the Note and Deed of Trust as well as the person(s) who assumed the loan. If the original borrower’s address is unknown, attempted notification can be accomplished by mailing to the property address. In a divorce situation where one spouse has deeded their interest to the other spouse, the Breach Letter should be sent to each spouse individually if both signed the Note and Deed of Trust. This, of course, assumes there was no release of liability. The Breach Letter should clearly explain the following:

• The exact nature of the breach (for example, a default in payment)

• What action is required to cure the breach
• The date by which the breach must be cured

• Approximate date the foreclosure should begin if the breach is not cured by specified date

The Breach Letter should comply with federal and state regulations and FHA, USDA, VA, Fannie Mae, Ginnie Mae, and MI regulations, if applicable. All FHA, NCHFA, USDA, VA, and MI requirements should be followed to protect insurance/guaranty.

2.3.3 North Carolina General Statute (45-Day Letter)

The Servicer should give a borrower at least 45 days’ notice prior to initiating a foreclosure proceeding per North Carolina General Statute 45-102. In addition to informing the borrower of the Servicer’s intention to foreclose, the notice should also inform the borrower of the following:

• Itemization of past due amounts causing the loan to be in default and any other charges that must be paid in order to bring the loan current.

• A statement that the borrower may have options available other than foreclosure. The borrower may discuss the available options with the mortgage Servicer or a counselor approved by HUD.

• The Servicer should provide the address, telephone number and contact information for the Servicer.

• The Servicer should provide the address, telephone number and contact information for one or more HUD-approved counseling agencies located in North Carolina.
• The Servicer should provide the address, telephone number and contact information for the State Home Foreclosure Prevention Project (SHFPP). Homeowners can contact the SHFPP at 1-888-442-8188.

    NC Housing Finance Agency
    State Home Foreclosure Prevention Project
    3508 Bush Street
    Raleigh NC  27609-7509

The Servicer should register the loan with Office of the Administrator of Courts through the SHFPP database within 3 business days of mailing the 45-day letter.

2.4  Acceleration

2.4.1  Chronic Default

When a mortgage is chronically delinquent and the Servicer has exhausted all reasonable efforts and/or the terms of the CFPB, FHA, USDA, VA, Fannie Mae, Ginnie Mae, and MI requirements have been met, the Servicer should recommend acceleration in accordance with the terms of the Deed of Trust. Servicers are prohibited from initiating foreclosure proceedings until the loan is 120 days delinquent and all loss mitigation efforts have been exhausted.

2.4.2  Abandonment of Property

In all cases when the property has been abandoned, whether the loan is in default or not, the Servicer should immediately comply with the requirements of CFPB, FHA, USDA, VA, Fannie Mae, Ginnie Mae, and MI requirements. Notice of Intent to Foreclose should be submitted to the appropriate insurer or guarantor. In all cases, the Servicer should attempt to locate the borrower and ascertain the reasons for abandonment. The Servicer should take proper action as necessary for the protection of the mortgaged property to avoid waste, damage and vandalism. It is the responsibility of the Servicer to maintain adequate Mortgagee-Interest-Only Insurance coverage on vacant and abandoned properties.
2.4.3 Non-Monetary Default

The Servicer should immediately inform NCHFA, in writing, whenever it suspects, knows, or becomes aware of mortgage fraud, improper assumption (including unauthorized transfer of deed) or violation of the terms of the mortgage. The Servicer should give the individual case specifics and request advisement from NCHFA. Upon NCHFA’s positive determination of borrower non-monetary default and upon written instructions to the Servicer, the Servicer should institute foreclosure proceedings. NCHFA should be informed immediately if a borrower initiates legal proceedings in connection with a foreclosure or other servicing related matter.

2.4.4 Occupancy

Financing provided through tax exempt mortgage revenue bonds requires that the property become the primary residence within 60 days after the financing is provided. It is also reasonable to expect that the mortgagor acted in good faith and intended to utilize the property as the primary residence. This policy addresses instances where the mortgagor no longer occupies the property due to a life event or hardship that would cause a change in residence. The essence of the policy outlined below is to confirm the borrower’s good faith at the time of loan closing and to document the event or hardship that has resulted in a non-owner occupied residence. This policy applies only to the first year after the loan closes. Should the servicer receive information related to a non-owner occupied policy, no action is required unless the borrower is delinquent.

NCHFA recognizes the following as “events” and “hardships”:

- Marriage
- Divorce
- Death of borrower or co-borrower
- Job transfer
- Unemployment
- Military deployment or duty station change

From time to time, the servicer becomes aware of a change in occupancy status either through returned correspondence or through conversations with the mortgagor. If the Servicer is speaking directly to the mortgagor and the mortgagor is requesting to vacate the property without selling, the Servicer should verify the event or hardship that is causing the occupancy change. If the mortgagor communicates one of the events or hardships listed above, the Servicer should mail the borrower an Occupancy Certificate.
(Exhibit 4). The Servicer should also mail the certificate to the borrower if a change of address or returned mail is received. The Occupancy Certificate should be completed and signed by the borrower(s). The Servicer should monitor to ensure that the Occupancy Certificate is returned. Appropriate documentation to evidence the event or hardship should be returned along with the signed Occupancy Certificate. Below is an acceptable list of appropriate documentation:

- Marriage – Marriage Certificate
- Divorce – Divorce Decree
- Death of borrower or co-borrower – Death Certificate
- Job transfer – Letter from current or new employer
- Unemployment – Unemployment benefit statement
- Military deployment or duty station change – Military Orders

Once the Occupancy Certificate and appropriate documentation is received from the mortgagor, the Servicer should forward the original Certificate and documentation to NCHFA.

If the mortgagor refuses to sign the Occupancy Certificate and/or does not send the Servicer the appropriate documentation, NCHFA should consider the loan in default and should instruct the Servicer to send a Breach Letter. If the borrower never responds or does not send in the signed Occupancy Certificate and documentation and the Breach Letter has expired, refer loan to NCHFA’s Manager of Mortgage Servicing and/or the CFO for disposition.

2.5 Foreclosure Prevention Alternatives

All Servicers should make every reasonable effort to offer the borrower all available foreclosure prevention alternatives before referring a mortgage loan to a foreclosure attorney. The foreclosure prevention alternatives vary based on the goal of home retention or home disposition.

Home Retention Alternatives

- Informal Forbearance (includes Temporary Forbearance)
- Formal Forbearance
- Military Forbearance
- Special Forbearance
- Partial Payments for Uninsured Loans
- Home Affordable Modification Program (HAMP)
- Loan Modification (Recasting, Extending or Re-Amortizing)
Home Disposition Alternatives

- Short Sale
- Deed-in-Lieu of Foreclosure

2.5.1 Forbearance Plans

Informal Forbearance Plan
Under an Informal Forbearance Plan, the borrower should immediately make payments in addition to regular monthly payments to cure the delinquency. Servicers should consider a Repayment Plan when the delinquency resulted from a temporary hardship that no longer appears to be a problem.

When the delinquency involves fewer than three (3) monthly payments, forbearance plans may be verbal agreements – however, the Servicer should document the agreement in its servicing system. Formal written agreements are required if the delinquency is greater than three months. Each agreement should clearly state the amount and due date of each additional payment, the date by which the total delinquency should be cured and the consequences if the borrower fails to make the agreed monthly payment.

Informal Forbearance Plans may require the following:

- Monthly payments that are multiples of the regular installment
- Regular monthly payments one month and multiple payments the next
- Payments to be made more often than monthly
- Any other variation in the timing or amount of the payment that should cure the delinquency in the shortest possible time

Temporary Forbearance
Temporary forbearance, also known as leniency or informal forbearance, is a thirty (30) day period of leniency, which occurs after the 30th day and prior to the 120th day of delinquency. This period allows a borrower additional time to cure a delinquency, either through full reinstatement or satisfaction of the mortgage, or by making formal arrangements to liquidate the delinquency through indulgence when it is anticipated that such action should culminate in payment of the total arrearage in a short period of time.
Some instances where temporary indulgence should be considered are the following:

- Pending sale or assumption
- Insurance settlement being negotiated
- Assistance through a social agency is forthcoming
- Additional time is needed to formalize a written agreement

**Formal Forbearance**
At all times the Servicer should comply with FHA, USDA, VA, Fannie Mae, Ginnie Mae, and MI guidelines pertaining to accepting a formal repayment plan.

A Repayment Plan should include the regular monthly payment plus additional amounts that should bring the loan current within 18 months. The Servicer should consider a repayment plan when the delinquency resulted from a temporary hardship that no longer appears to be a problem. The agreement should be signed by the borrower, returned and placed with the permanent mortgage file.

**Military Forbearance**
When the borrower is in military service, they may be entitled to benefits under the Service Members Civil Relief Act (SCRA), as amended. The Servicer should be familiar with, and act in accordance with, the requirements of the Act and other pertinent requirements. NCHFA should be notified immediately of any changes to the interest rate as the result of the requirements under SCRA. The Servicer should attempt to contact the service member annually during the period of active military service to confirm active duty status. Once the service member’s active duty period ends, the Servicer should notify NCHFA to change its records to reflect the original mortgage interest rate.

**Special Forbearance**
At all times the Servicer should comply with CFPB, FHA, USDA, VA, Fannie Mae, Ginnie Mae, and MI guidelines pertaining to accepting Special Forbearance.

Under Special Forbearance, the Servicer can agree to reduce or suspend the borrower’s monthly payments for a specified period. After that period, the borrower should agree to resume their regular monthly payments and to pay additional money toward the delinquency at scheduled intervals.
Special forbearance should be considered when the default is the result of the following:

- The borrower’s death or the death of a member who made a significant contribution towards the monthly payment.
- Illness or natural disaster for which the borrower was not insured.
- A substantial reduction in income that the borrower could not prevent.
- Some other unusual circumstance that warrants the use of a relief provision and is well documented.
- Review the borrower’s reason for default and refer to the North Carolina Prevention Fund for possible mortgage payment assistance. The toll-free telephone number is 1-888-623-8631.

Special Forbearance agreements should always be in writing and signed by the borrower. The Agreement should clearly set out the period of reduced or suspended payments, the schedule for making additional payments when the borrower resumes regular monthly payments, and the date on which the forbearance should end. The agreement should clearly state the consequences if the borrower fails to make the agreed monthly payment. For uninsured loans, approval should be obtained from NCHFA if the term of Special Forbearance should exceed 12 months. Servicer should have procedures in place to maintain follow up on payments not received.

2.5.2 Partial Payments

At all times the Servicer should comply with FHA, USDA, VA, Fannie Mae, Ginnie Mae, and MI guidelines pertaining to accepting partial payments.

For uninsured loans, the following steps should be taken:

- When a partial payment (i.e., payment less than the total amount due) is received, the Servicer shall immediately contact the borrower to determine why the full amount was not sent.

- If, in the Servicer’s opinion, the borrower has proper regard for the mortgage obligation and is conscientiously trying to meet that obligation, partial payments should be accepted.
  - This is subject to the limitation further explained in this section. Such payments should be held as unapplied funds until a full monthly
installment of principal, interest and escrow is available for application, provided that the remaining amount owed is expected to be paid in the immediate future based on conversations with the borrower.

- Should the borrower indicate that the full payment cannot be paid during that time; the Servicer should evaluate the circumstances and determine whether some foreclosure prevention alternative might be used to bring the borrower’s account current.

The Servicer is not permitted to accept partial payments on a continuing basis unless formal alternatives are granted. Acceptance of such payments should be judiciously exercised only when it appears that such action should assist in curing a delinquency. Servicers are not expected to accept partial payments from borrowers who are habitual delinquents or who have a history of remitting NSF checks. In these situations, the partial payments should be returned to the borrower with a letter of explanation within applicable state law regarding returning payments.

### 2.5.3 Home Affordable Modification Plan (HAMP)

FHA has approved a variance allowing NCHFA to participate in the FHA HAMP without adjusting the interest rate or extending the terms beyond the original 30 years (Exhibit 5). The loan should be qualified for FHA HAMP without utilizing these two elements of the qualification process.

- NCHFA does not participate in Treasury HAMP.
- NCHFA does not participate in USDA HAMP.
- NCHFA loans cannot be modified as required under the VA HAMP; however the Servicer should evaluate the loans for VA HAMP using the methods outlined in their guide. If the loan is found to be eligible for VA HAMP, the Servicer should submit the evaluation results to the VA through VALERI and request the loan to be refunded to allow the HAMP modification to be finalized. If the loan is not eligible for the VA HAMP program or if the loan is found potentially eligible but VA declines to refund the loan, the Servicer should deny the VA HAMP request
2.5.4 Modification (Recasting, Extending or Re-amortizing)

A modification of the terms of the mortgage for any loan may be recommended by the Servicer when, in its estimation, a change in the terms of the loan presents the best means of recovering the maximum principal and interest. This means of solving the delinquency should be used in rare cases, and prior approval by NCHFA is not required as long as the following terms are met:

- The Servicer should confirm the property is owner-occupied. Non-owner occupancy is a non-monetary default and, therefore, not eligible for loss mitigation alternatives.
- Title search reveals no judgments.
- Capitalized principal balance cannot exceed the original principal balance by more than $3,000 (this requirement may change based upon the economy).
- Terms can only be extended back out to 30 years.
- Interest rate should remain at the original Note rate.

Once the modification has been executed, the Servicer should send the original unrecorded document to NCHFA along with a request to be reimbursed the escrow advance/shortage portion and corporate advance portion. The Loan Modification Capitalization Reimbursement Request form (Exhibit 6) must be used and the following documents should be included in the package:

- Executed Loan Modification Agreement
- Loan Modification Worksheet
- Loan history showing last positive escrow balance and subsequent advances
- Escrow analysis to show shortage capitalized
- Legal invoices
- Property inspection invoices
- Any other expense invoices

The Servicer shall comply with Fannie Mae and MI modification requirements for the Fannie Mae MBS Certificates and FHA and Ginnie Mae requirements for the Ginnie Mae MBS Certificates.
2.5.5  Deed-in-Lieu of Foreclosure

If all reasonable efforts have been made to cure the delinquency, the Servicer should explore the feasibility of a voluntary deed. Provided the requirements of the FHA or VA have been satisfied, the Servicer has delegated authority to approve the Deed-in-Lieu (DIL). NCHFA will not pursue a deficiency judgment.

NCHFA must review a package for all conventional and USDA DIL proposals, including uninsured conventional loans. For NCHFA’s review, please send a DIL package consisting of the following to the Mortgage Servicing Operations Administrator:

- MI or USDA approval letter for the proposed DIL.
- Hardship Letter including statement that property is still owner-occupied.
- Copy of DIL document to be used by the Servicer.
- Current appraisal (within 6 months) showing no equity.
- Copy of listing agreement to show home has been listed for at least 3 months.
- Copy of title search showing clear title.

The Servicer should not recommend acceptance of a DIL unless the following are true:

- All other workout options have been exhausted.
- A written request has been received from the borrower.
- The current appraisal confirms the absence of equity which could be recovered through the borrower’s sale of the mortgaged premises.
- The title search confirms no other liens exist. If liens are discovered, the Servicer should analyze whether it should proceed with foreclosure or negotiate a reduced payoff. The Servicer should obtain NCHFA’s approval before making payment to any other lien holder.
- Cash consideration should not be paid to the mortgagor for voluntary conveyance of the mortgaged property.

Upon receiving NCHFA written approval, the Servicer should arrange for timely and efficient conveyance of the mortgaged premises. The Servicer or its counsel should complete the following:

- Prepare all documents necessary to process the DIL and convey title.
- Obtain from the borrower an executed estoppel affidavit in the form
commonly required by private institutional mortgage investors and acceptable to title insurers.

- Obtain written acknowledgement from the borrower that the property should be vacated within 10 days of acceptance of a DIL.
- Comply with the requirements for reporting a property acquisition to credit bureaus and the Internal Revenue Service.
- Convey the property to HUD or VA.
- If the loan is USDA or Conventional – See REO Procedures.
- File all appropriate claims.

2.6 Reporting Delinquencies to Credit Bureaus

Each month Servicers should report accounts delinquent by thirty (30) days or more to the three major credit repositories. Once a delinquent mortgage has been reported to the credit bureaus, the Servicer should update the information monthly or when a significant change of circumstances occurs. Servicer’s should also report the acceptance of a Deed-in-Lieu of foreclosure, a completed short sale and the completion of foreclosure proceedings.

The Servicer is responsible for the complete and accurate reporting of mortgage loan status information to the repositories and for resolving any disputes that arise from the information it reports. A Servicer should respond promptly to any inquiries from borrowers regarding the specific mortgage loan status information reported to the credit repositories. Servicers should comply with all applicable provisions of the Fair Credit Reporting Act, including those provisions addressing obligations with respect to disputed or inaccurate information.

2.7 Property Inspections

The Servicer should comply with FHA, USDA, VA, Fannie Mae, Ginnie Mae, and MI guidelines pertaining to performing property inspections. For uninsured loans, the property should be initially inspected between the 45th and 60th day of delinquency and continued monthly until loan is current or the property has been sold or conveyed. A property inspection is not required if the Servicer verifies with the borrower that the home is owner-occupied. This verification needs to be performed each month the loan remains delinquent.
Bankruptcy Management

3.1 Bankruptcy Management Overview

The Servicer should have written procedures to control and monitor bankruptcy proceedings effectively. Procedures should include, but not be limited to, the following items:

- Establishing a procedure to ensure all appropriate stops are placed on the loan to prevent the assessment of late charges on Chapter 13 bankruptcy filings and the mailing of delinquent payment notifications.

- Referring the case to the bankruptcy attorney promptly.

- Filing a Proof of Claim, the circumstances under which it is required, how to prepare it, time frame for filing, etc.

- Reviewing proposed payment plans and analyzing the results of the bankruptcy attorney’s negotiations to determine if they represent adequate bankruptcy trust indenture provisions.

- Establishing and maintaining a payment compliance record to define the borrower’s and/or bankruptcy trustee’s compliance with any payment plan or other court-ordered arrangement, identifying when conditions for additional legal proceedings have been met, and taking appropriate action if the borrower fails to make payments under the plan (including filing a motion to have the automatic stay lifted when the borrower becomes three post-petition payments delinquent under the plan).

- Establishing procedures to ensure escrow analyses are performed at the time of bankruptcy filing to claim any additional shortage on the proof of claim.
• Establishing procedures to ensure annual escrow analyses are performed while the account is in bankruptcy for all Chapter 13 and current Chapter 7 loans. Chapter 13 analysis should be performed manually as if the loan is current.

• Ensuring that the borrower, borrower’s counsel and bankruptcy trustee are notified of a change in payment amount due to an escrow analysis.

• Initiating foreclosure proceedings or finalizing a foreclosure prevention alternative, if appropriate, promptly following the completion of the bankruptcy proceedings.

• Ensuring compliance with the automatic stay and the co-borrower stay.

### 3.2 Preparing and Filing the Proof of Claim

A creditor generally is not required to file a Proof of Claim for a Chapter 7 bankruptcy unless the trustee predetermines the presence of assets. For Chapters 7 Asset, 11, 12 & 13, a Proof of Claim should be filed upon receiving the Notice of Commencement, but no later than the bar date stated in the notice. The Servicer should file a Proof of Claim for each lien it services for NCHFA (including 1st and all subordinate liens). The Servicer should determine if plan includes post-petition payment to be placed into Plan. It is important to include those payments on the Proof of Claim and within the servicing system.

### 3.3 Monitoring Borrower Payments and Crucial Dates

The Servicer should keep accurate records of the payments it receives from the borrower before, during, and after the bankruptcy process to ensure that both pre-petition and post-petition payments are made timely and are properly accounted for in accordance with the borrower’s contractual obligation and the rules of the bankruptcy court. The payment records should separate the pre-petition and post-petition funds and keep track of their respective due dates.
3.4 Delays in the Bankruptcy Process

NCHFA expects the Servicer to manage the bankruptcy process in a manner which prevents losses relating to improper or delayed actions. Delays can occur if the following areas are not properly managed:

- Monitoring borrower’s compliance with the plan and referring to attorney if borrower is not in compliance
- Monitoring the attorney after referral for Proofs of Claim, Motions for Relief and Objection Filings
- Monitoring the file for dismissal, discharge, relief of stay, etc. and proceeding immediately with next appropriate servicing action

Servicers are responsible for delays resulting in a loss to NCHFA.

3.5 Special Circumstance Bankruptcies

Certain types of bankruptcies require either a different type of expertise or a greater degree of coordination than the average bankruptcy. Bankruptcies that fall into this category include those involving an abusive filer, one or more individuals that have a fractional interest in the security property because the property owner conveyed the interest to delay foreclosure proceedings, a borrower who is pursuing a cramdown or modification of the terms of the Note or Mortgage, a borrower who uses the security property as an investment property, and a borrower who files for bankruptcy after the title to the property is acquired at a foreclosure sale.

3.5.1 Abusive Filers

The bankruptcy code restricts a borrower’s ability to obtain more than one discharge within certain time periods. For example, a borrower may receive only one discharge under Chapter 7 every eight years. Generally, a case filed under Chapter 13 may be dismissed at any time, with no bars against re-filing and commencing a new case after dismissal of the old one. There are several ways to address the actions of an abusive filer, including the following provisions of the U.S. Bankruptcy Code: 11 U.S. Code:

- Section 109(g) which bars the borrower from filing a new bankruptcy petition for six months, if they dismissed their case voluntarily after a motion for relief
from the automatic stay was filed.

- Section 362(b) (21) which provides that the automatic stay does not prohibit foreclosure in a case filed in violation of Section 109(g) or in a case filed in violation of a prior order of a bankruptcy court.

- Section 362(d) (4) which provides for relief from the automatic stay and two-year “In Rem” relief in cases involving schemes to delay, hinder, and defraud creditors, including transfers of full or partial ownership of the property or multiple bankruptcy filings affecting the property, provided that the order entered by the bankruptcy court is recorded in compliance with applicable state laws governing notices or interests or liens in real property.

Within two weeks after a borrower files for bankruptcy, the Servicer should check its records for the mortgage loan to determine whether a previous bankruptcy has been filed. If the Servicer’s records reflect other bankruptcy filings by the borrower, it should refer the case to its bankruptcy attorney immediately (and mark the referral package as “repeat filer” or “possible bankruptcy abuse”). On receiving information about an abusive filer, the attorney should closely monitor the status of the case and prepare any pleadings that are appropriate, including but not limited to the following:

- A Motion for Relief from automatic stay pursuant to Section 362(d)(4) for cases involving schemes to delay, hinder and defraud creditors, including transfers of full or partial ownership of the property for multiple bankruptcy filings affecting the property; any orders obtained pursuant to Section 362(d)(4) should immediately be recorded in compliance with applicable state laws governing notices or interests or liens in real property to be binding in future cases involving the same property for a two-year period.

- A Motion for Relief from Co-Borrower Stay pursuant to U.S. Bankruptcy Code: 11 U.S. Code Section 1301.

- A Motion for “In Rem” Relief to bar any person from filing another case in the future affecting the security property and a Motion for “Perspective” Relief to prevent the borrower from re-filing in the future.
• An Objection to Confirmation of Chapter 13 Plan and a Motion to Dismiss in connection with a Chapter 13 bankruptcy in which the Reorganization Plan appears to be infeasible or offered in bad faith or for which there has been no change in the borrower’s circumstances since the last bankruptcy filing.

The objection should detail the facts of all previous bankruptcy filings and the abusive nature of the present filing and list the grounds for declaring the plan to be infeasible, in bad faith, or the lack of change in circumstances.

3.5.2 Individuals with Fractional Interest

A borrower may convey a fractional interest in a property that secures a NCHFA loan to one or more individuals to delay the initiation of foreclosure proceedings. Each of the individuals holding a fractional interest in the property could file a petition for bankruptcy, thus delaying foreclosure and postponing the repayment of the debt indefinitely. When it appears that a fractional interest in a property has been conveyed solely for this purpose, the Servicer should refer the file to an attorney. Any orders obtained should immediately be recorded in compliance with applicable state laws governing notices or interests or liens in real property so that they are binding in future cases involving the same property for a two-year period.

3.5.3 Cramdowns of the Mortgage Debt

A bankruptcy cramdown is the act of obtaining confirmation of a Reorganization Plan over the objection of the creditor. A cramdown of the mortgage debt is an attempt to involuntarily modify any of the terms of the Mortgage or Note by court order. This modification could include a change to the unpaid principal balance, interest rate, monthly payment amount, or maturity date of the mortgage or the bifurcation of the claim into secured and unsecured portions, with the secure portion equal to the value of the secured property and the unsecured portion equal to the difference between the unpaid mortgage loan balance and the value of the property. While bankruptcy law generally prohibits the modification of a mortgage loan secured by a borrower’s principal residence, it recognizes mortgage modifications in a limited number of situations, including the following:

• When the mortgage loan is secured by an investment property
• When the mortgage loan is secured by other collateral in addition to the borrower’s principal residence and incidental property, as those terms are defined in the Bankruptcy Code

• When the mortgage loan matures within five years after the date the borrower filed bankruptcy.

When the Reorganization Plan has been confirmed and should pay off the mortgage loan debt within the five year plan period, the Servicer should take all appropriate steps to ensure the loan is paid off during the life of the plan.

However, even in limited situations in which mortgage modifications would otherwise be permitted, they are prohibited by U.S. Bankruptcy Code: 11 U.S. Code Section 1325 if the creditor holds a purchase money security interest, and the secured indebtedness was incurred within one year before the bankruptcy filing. Moreover, even if a mortgage modification is permissible, the plan should provide for the creditor to retain its lien until either the underlying debt has been paid in full or the borrower has received a Chapter 13 discharge. When the Servicer learns that a bankruptcy filing may involve a cramdown, it should immediately refer the case to a bankruptcy attorney. A borrower’s request for a cramdown is non-routine litigation which should immediately be reported to NCHFA.

When an appraisal is required to oppose a cramdown request, the Servicer should work closely with a bankruptcy attorney in selecting the appraiser to make sure the appraiser is sufficiently familiar with the issues involved in complex bankruptcy matters and has experience in testifying about these issues in court.

The bankruptcy attorney should attend the initial meeting of creditors for all bankruptcy cases involving cramdowns. The attorney should question the borrower about their evaluation of the property, the budget, and the proposed payment plan to ascertain whether there are grounds for objecting to the plan based on its lack of feasibility. The attorney should also attempt to determine whether the borrower is receiving any rental income from the property. If the borrower is receiving rental income, the attorney should consider filing a Motion for Sequestration of Rental Income
to request the bankruptcy court to determine how the rental income (or “cash collateral”) should be used. In most situations, the borrower signed an addendum to the Mortgage indicating they should continue to occupy their property, and it is not allowed to be used as investment property. Under special circumstances, NCHFA may grant permission to allow the property to be rented for a certain period of time; however, the borrower should receive approval from NCHFA.

With NCHFA’s prior approval, the bankruptcy attorney may also conduct discovery with respect to the borrower’s evaluation of the property, the borrower’s finances, and the rental income for the property, including requesting the production of the documents, requesting admissions of fact, and serving interrogatories on the borrower and their counsel. If the meeting of creditors and other methods of discovery are not sufficient to obtain meaningful information, the bankruptcy attorney should consider conducting a broader examination of the borrower’s financial affairs under Rule 2004 of the Federal Rules of Bankruptcy Procedure. The bankruptcy attorney should also consider filing a Motion of Adequate Protection Payments to request that interim disbursements of payments be made during the dispute phase of the cramdown proceeding that occurs prior to the confirmation of the Reorganization Plan.

The bankruptcy court determines the amount of the secured claim allowed for confirmation purposes through a valuation hearing. The bankruptcy attorney should review the borrower’s proposed valuation of the security property and compare it to the estimated value from the appraisal report that the Servicer obtains for the property.

1. When the appraisal report that the Servicer obtains indicates that the value of the security property is less than or equal to the borrower’s valuation, the bankruptcy attorney should negotiate a possible settlement, stipulation, or work out arrangement. A settlement agreement or stipulation should establish the amount of the secured claim and should include a provision that the Stay should be lifted or the case should be dismissed (possibly without a hearing) if the borrower defaults in a mortgage payment under the cramdown plan at any time.
2. When the appraisal report that the Servicer obtains indicates that the value of the property is greater than the borrower’s valuation, the bankruptcy attorney generally should file an Objection to Confirmation of the Reorganization Plan. The bankruptcy attorney should take a firm stance with respect to the settlement of any valuation or confirmation issues.

3. Any settlement should address the borrower’s need to make payments to maintain real estate taxes, mortgage insurance, and hazard insurance (including flood, if applicable) throughout the bankruptcy proceeding.

3.6 Post-Foreclosure Filings

On occasion, a borrower may file for bankruptcy after NCHFA has acquired a property through a foreclosure sale (after confirmation of the foreclosure sale). Since a foreclosure generally eliminates any rights a borrower had in the acquired property, there may be no need to refer a case involving a post-foreclosure bankruptcy filing to a bankruptcy attorney to file a Proof of Claim or to review a proposed Reorganization Plan, other than to ensure that it does not seek to overturn the foreclosure sale. The Servicer should obtain the opinion of the bankruptcy attorney regarding filing a Relief of Stay prior to proceeding with post-foreclosure activity.
Section 4

Short Sale Procedures

4.1 Short Sale Analysis

From time to time, a mortgagor may request permission to sell the home for less than total debt. Servicers are required to make an initial analysis and to obtain approval from the loan insurer (FHA, VA, USDA, or MI Company). Permission should not be granted for a short sale until an actual sales contract has been submitted and the insurer and NCHFA approvals have been obtained. Servicers should include any subordinate liens in the analysis.

4.2 Insurer Approval

As stated above, the Servicer should first gather the required documentation to submit a package to the proper loan insurer (FHA, VA, USDA, or the MI Company). Each insurer has its own guidelines to follow. Once the Servicer has obtained the insurer’s approval for the short sale, the next step depends on the loan type. NCHFA allows Servicers to proceed with short sales approved by FHA and VA; however, **all Conventional and USDA short sales should be approved by NCHFA prior to allowing a closing to occur.** In all cases, Servicer should forward the final signed Closing Disclosure to NCHFA.

4.3 NCHFA Approval (Conventional and USDA Loans)

The Servicer should submit a Short Sale Package to NCHFA to include the following:

1. Short Sale Transmittal Summary form (Exhibit 7)
2. Insurer Approval Letter and supporting documentation
3. Offer to Purchase and Contract signed by buyer
4. Copy of buyer’s pre-qualification letter for financing or proof of funds availability for cash sales
5. Recent Appraisal (exterior and interior inspection)
6. Current Payoff Quote through settlement date from Offer to Purchase
7. Preliminary Closing Disclosure
8. Other pertinent documentation
Part of the analysis performed by NCHFA should be to compare the current appraised value to the Offer price. Based on our recent REO history, an REO property typically sells for approximately 85% of the current appraised value (as of the publication date of this Servicing Guide; may change in future). However, REO properties have greater expenses and time costs associated with them. For example, we estimate the property preservation, foreclosure attorney bills, and miscellaneous costs to be $6,500 and escrow advances to be $3,500. Therefore, we should compare the Offer price and its estimated loss versus the projected REO sales price (current appraised value times 85%) and its carrying costs ($10,000 plus accruing interest for six months) to see which action is less costly.

### 4.4 Remittance of Short Sale Funds

Servicers should instruct the closing attorney to wire the short sale closing proceeds in accordance with Sections 1.7 and 1.8 of this Servicing Guide.
Section 5

Foreclosure Management

5.1 Overview

The Servicer should make every reasonable effort to offer the borrower all available foreclosure prevention alternatives before referring a mortgage loan to a foreclosure attorney. The Servicer should also inspect the property and analyze the individual circumstances of the delinquency prior to a referral.

The Servicer should process foreclosures, conveyances and claims in accordance with provisions of the mortgage loan, state law, and the requirements of CFPB, FHA, NCHFA, USDA, VA, Fannie Mae, Ginnie Mae, and MI. Therefore, the Servicer should have appropriate policies, procedures and controls to ensure compliance with NCHFA’s requirements.

5.2 Bidding Instructions

The Servicer should comply with FHA, USDA, VA and MI regulations when issuing bidding instructions to the attorney. If the loan is uninsured, the Servicer should enter a bid consisting of the total indebtedness plus all incurred legal fees and costs.

5.3 Deficiency Judgments

Servicer should not pursue deficiency judgments unless specifically instructed by NCHFA, FHA, USDA, VA and MI Companies.

5.4 Foreclose In The Name of North Carolina Housing Finance Agency

In all circumstances, the Servicer should initiate legal proceedings in NCHFA’s name. At no time should the Servicer initiate foreclosure in the name of the original lender or MERS. The Servicer may not initiate or defend non-routine litigation on NCHFA's behalf unless it obtains prior written consent. One example of a non-routine legal action is a case in which the Servicer's legal counsel wants to pursue a judicial foreclosure in order to clear technical defects.
The Servicer should submit a request to Bank of New York Mellon Trust Company, N.A. to release the original loan documents (custodial file) at the time the loan has been approved for foreclosure. If the foreclosure action is cancelled, the custodial file should need to be returned to Bank of New York Mellon Trust Company, N.A.

**Request custodian loan files:**
https://drr.bnymellon.com

**Return custodial loan files:**
Bank of New York Mellon Trust Company, N.A.
2220 Chemsearch Blvd., #150
Irving, Texas 75062

### 5.5 Property Conveyance

If FHA or VA does not accept conveyance of the property due to mortgagee neglect, NCHFA expects the Servicer to repurchase the property. For a VA No Bid, the Servicer should contact NCHFA for possible options. For all other insured properties, the Servicer should follow established REO (Real Estate Owned property) procedures.

**FHA and VA Loans** – The Servicer should ensure the title is transferred in a timely manner after confirmation of the foreclosure sale, in accordance with FHA and VA guidelines.

**Conventional Loans** – MI companies have the option to acquire the property after foreclosure. If MI companies do not choose this option, the Servicer should follow the established REO procedures contained within Section 6 of this Servicing Guide.

**USDA Loans** – USDA properties are not conveyed to USDA but rather sold in accordance with our REO procedures found in Section 6 of this Servicing Guide.

### 5.6 Reinstatements

The Servicer can accept full reinstatement without approval from NCHFA at any time prior to the foreclosure sale. The Servicer can also accept a borrower’s proposal for a partial reinstatement if it believes the borrower is acting in good faith, and a review of a financial
statement supports the conclusion that the borrower can bring the loan current within a reasonable length of time. The Servicer should require the proposed plan be submitted in writing so that a more formal repayment plan can be drafted. Foreclosure proceedings should not be dismissed until initial funds and the executed plan have been received. The repayment plan should clearly state that foreclosure action should resume if the borrower does not meet the agreed-upon terms.

5.7 Property Maintenance and Management

Throughout the foreclosure process, the Servicer is responsible for performing all property maintenance functions to ensure that the condition and appearance of the property are maintained satisfactorily. Once the foreclosure is approved, the Servicer should make an inspection of the property every thirty (30) days until the loan has been foreclosed. This includes securing the property, mowing the grass, removing trash and other debris that violates applicable laws or poses a health or safety hazard, winterizing the property, etc. The Servicer should manage the property until it is conveyed (FHA and VA) or through the foreclosure confirmation date (Please refer to Section 6 for REO guidelines). The Servicer should take the necessary action to protect the value of the property based on FHA, NCHFA, USDA, VA and MI regulations. This includes ensuring that no apparent violations of applicable law are occurring on the property (such as violation of laws relating to illegal narcotics and similar substances) and the property is protected against vandals and the elements.

If the property has been reported as being vacant, it should be secured by performing the following tasks:

- Re-key secondary door (prior to foreclosure confirmation)
- Changing exterior locks (post foreclosure confirmation)
- Securing all windows and exterior doors
- Removing hazardous materials
- Securing potentially dangerous areas and facilities (such as swimming pools) against entry or use by children or others who could be harmed
- Ensuring proper fire insurance coverage is maintained
- Winterizing

**Note:** The Servicer should not remove any personal property prior to confirmation of the foreclosure sale.
5.8 Eviction Proceedings

For HUD and VA insured loans, the Servicer should follow the established guidelines. For Conventional and USDA loans, the Servicer should follow the established NCHFA REO Guidelines in Section 6.1. If the property is tenant-occupied, the Servicer should follow the established guidelines regarding Tenant-Occupied Properties. In all cases, the eviction should occur as soon as legally possible after the foreclosure sale has been confirmed.

5.9 Hazard Insurance Policies

Once the foreclosure has been confirmed, the Servicer is required to (a) cancel the insurance coverage after determining there is no claimable damage and (b) obtain force-placed insurance per Fannie Mae coverage requirements. The Servicer shall take no action or fail to take any action which should have the effect of reducing or otherwise impairing the coverage provided by the mortgage insurer. Any refund received after the claim has been finalized should be remitted to NCHFA.

5.10 Reporting to NCHFA During and After Foreclosure

The Servicer shall provide a report monthly containing the following information:

- Loan type
- Foreclosure sales scheduled
- Foreclosure sales held
- Foreclosure sale confirmed
- Foreclosure Bid Amount
- Occupancy status of each property

This report should be provided to NCHFA by the 5th business day of each reporting month.

5.11 Compliance with Internal Revenue Service (Form 1099-A)

Servicers are responsible for completing the Acquisition or Abandonment of Secured Property (IRS Form 1099-A), and filing the information with the IRS by the required dates.

5.12 Compliance with MERS (Mortgage Electronic Registration System)

Servicers should follow MERS compliance procedures to report a completed foreclosure.
Real Estate Owned (REO)

6.1 Foreclosure Confirmation

Once the foreclosure has been confirmed, the Servicer should proceed in one of two ways, depending on occupancy of the property.

Property is occupied:
If the property is still occupied, the Servicer should work with the foreclosure attorney to issue a Notice to Vacate (aka 10-day letter) to the occupants advising them to vacate the premises. The Servicer should also notify NCHFA and its approved asset management firm of the new REO property by emailing a securing package (Servicer’s Securing Notice Exhibit 8). Included in the securing package is the latest appraisal on the property, a payoff quote, and a copy of the recorded Trustee Deed. If the latter is not yet available, the Servicer should forward it as soon as possible. After the expiration of the Notice to Vacate (10-day letter), NCHFA’s approved asset management firm should conduct a property inspection to verify if the property is still occupied. Once the property is vacant, NCHFA’s approved asset management firm should proceed with the trash out and have the locks changed. If the property is still occupied, NCHFA’s approved asset management firm will continue to monitor until the property is vacant.

If the property is occupied by tenants, the Servicer or NCHFA’s approved asset management firm should notify NCHFA and follow appropriate laws regarding tenants’ rights. Once the eviction is scheduled, the Servicer should notify NCHFA’s approved asset management firm of the date and time of the eviction. NCHFA’s approved asset management firm should have the assigned listing agent and locksmith at the property site to change the locks.

Property is vacant:
Immediately after the foreclosure confirmation date, the Servicer should notify NCHFA and NCHFA’s approved asset management firm of the new REO property by emailing a securing package (Servicer’s Securing Notice Exhibit 8). Included in the securing package is the latest appraisal on the property, a payoff quote, and a copy of
the recorded Trustee Deed. If the latter is not yet available, the Servicer should forward it as soon as possible. Now that the property is vacant, NCHFA’s approved asset management firm should schedule the clean-out of the home as well as have the locks changed. The Servicer’s property preservation responsibilities end once the property is vacant. The Servicer will continue to pay all tax and insurance bills.

6.2 Insurer Requirements

The Servicer should cooperate with the mortgage insurer (Conventional and USDA loans) to ensure that any action taken with respect to the sale of an REO does not jeopardize the maximum benefits from the mortgage insurer. Such requirements may include filing the Property Disposition Plan with USDA and notifications to the private mortgage insurer of listing and sale information.

6.3 Maintenance and Preservation of Property

Until final disposition of the REO and receipt of all funds by NCHFA, the Servicer is expected to advance funds in payment of taxes, insurance and other expenses necessary to protect NCHFA’s interest. The Servicer should ensure that appropriate hazard insurance coverage is maintained on all REOs with NCHFA listed as the insured.

During the REO period, NCHFA’s approved asset management firm will pay for repairs and homeowners’ association dues, lawn maintenance, utility bills, etc. and send a monthly invoice to the Servicer. The Servicer should maintain records regarding these expenses, and charge them against the advances for that property.

6.4 Inspections

Prior to the foreclosure confirmation date, the Servicer should inspect the REO property at least monthly. Inspections should be documented on an inspection report and maintained in the Servicer’s file. If an inspection reveals that the property’s condition has deteriorated since the last inspection, Servicer should submit an inspection report to NCHFA with appropriate recommendations.

6.5 Final Claims to Insurers

Servicer should file foreclosure claims within the mortgage insurer’s timeframe ensuring the maximum benefits are paid. If the mortgage insurer curtails interest due to late filing, the interest loss should be subtracted from the Servicer claim to NCHFA.
Servicer Claims to NCHFA

7.1 When to File a Servicer Claim

Once a property has been conveyed or sold to a new owner, either through a Real Estate Owned (REO) sale, a short sale, or a third party sale, the servicer should submit a claim to NCHFA for reimbursement of all expenses incurred during the foreclosure and REO period. The Servicer should submit the final servicer claim package no later than 30 days from the events shown in Section 7.2 or 7.3 below.

7.2 REO Properties (Conventional or USDA)

For conventional or USDA-financed REO properties, four events should occur before the Servicer can file a claim for reimbursement of expenses:

- Insurer Claim Funds should be received
- REO closing should occur transferring title to another party
- Final expenses have been paid to NCHFA’s asset management firm
- All escrow refunds should be received

Once all expenses have been finalized, the Servicer should submit the claim package which includes the following:

- Completed Foreclosure Expense Reimbursement Request form (Exhibit 9)
- Insurer Claim Benefits Letter/Documentation
- A printout history of all expenses paid listing date paid and payee
- A loan history from January of year of last payment through the current date, and showing all escrow disbursements, escrow refunds and resulting escrow balances
- Copies of invoices paid to vendors other than NCHFA’s asset management firm
7.3 **REO Properties (FHA or VA)**

For FHA or VA properties, two events should occur before the Servicer can file a claim for reimbursement of expenses:

- All Insurer Claim Funds should be received,
- All escrow refunds should be received.

Once all expenses have been finalized, the Servicer should submit the claim package which includes the following:

- Completed Foreclosure Expense Reimbursement Request form.
- A printout history of all expenses paid listing date paid and payee.
- A loan history from January of year of last payment through the current date, showing all escrow disbursements, escrow refunds and resulting escrow balances.

7.4 **Short Sales Claims**

The Short Sale Servicer Claim procedure is similar to the REO properties. All expenses should be paid, insurer claim funds and escrow refunds should be received, and the short sale closing should have occurred. The Servicer should use the same timing requirement, forms, and procedures as shown in Section 7.2 and 7.3.

7.5 **Attorney Fees**

The Servicer is expected to ensure that foreclosure attorney's fees do not exceed limits allowed by FHA, NCHFA, USDA, VA and MI guidelines. If circumstances require fees in excess of the allowed minimum, the Servicer should seek approval from FHA, NCHFA, USDA, VA and MI Companies. NCHFA may not reimburse a Servicer for any fees not authorized by the insurer.

7.6 **Servicer Interest Penalty**

The Servicer is responsible for reimbursement of any losses incurred which are the direct result of not following established procedures set forth by FHA, NCHFA, USDA, VA and MI. This includes actions of the attorney selected by the Servicer. An example would be a late remittance of MI claim funds from the Servicer to NCHFA. Any interest penalties will be at Prime Rate plus 2%.
7.7 Reimbursement of Servicer’s Foreclosure Expense Request

NCHFA compares the Servicer’s claim package to the insurer’s Explanation of Claim Payment. Any discrepancies between the amount requested and the amount reimbursed should be reviewed by NCHFA to determine if the Servicer is due the reimbursement. Any losses incurred due to Servicer delay in the foreclosure process, including interest curtailments and expense loss, should be charged back to the Servicer. Any interest curtailments will be at the Note rate. NCHFA will net any curtailments and/or penalties from the approved reimbursement amount.

7.8 Removal of Loan from Servicer’s Trial Balance

Once NCHFA reviews the servicer claim package, a “removal letter” will be forwarded to the Servicer. The letter should state the amount to be reimbursed and outline any discrepancies between the amount requested by the Servicer and the amount approved by NCHFA. Once the removal letter is received by the Servicer, the loan should be removed from the portfolio.
# Servicing Subordinate Liens

## 8.1 New Loan Setup

When NCHFA purchases a loan from the lender and down payment assistance was provided, the Servicer should setup the subordinate loan as a piggyback to the first loan.

## 8.2 Monthly Servicer Subordinate Reconciliation Report

A report should be provided monthly to the Servicer listing the subordinate loans that are a piggyback to NCHFA’s first loan. The Servicer should review the report and notify NCHFA of any discrepancies. Some subordinate loans are forgiven over time and a special report should be provided to the Servicer to write down the second loan balance.

## 8.3 Payoff Quotes

All payoff quotes should include the subordinate loan amount unless otherwise instructed by NCHFA. The subordinate loan payoff amount should be itemized on the payoff quote separately or disclosed in another format so that borrower is fully aware of the subordinate loan balance. The Servicer is responsible for the collection of the subordinate loan balance.

NCHFA may consider subordinating a borrower’s subordinate lien if they are getting a “streamline” refinance.

## 8.4 Subordinating a second loan for a No Cash Out Refinance

NCHFA will consider subordinating a down payment assistance (DPA) loan depending on the type of subordinate financing and if the borrowers are applying for a “no cash out” refinance. If the borrowers have a Statewide Down Payment Assistance loan (commonly called a SWDAP) or a 3% of 5% down payment assistance loan paired with our NC Home Advantage Mortgage™, the DPA may be subordinated if the following criteria apply:
• The closing of the down payment assistance loan must be more than 7 years ago.
• The home must be owner occupied at the time of the refinance.
• The refinance transaction must not allow any cash back to the borrowers except as a refund of any fees they may have paid during the refinance process (POC items).
• The new first mortgage must be a fixed rate loan. (credit union ARM loans permitted)
• The new principal and interest payment (P&I) must be lower than the current P&I (exception: reduction in loan term from 30 years to 25 or fewer years).
• NCHFA will retain its lien position.
• A $250 non-refundable subordination fee is required.

All questions can be directed to our special email box of subordinations@nchfa.com.

If NCHFA approves the subordination request, the subordination agreement is drafted by NCHFA’s legal department and forwarded to the borrower’s closing attorney, lender or title company. Once the subordination agreement is recorded, NCHFA will service the subordinate loan in-house.

**Servicer’s Responsibilities**

• NCHFA will notify the Servicer by email when a subordination request has been approved by NCHFA. This email asks that the subordinate mortgage documents be sent to NCHFA once the first mortgage is paid in full.
• Servicer should place appropriate stops/flags on their system to ensure the borrower cannot access any online portal to request a payoff quote. The stop should stay in place up to 90 days unless otherwise instructed by NCHFA.
• Payoff quotes provided to the borrower should not include the subordinate loan amount. If this process is not followed by the Servicer, any funds collected for the subordinate loan and remitted to NCHFA should be returned to the Servicer to handle.
8.5  Wiring Instructions

Date: 
Bank Name: Wells Fargo 
Bank City/State: Raleigh, NC 
Bank Credit Account #: 2062690003453 
Credit Bank Routing Number: 121000248 
Credit Account Name: NC State Treasurer 
Bank Type: Checking Account 
REF: NCHFA General Account Stif 3 
Borrower Name: 
Borrower Loan #: 

8.6  Satisfactions

When a Subordinate lien has been paid in full or the loan amount has been forgiven, the Servicer should submit Satisfactions to the appropriate Register of Deeds Office within 30 days according to North Carolina General Statute 45-36.9. 

Below is the Bank of New York Mellon Trust Company, N.A. website to request the Subordinate lien documents from the custodial file: 

https://ddr.ebnymellon.com
Quality Control Servicing Audits

NCHFA will periodically audit loans serviced by the Servicer on our behalf. The audit focuses on default servicing such as collections, loss mitigation, bankruptcy, foreclosure, and REO properties. In addition, each servicer is audited for payment processing, payoff processing, and escrow accounting (payment of taxes, insurance, etc., and escrow analysis). Lastly, each servicer is audited for general accounting reconciliation of the bank accounts set up exclusively for NCHFA loans.

In addition to the NCHFA audits, the Servicer is required to report to NCHFA any violations of state or federal laws, regulations, false statements, and program abuses. Any reports or notifications in this regard made to Fannie Mae, Freddie Mac, FHA, VA, USDA, or MI companies must also be report to NCHFA within 30 days of such knowledge.
Assumptions

All assumptions should be approved by NCHFA, and the applicant must meet the current underwriting guidelines. For the applicant to be considered for assumption of the current loan, a complete underwriting package should be submitted to NCHFA. For a specific list of underwriting documents, contact the NCHFA Servicing Department.

- For FHA and VA loans, assumptions are allowed for new buyers, marriage, divorced borrowers and heirs.
- For USDA and Conventional loans, assumptions are allowed for marriage, divorced borrowers and heirs.

If a borrower also has a subordinate loan, the servicer must review the subordinate loan documents to determine if the subordinate loan is assumable. If the subordinate loan is assumable, NCHFA underwriters should review the assumption request when they review the first loan assumption documentation. If the subordinate loan is not assumable, the applicant must pay off the subordinate loan when the assumption loan documents are signed and transferred.

NCHFA charges a $150.00 fee to review the assumption application documentation.
Waiver Process

If a Servicer cannot adhere to our policies as outlined in Sections 1-9, we will consider a waiver of a specific policy requirement, on a case-by-case basis. Please use Exhibit 10 to request the waiver.

For example, in the event a servicer has an internal policy that conflicts with our stated policy, the Servicer can submit a completed waiver request stating the specific conflict and suggested alternative process for review. Once NCHFA receives a waiver request, we will respond within 10 business days. The Waiver Review Committee will include the Chief Financial Officer, Manager of Finance, Sr. Bond & Mortgage Servicing Operations Administrator and other staff as deemed appropriate.
### Exhibits

<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibit 1</td>
<td>Form SFS-25, Letter of Agreement for Servicer’s Custodial Accounts</td>
</tr>
<tr>
<td>Exhibit 2</td>
<td>Automated Investor-Delinquency Reporting File Format</td>
</tr>
<tr>
<td>Exhibit 3</td>
<td>BNY Registration Form</td>
</tr>
<tr>
<td>Exhibit 4</td>
<td>Occupancy Certificate</td>
</tr>
<tr>
<td>Exhibit 5</td>
<td>Variance Letter from HUD regarding Mortgagee Letter 2009-35</td>
</tr>
<tr>
<td>Exhibit 6</td>
<td>Loan Modification Capitalization Reimbursement Request</td>
</tr>
<tr>
<td>Exhibit 7</td>
<td>Short Sale Transmittal Summary</td>
</tr>
<tr>
<td>Exhibit 8</td>
<td>Servicer REO Securing Notice</td>
</tr>
<tr>
<td>Exhibit 9</td>
<td>NCHFA Claims-Foreclosure Expense Reimbursement Request</td>
</tr>
<tr>
<td>Exhibit 10</td>
<td>Servicing Waiver Request Form</td>
</tr>
</tbody>
</table>
North Carolina Housing Finance Agency
LETTER OF AGREEMENT FOR SERVICER’S CUSTODIAL ACCOUNTS

Name of Depository ___________________________ Date ______________

Address: __________________________________________

You are hereby authorized and requested to establish two demand deposit accounts to be specifically designated:

“[Servicer], as agent, trustee and/or bailee for the holders of NCHFA Single Family Revenue Bonds (specify Resolution) and/or payment of various mortgagors and as Custodian for The Bank of New York Mellon Trust Company (Principal and Interest)”

“[Servicer], as agent, trustee and/or bailee for the holders of NCHFA Single Family Revenue Bonds (specify Resolution) and/or payment of various mortgagors and as Custodian for The Bank of New York Mellon Trust Company (Escrow Account)”

All deposits made in such accounts shall be subject to withdrawal by the depositor named below, and shall also be subject to withdrawal by North Carolina Housing Finance Agency. You are also authorized to pay to North Carolina Housing Finance Agency at any time upon its written demand, which need not name a specific amount, the entire amount in such accounts at the time of such demand.

This letter is submitted to you in triplicate. Please execute the certificate below acknowledging the existence of such accounts, and return the original and one copy to us. We will present the signed original to North Carolina Housing Finance Agency.

Name of Depositor ___________________________

By ___________________________

Title ___________________________

The undersigned depository certifies to North Carolina Housing Finance Agency that the accounts identified above are in existence in this institution under account numbers ___________________________ and ___________________________, respectively, and withdrawals on such accounts in the manner provided above will be honored. Deposits in this institution are insured by the Federal Deposit Insurance Corporation or by another deposit insurer which is approved by the North Carolina Commissioner of Insurance.

Date ___________________________ By ___________________________

Name of Depository ___________________________ Title ___________________________
Customized System Functionality – External Output File:

External output file #XXXX is a multiple record file with record types defined as follows:

- **01** = Header Record
- **02** = Detail Record
  - There may be more than one record per loan depending on activity: (Loan Setup) = Fidelity Trans 042 or 055, (Payment = excluding 70 series transaction applying only escrow funds with no accompanying principal or interest fund) = Fidelity Tran 055-Payment/Callsheet fund movement to/from investor = converted to related transaction number. Fidelity Tran 075 – 074, (Curtailment) = Fidelity Tran 075, & Curtailment reverses (principal only 547 – 548) displayed as negative amounts, (Reversal of Payment Transaction) = Fidelity Tran 547 – 548, (Adjust) = Fidelity Tran 045, (Payoff) = Fidelity Tran 081.
- **03** = Delinquency Record
- **08** = Summary BANK/AGGR Record
- **09** = Trailer Record

Confidential Information  August 26, 2005  Page 1
**External Output File - Layout**

For the Header, Detail, and Trailer records (shown below) any fields that are not available will be populated with spaces if the field is alphanumerical (PIC X) or zeros if it is numeric (PIC 9).

### Header Record (01):

<table>
<thead>
<tr>
<th>No</th>
<th>Client Field Name</th>
<th>Picture</th>
<th>Pack</th>
<th>Disp</th>
<th>Len</th>
<th>Fidelity Source</th>
<th>Description/Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
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<td>001-002</td>
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</tr>
<tr>
<td>02</td>
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<td>X(04)</td>
<td>N</td>
<td>003-006</td>
<td>4</td>
<td>RM[F]113</td>
<td>IN3 Service Number</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03</td>
<td>Date</td>
<td>X(08)</td>
<td>N</td>
<td>007-014</td>
<td>8</td>
<td>Derived</td>
<td>Data file is being sent. This date would be the first business date after the cycle date. Format: CCYYMMDD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>04</td>
<td>Filler</td>
<td>X(186)</td>
<td>N</td>
<td>015-200</td>
<td>186</td>
<td>N/A</td>
<td>Value = Spaces</td>
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</table>

* Value to be assigned by NCHFA for each client installed on the optional enhancement.
### Exhibit 2

**Exhibit 2: Detail Record (02): (Could be more than one per loan based on transactional activity)**

<table>
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<tr>
<th>NO</th>
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<th>PICTURE</th>
<th>PACK</th>
<th>DISP</th>
<th>LEN</th>
<th>Fidelity SOURCE</th>
<th>DESCRIPTION/COMMENTS</th>
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</thead>
<tbody>
<tr>
<td>01</td>
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<td></td>
<td></td>
<td>Value Hard Coded = &quot;02&quot;</td>
</tr>
<tr>
<td>02</td>
<td>Housing Authority Loan Number</td>
<td>X(12)</td>
<td>N</td>
<td>003-014</td>
<td>12</td>
<td>Filler</td>
<td>Loan Number assigned by NCHFA, Fidelity ACTUAL INVESTOR loan number is 16 positions long; field will not have more than 10 numbers. The Loan number assigned by NCHFA of the piggyback second mortgage.</td>
</tr>
<tr>
<td>03</td>
<td>Service Loan Number</td>
<td>X(20)</td>
<td>N</td>
<td>015-054</td>
<td>20</td>
<td>LOAN-ND Master File Ref # 000</td>
<td>Loan Number assigned by the Servicer Valid loan number could be one of the following depending on the reporting client: 6 digits, 7 digits, or 10 digits.</td>
</tr>
<tr>
<td>04</td>
<td>Investor Number</td>
<td>X(20)</td>
<td>N</td>
<td>035-054</td>
<td>20</td>
<td>BANC/AGOR Master File Ref # 085/999 Or 2ND-BANC/ND-AGOR Master File Ref # 1520/1530</td>
<td>Fidelity Investor and Category designations, also known as BANC/AGOR – those numbers are used for aggregate summarizing. The Investor and Category of the piggyback second mortgage.</td>
</tr>
</tbody>
</table>

**Confidential Information**

August 26, 2005  Page 3
### Exhibit 2

<table>
<thead>
<tr>
<th>NO</th>
<th>CLIENT FIELD NAME</th>
<th>PICTURE</th>
<th>PACK</th>
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<th>LEN</th>
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<td>05</td>
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<td>2</td>
<td>Derived, based on transactional activity.</td>
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<tr>
<td>06</td>
<td>Principal Sign</td>
<td>X(01)</td>
<td>N</td>
<td>057-057</td>
<td>1</td>
<td>Sign of principal amount.</td>
<td></td>
</tr>
<tr>
<td>07</td>
<td>Principal</td>
<td>9/9/99</td>
<td>N</td>
<td>034-036</td>
<td>11</td>
<td>Principal portion of transactional activity.</td>
<td></td>
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<tr>
<td>08</td>
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<tr>
<td>09</td>
<td>Interest</td>
<td>9/9/99</td>
<td>N</td>
<td>070-080</td>
<td>11</td>
<td>Interest portion of transactional activity.</td>
<td></td>
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<tr>
<td>10</td>
<td>Servicer Fee Sign</td>
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<td>081-081</td>
<td>1</td>
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</tr>
<tr>
<td>11</td>
<td>Servicer Fee</td>
<td>9/7/99</td>
<td>N</td>
<td>082-090</td>
<td>9</td>
<td>Service fee portion of transactional activity.</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Paid To Date</td>
<td>X(08)</td>
<td>N</td>
<td>091-098</td>
<td>8</td>
<td>Due Date: Master File Ref # 300.</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Posting Date</td>
<td>X(08)</td>
<td>N</td>
<td>099-108</td>
<td>8</td>
<td>Transaction activity (Transaction date for payments and reversals).</td>
<td></td>
</tr>
</tbody>
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Confidential Information

Page 4

North Carolina Housing Finance Agency Servicing Guide as of October 2017
<table>
<thead>
<tr>
<th>NO</th>
<th>CLIENT FIELD NAME</th>
<th>PICTURE</th>
<th>PACK</th>
<th>DISP</th>
<th>LEN</th>
<th>Fiduciary SOURCE</th>
<th>DESCRIPTION/COMMENTS</th>
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</thead>
<tbody>
<tr>
<td>15</td>
<td>Principal Balance</td>
<td>9(999)9</td>
<td>N</td>
<td>109-118</td>
<td>11</td>
<td>FIRST-PIN-RAI, Master File Ref # 190</td>
<td>Principal balance remaining after activity. Assumed decimal, left-zero-fill.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2ND-PIN-RAI, Master File Ref # 160</td>
<td>The unpaid balance of the piggyback second mortgage.</td>
</tr>
<tr>
<td>16</td>
<td>P&amp;II Constant Sign</td>
<td>X(01)</td>
<td>N</td>
<td>119-119</td>
<td>1</td>
<td></td>
<td>Sign of principal and interest constant part of payment at time of activity. Format: &quot;&lt;&quot; (Negative) or &quot;;&quot; (Positive).</td>
</tr>
<tr>
<td>17</td>
<td>P&amp;II Constant</td>
<td>9(7796)</td>
<td>N</td>
<td>120-128</td>
<td>9</td>
<td>FIRST-P-I, Master File Ref # 550</td>
<td>Principal at interest payment after activity. The portion of the monthly payment applied to the piggyback second mortgage outstanding principal and interest. Assumed decimal, left-zero-fill.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2ND-P-I, Reference number: 1490</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Interest Rate</td>
<td>999(4)</td>
<td>N</td>
<td>129-134</td>
<td>6</td>
<td>ANNUAL-INT, Master File Ref # 340</td>
<td>Interest Rate after the activity. Interest Rate on the piggyback second mortgage. Assumed decimal, left-zero-fill. 8.5% will be represented as 08500.</td>
</tr>
<tr>
<td>NO</td>
<td>CLIENT FIELD NAME</td>
<td>PICTURE</td>
<td>PACK</td>
<td>DISP</td>
<td>LEN</td>
<td>Fidelity SOURCE</td>
<td>DESCRIPTION/COMMENTS</td>
</tr>
<tr>
<td>----</td>
<td>-------------------</td>
<td>---------</td>
<td>------</td>
<td>------</td>
<td>-----</td>
<td>-----------------</td>
<td>----------------------</td>
</tr>
</tbody>
</table>
| 19 | Servicer Fee Rate  | V(06)   | N    | 135-140 | 6   | EXP-ANNUAL-SER- FEE  
Master File Ref # 5250  
Or  
EXP-2ND-ANNUAL- SER-FEE  
Master File Ref # 5260 | Service Fee Rate after the activity. |
| 20 | Mortgage Position | X(01)   | N    | 141-141 | 1   | H-TYPE  
Master File Ref #: 0120  
Or  
2ND-H-TYPE  
Master File Ref #: 1560 | Programming valid values:  
1 = First mortgage.  
2 = Second mortgage.  
A code that indicates whether the loan is for a first or second mortgage. |
| 21 | Filler            | X(59)   | N    | 142-203 | 59  | Hard Coded  | Spaces (for future expansion) |

Confidential Information
August 26, 2003
Page 6
### Exhibit 2

**Fidelity Information Services, Inc.**

**NCHFA (North Carolina Housing Finance Authority) - XXX**

**ADE27 - Automated Investor-Delinquency Reporting (New F)**

The (03) Delinquency Status Record contains requested loan level trial balance position and delinquency information that is to be reported to NCHFA on a monthly basis.

### Investor Cutoff – Delinquency Status Record (03):

<table>
<thead>
<tr>
<th>NO</th>
<th>CLIENT FIELD NAME</th>
<th>PICTURE</th>
<th>PACK</th>
<th>DISP</th>
<th>LEN</th>
<th>Fidelity SOURCE</th>
<th>DESCRIPTION/COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>05</td>
<td>Record ID</td>
<td>X(22)</td>
<td>N</td>
<td>001-002</td>
<td>2</td>
<td>N/A</td>
<td><strong>Hard Code = &quot;03&quot;</strong></td>
</tr>
<tr>
<td>02</td>
<td>Housing Authority Loan Number</td>
<td>X(12)</td>
<td>N</td>
<td>003-014</td>
<td>12</td>
<td>INV-LOAN-NO</td>
<td>Loan Number assigned by NCHFA. Fidelity ACTUAL INVESTOR loan number is 10 positions long; field will not have more than 10 numbers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Master File Ref # 100 Or 2ND-INV-LOAN-NO Master File Ref # 1340</td>
<td>The Loan number assigned by NCHFA of the piggyback second mortgage. Note: Left Justified, Right Space Filled.</td>
</tr>
<tr>
<td>03</td>
<td>Servicer Loan Number</td>
<td>X(20)</td>
<td>N</td>
<td>015-034</td>
<td>20</td>
<td>LOAN-NO</td>
<td>Valid loan number could be one of the following depending on the reporting client: 6 digits, 7 digits, or 10 digits. Note: Left justified, Right Space Filled.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Master File Ref # 010</td>
<td></td>
</tr>
<tr>
<td>04</td>
<td>Investor Number</td>
<td>X(20)</td>
<td>N</td>
<td>025-024</td>
<td>20</td>
<td>BANK/AGOR</td>
<td>Fidelity Investor and Category designations, also referred to as BANK/AGOR; these numbers are used for aggregate summarizing. Note: Left Justified, Right Space Filled.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Master File Ref # 080/090 Or 2ND-BANK/2ND-AGOR Master File Ref # 1520/1539</td>
<td>The Investor and Category of the piggyback second mortgage.</td>
</tr>
<tr>
<td>05</td>
<td>Transaction Code</td>
<td>X(02)</td>
<td>N</td>
<td>055-056</td>
<td>2</td>
<td>N/A</td>
<td><strong>Hard Coded</strong></td>
</tr>
<tr>
<td>06</td>
<td>Paid to Date</td>
<td>X(08)</td>
<td>N</td>
<td>037-064</td>
<td>8</td>
<td>DUDE-DATE</td>
<td>Interest Paid to Date after all investor cutoff activity. Format: CCYY/MM/DD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Master File Ref # 390</td>
<td></td>
</tr>
<tr>
<td>07</td>
<td>Principal Balance Sign</td>
<td>X(01)</td>
<td>N</td>
<td>065-065</td>
<td>1</td>
<td>N/A</td>
<td><strong>Sign of principal balance amount Format: &quot;-&quot; (Negative) or &quot;+&quot; (Positive).</strong></td>
</tr>
</tbody>
</table>

Credit Information: August 24, 2003  Page 7
### Exhibit 2

**NCHFA (North Carolina Housing Finance Authority) - XXX**

**ADR27 - Automated Investor-Delinquency Reporting (New IP)**

<table>
<thead>
<tr>
<th>NO</th>
<th>CLIENT FIELD NAME</th>
<th>PICTURE</th>
<th>PACK</th>
<th>DISP</th>
<th>LEN</th>
<th>Fidelity SOURCE</th>
<th>DESCRIPTION/COMMENTS</th>
</tr>
</thead>
</table>
| 08 | Principal Balance  | 919V99  | N    | 046 | 076 | 11              | FIRST-PRN-BAL
  Master File Ref# 150
  Or:
  2ND-PRN-BAL
  Master File Ref# 1620 |
  - Principal balance remaining after activity.  
  - The unpaid balance of the piggyback second mortgage.  
  - Assumed decimal, left-zero-fill. |
| 09 | F&A Constant Sign | X       | N    | 039 | 077 | 1               | Sign of principal and  
  interest constant part of  
  payment at time of  
  activity.  
  - Format "-" (Negative) or "+" (Positive). |
| 10 | F&A Constant      | 919V99  | N    | 078 | 048 | 11              | FIRST-I-P  
  Master File Ref# 150  
  Or:
  2ND-I-P  
  Reference number: 1496 |
  - Principal & Interest payment after the activity.  
  - The portion of the monthly payment applied to the piggyback second mortgage outstanding principal and interest.  
  - Assumed decimal, left-zero-fill. |
| 11 | Interest Rate     | 99V9(04) | N    | 040 | 004 | 6               | ANNUAL-INT  
  Master File Ref# 1480  
  Or:
  2ND-ANNUAL-INT  
  Reference number: 1480 |
  - Interest Rate after the activity.  
  - Interest Rate on the piggyback second mortgage.  
  - Assumed decimal, left-zero-fill.  
  - 4.5% will be represented as 085000 |
<table>
<thead>
<tr>
<th>NO</th>
<th>CLIENT FIELD NAME</th>
<th>PICTURE</th>
<th>PACK</th>
<th>DISP</th>
<th>LEN</th>
<th>Fidelity SOURCE</th>
<th>DESCRIPTION/COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Service Fee Rate</td>
<td>V(06)</td>
<td>N</td>
<td>095-100</td>
<td>6</td>
<td>EXP-ANNUAL-SER-FEE Master File Ref #: 5230</td>
<td>Service Fee Rate after the activity.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>EXP-2ND-ANNUAL-SER-FEE Master File Ref #: 5260</td>
<td>Or</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Assumed decimal, left-zero-fill. 0.25% will be represented as 0025000</td>
</tr>
<tr>
<td>13</td>
<td>BANKRUPT-CODE</td>
<td>X(02)</td>
<td>N</td>
<td>101-102</td>
<td>2</td>
<td>BANKRUPT-CODE Master File Ref #: 5480</td>
<td>The bankruptcy chapter number filed.</td>
</tr>
<tr>
<td>14</td>
<td>FC-STOP</td>
<td>X(01)</td>
<td>N</td>
<td>103-103</td>
<td>1</td>
<td>FORECLOSURE-STOP Master File Ref #: 0040</td>
<td>Value of service's FC stop code on the loan within the Fidelity system.  Programming valid values: 0 = Normal processing. 1 - 9 = System prevents normal payments from being applied. 3, 8, 9 = Payments and disbursements rejected. 2, 4 - 7 = Payments only rejected.</td>
</tr>
<tr>
<td>16</td>
<td>Bill Name</td>
<td>X(30)</td>
<td>N</td>
<td>105-124</td>
<td>30</td>
<td>NML-BILL-NAME Master File Ref #: 9102</td>
<td>The mortgagor's full name.  Format: LASTNAMEFIRSTNAME</td>
</tr>
<tr>
<td>NO</td>
<td>CLIENT FIELD NAME</td>
<td>PICTURE</td>
<td>PACK</td>
<td>DISP</td>
<td>LEN</td>
<td>Fidelity SOURCE</td>
<td>DESCRIPTION/COMMENTS</td>
</tr>
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<td>------</td>
<td>-----</td>
<td>----------------</td>
<td>---------------------</td>
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<tr>
<td>17</td>
<td>Loan Type</td>
<td>X(01)</td>
<td>N</td>
<td>125-135</td>
<td>1</td>
<td>LG-TYPE Master File Ref # 0130 &lt;br&gt;Or 2ND-TYPE Master File Ref # 1550</td>
<td>A code that indicates the type of the loan, such as, FHA, VA, or conventional. A code that indicates the type of the loan, such as, FHA, VA, or conventional for the Piggyback second mortgage. Programming valid values: 1 = FHA residential, 2 = VA residential, 3 = Conventional without PML, 4 = Commercial, 5 = FHA project, 6 = Conventional with PML, 7 = HUD 235/265 loans, 8 = Unassigned, 9 = Farm loans.</td>
</tr>
<tr>
<td>18</td>
<td>Delinq Pmt Balance</td>
<td>9/9/V99</td>
<td>N</td>
<td>136-146</td>
<td>11</td>
<td>DELQ-BAL Master File Ref #: 10700</td>
<td>The outstanding payment balance that, if applied, would not cause the next payment due date to exceed today’s date. NOTE: Fees are not included in this dollar amount.</td>
</tr>
<tr>
<td>19</td>
<td>Total Pmt</td>
<td>9/7/V99</td>
<td>N</td>
<td>147-155</td>
<td>9</td>
<td>TOT-PAYMT Master File Ref #: 0500</td>
<td>The total of principal and interest, escrow, replacement reserves, optional insurance, etc. The total is recomputed if any of the payment elements are changed. For HUD 235/265 loans, this is the mortgagee’s portion of the payment.</td>
</tr>
<tr>
<td>20</td>
<td>REO Status</td>
<td>X(01)</td>
<td>N</td>
<td>155-156</td>
<td>1</td>
<td>REO-STATUS Master File Ref #: 7222</td>
<td>It indicates the status of the property. Programming valid values: A=Active, C=Complited, D=Delisted.</td>
</tr>
<tr>
<td>NO</td>
<td>CLIENT FIELD NAME</td>
<td>PICTURE</td>
<td>PACK</td>
<td>DISP</td>
<td>LEN</td>
<td>Fidelity Source</td>
<td>DESCRIPTION/COMMENTS</td>
</tr>
<tr>
<td>----</td>
<td>-------------------</td>
<td>---------</td>
<td>------</td>
<td>------</td>
<td>-----</td>
<td>-----------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>21</td>
<td>Foreclosure Sale Date</td>
<td>9(08)</td>
<td>N</td>
<td>157-164</td>
<td>8</td>
<td>FORECLOSURE-DATE</td>
<td>Master File Ref: 8020</td>
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<tr>
<td>22</td>
<td>Foreclosure Initiated Date</td>
<td>9(08)</td>
<td>N</td>
<td>165-172</td>
<td>8</td>
<td>SIG-FORECLOS-DATE</td>
<td>Master File Ref: 8910</td>
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<tr>
<td>23</td>
<td>Bankruptcy Filing Date</td>
<td>9(08)</td>
<td>N</td>
<td>173-180</td>
<td>8</td>
<td>BANKRUPT-DATE</td>
<td>Master File Ref: 7485</td>
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<tr>
<td>24</td>
<td>Mortgage Position</td>
<td>X(1)</td>
<td>N</td>
<td>181-181</td>
<td>1</td>
<td>MORTGAGE-POS</td>
<td>Master File Ref: 0120</td>
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<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Or</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
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<td>2ND-MORTG-POS</td>
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<td>25</td>
<td>Filler</td>
<td>X(19)</td>
<td>N</td>
<td>182-200</td>
<td>19</td>
<td>N/A</td>
<td>Spaces (for future expansion)</td>
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<tr>
<td>NO</td>
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<td>PICTURE</td>
<td>PACK</td>
<td>DSP</td>
<td>LEN</td>
<td>Pecision SOURCE</td>
<td>DESCRIPTION/COMMENTS</td>
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<tr>
<td>01</td>
<td>Record ID</td>
<td>Y</td>
<td>N</td>
<td>001</td>
<td>2</td>
<td>9</td>
<td>Value used coded as &quot;01&quot;</td>
</tr>
<tr>
<td>02</td>
<td>Number of Transactions</td>
<td>Y</td>
<td>N</td>
<td>002-011</td>
<td>9 Derived from detail record</td>
<td>Total number of detail records as of this file. Does not include the header and trailer record numbers 01, 08, and 09.</td>
<td></td>
</tr>
<tr>
<td>03</td>
<td>Total Principal Sign</td>
<td>X(01)</td>
<td>N</td>
<td>012-012</td>
<td>1 Detail record, fields 6A+B of type summary</td>
<td>Sign of the total of the principal reported.</td>
<td></td>
</tr>
<tr>
<td>04</td>
<td>Total Principal</td>
<td>9(13)Y999</td>
<td>N</td>
<td>013-027</td>
<td>15 Detail record, fields 6A+B of type summary</td>
<td>Total of the principal reported.</td>
<td></td>
</tr>
<tr>
<td>05</td>
<td>Total Interest Sign</td>
<td>X(01)</td>
<td>N</td>
<td>028-028</td>
<td>1 Detail record, fields 6A+B of type summary</td>
<td>Sign of the total of the interest reported.</td>
<td></td>
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<tr>
<td>06</td>
<td>Total Interest</td>
<td>9(13)Y999</td>
<td>N</td>
<td>029-043</td>
<td>15 Detail record, fields 6A+B of type summary</td>
<td>Total of the interest reported.</td>
<td></td>
</tr>
<tr>
<td>07</td>
<td>Total Service Fee Sign</td>
<td>X(01)</td>
<td>N</td>
<td>044-044</td>
<td>1 Detail record, fields 1A+B11 of type summary</td>
<td>Sign of the total of the Service Fee reported.</td>
<td></td>
</tr>
<tr>
<td>08</td>
<td>Total Service Fee</td>
<td>X(01)</td>
<td>N</td>
<td>045-055</td>
<td>11 Detail record, fields 1A+B11 of type summary</td>
<td>Total of the Service Fee reported.</td>
<td></td>
</tr>
<tr>
<td>09</td>
<td>Bank</td>
<td>X(01)</td>
<td>N</td>
<td>056-058</td>
<td>3 BANK</td>
<td>The Pecision number being summarized.</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Aggregate</td>
<td>X(01)</td>
<td>N</td>
<td>059-061</td>
<td>3 AGGREGATE</td>
<td>The Pecision number being summarized.</td>
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</tr>
<tr>
<td>11</td>
<td>Filter</td>
<td>X(139)</td>
<td>N</td>
<td>062-200</td>
<td>139 N/A</td>
<td>Spaces.</td>
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### Exhibit 2

<table>
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<tr>
<th>NO</th>
<th>CLIENT FIELD NAME</th>
<th>PICTURE</th>
<th>PACK</th>
<th>DSP</th>
<th>LEN</th>
<th>Fidelity SOURCE</th>
<th>DESCRIPTION/COMMENTS</th>
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</thead>
<tbody>
<tr>
<td>02</td>
<td>Number of Transactions</td>
<td>999</td>
<td>N</td>
<td>001-012</td>
<td>2</td>
<td>Filler</td>
<td>Filter Field Code = 09</td>
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<tr>
<td>03</td>
<td>Total Principal Sign</td>
<td>X011</td>
<td>N</td>
<td>012-012</td>
<td>1</td>
<td>Detail record, fields 6A9</td>
<td>Sign of the total of the principal reported.</td>
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<tr>
<td>04</td>
<td>Total Principal</td>
<td>9111999</td>
<td>N</td>
<td>013-027</td>
<td>15</td>
<td>Detail record, fields 6A9</td>
<td>Total of the principal reported.</td>
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<tr>
<td>05</td>
<td>Total Interest Sign</td>
<td>X011</td>
<td>N</td>
<td>028-028</td>
<td>1</td>
<td>Detail record, fields 8A9</td>
<td>Sign of the total of the Interest reported.</td>
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<tr>
<td>06</td>
<td>Total Interest</td>
<td>X111999</td>
<td>N</td>
<td>029-043</td>
<td>15</td>
<td>Detail record, fields 8A9</td>
<td>Total of the Interest reported.</td>
</tr>
<tr>
<td>07</td>
<td>Total Service Fee Sign</td>
<td>X011</td>
<td>N</td>
<td>044-044</td>
<td>1</td>
<td>Detail record, fields 10A &amp; 11</td>
<td>Sign of the total of the Service Fee reported.</td>
</tr>
<tr>
<td>08</td>
<td>Total Service Fee</td>
<td>9999999</td>
<td>N</td>
<td>045-055</td>
<td>11</td>
<td>Detail record, fields 10A &amp; 11</td>
<td>Total of the Service Fee reported.</td>
</tr>
<tr>
<td>09</td>
<td>Pилки</td>
<td>X145</td>
<td>N</td>
<td>056-200</td>
<td>145</td>
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## Test Plan

<table>
<thead>
<tr>
<th>REQ NO.</th>
<th>REQUIREMENT DESCRIPTION</th>
</tr>
</thead>
</table>
| 1.      | Ensure the External Output file specifications, and enhancement switch are set properly for reporting production. Ensure the following loan conditions are covered within the test base:  
  * Prepaid, delinquent and current 1st mortgage, Stand Alone 2nd Mortgage and 2nd Mortgage Piggyback loans that reside in NCHFA investor headers and outside NCHFA investor headers.  
  * Loans cover multiple “LO=TYPE” numbers.  
  * Delinquent loans are recently delinquent, severely delinquent, in Bankruptcy, Foreclosure and REO status. |
| 2.      | Apply a 951/139 request to the NCHFA investor portfolio on MSP. |
| 3.      | Add the “ALPHA CODE” of “NCHFA” on screen IN01, add the NCHFA assigned servicer number to “SERVICER NUMBER” on screen IN03, and ensure the “RECON CODE” on screen IN01 is equal to “997” for NCHFA investor headers in the system cycle immediately following the investor cutoff. |
| 4.      | Apply transaction numbers allowing for the creation of detail record “02” type as follows:  
  * 01 (Loan Setup) = Fidelity Trans 042 or 053  
  * 02 (Payment) = Fidelity Trans 070 or 074  
  * 03 (Cur/Inver) = Fidelity Trans 975 & Cur/Inver reversals (principal only 547 – 548) displayed as negative amounts.  
  * 04 (Decision) = Fidelity Trans 547 – 548  
  * 05 (Adj/cad) = Fidelity Trans 043  
  * 06 (Payoff) = Fidelity Trans 081 |
| 5.      | Run a system cycle. |
Exhibit 2

<table>
<thead>
<tr>
<th>Req No.</th>
<th>Requirement Description</th>
</tr>
</thead>
</table>
| 6.      | Apply transaction numbers allowing for the creation of detail record “02” type as follows:  
- 01 (Loan Setup) = Fidelity Tran 042 or 055  
- 02 (Payment) = Fidelity Tran 075 - 074 and fund movement due to an effective date 015 transaction  
- 03 (Curtain) = Fidelity Tran 075 & Curtain reversal (principal only 547 - 548) displayed as negative amounts and fund movement due to an effective date 015 transaction  
- 04 (Reversal of Payment Activity) = Fidelity Tran 547 - 548 and fund movement due to an effective date 015 transaction  
- 05 (Adjust) = Fidelity Tran 043  
- 09 (Payoff) = Fidelity Tran 041  
- Transactions that apply to inactivity or escrow only through a 075 series transaction,  
- Apply to investor numbers expected to appear on the NCHFA external output file, and those that should not. |
| 7.      | Run a system cycle. |
| 8.      | Apply a 951/139 request to the NCHFA Investor portfolio on MSP. |
| 9.      | Run a system cycle. |
| 10.     | Review the new external output file against the P4FM, S2PP, S313, S214, S215 and P139 reports to verify reporting accuracy.  
Confirm that transactions applying only escrow or funds to suspend do not appear on the external output file. Confirm the funds applying to or reverting from a NCHFA reporting investor due to a loan transfer transaction 055 are reporting as expected.  
Confirm loans residing outside of the NCHFA investor do not report. Verify loans with a 1st Mortgage and 2nd Payerback mortgage report as expected on the external output file. Verify the subord and trailer dollar amounts and record counts. |
| 11.     | Perform an investor cutoff with the new Optional Enhancement switch ‘off’ to ensure external output file does not produce. |
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Non-Agency Account(s) and/or Ginnie Mae Account(s)
Web Access Registration & Authorization to Request Releases

User Access Required: [ ] New User  [ ] Delete User  [ ] Update User Access

Web Access will allow the ability to view collateral status/details and/or request for the release/copy of line. Signature is required to be on file in order to process a request for release of files.

- Representative completing Sec. 11 must be different than the party in Sec. 1 and be listed in the Authorized Signer List on file.
- For Ginnie Mae Account (s): The Representative listed in Sec. 1 below requesting "Release/Copies" or "Administrator" level access and the Representative completing Sec. 3 below must be listed in the Ginnie Mae HUD-17712.

SECTION I: REQUEST FOR WEB ACCESS BY AUTHORIZED REPRESENTATIVE

This Section I is used by an Authorized Representative of the Company to request web access and to change or otherwise update the level of access previously submitted.

Please indicate level of access required - check all appropriate boxes

[ ] View collateral status/details(s)

[ ] Request Release/Copies of Files

[ ] Administrator (in addition to view certification and release/copy requests, access level allows user to add/change preferred courier information)

Company Name: ____________________________

Access needed for the following account(s) ________________

For Ginnie Mae Account include Issuer #: ______________________

Name of Authorized Representative: ____________________________

(First    Middle Initial    Last)

Fractional Title ____________________________

If Existing Users: User ID ____________________________

Phone #: ____________________________ E-mail Address ____________________________

Fax #: ____________________________ Date: ____________________________

Signature ____________________________

*Signature is required to request the release of files (if box 2 and/or 3 above are checked).

(By affixing my signature, I certify that I am fully authorized by the Company to request for the release of mortgage documents and related files as outlined in the Custodial Agreement ("CA") and/or other governing agreement (i.e.Pooling and Servicing Agreement "PSA") executed. I have complied, and will comply, with all requirements bound to the release of mortgage documents and related files. I understand that this Section I or information given in Section I may be used to generate consolidated lists of Authorized Representatives and their levels of access.)

SECTION II: PREFERRED MAILING INFORMATION

This Section II is used to provide the necessary information concerning the preferred courier of the Seller/Servicer/Investor or of the Authorized Representative and to change that information.

[ ] This is the Preferred Courier for all mailings by the entire Seller/Servicer/Investor.

[ ] This is the Preferred Courier for this Authorized Representative only.

Name of Preferred Carrier ____________________________

Courier Number ____________________________

Zip Code for Courier Billing Account (Accounts payable address). ____________________________

Page 1 of 2 Rev. 9/2019
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SECTION III: REGISTRATION OF COMPANY FOR WEB ACCESS
This Section III is used to register the Company for Web Access and to change previously submitted information. The Section is also used to attest that the person identified in Section I (above) is an authorized Representative of the Company and is authorized to receive the respective access indicated in Section I.

Company Name/Seller/Servicer/Investor:

Company Address:

Name of Company Officer:

(First Middle Initial Last)

Functional Title:

Phone #

E-mail Address

Fax #

Date

Signature: (By affixing my signature, I certify that I am fully authorized to register the Company for Web Access to the Designated Custodians systems and that the above Seller/Servicer/Investor has complied, and will comply, with all requirements bound to the release of mortgage documents and related files. I also attest that the person identified in Section I is an Authorized Representative of the Company and is authorized by Company to receive access as indicated in Section I.)

Facsimile, copy or pdf transmission signatures to this form shall be considered original executed counterparts.

ATTENTION BNY MELLON DOCUMENT CUSTODY WEBDOCS USERS:

Please notify BNY Mellon Document Custody when authorized users fall in to the below category/scenarios.
- Access is no longer required due to role changes
- Users have left your company
- Any other reason requiring a change in employee access

Proactive notification to BNY Mellon will ensure that your account structure and access is maintained in a current state.

It is a violation of Policy to use a User ID or Password not assigned to you or to allow anyone else to know your password.
Occupancy Certificate

Date: __________________________________________

Property Address:

Street Name ______________________________________

City, NC, Zip Code __________________________________

Borrower Name:

I certify that I (we) intended to use the above mentioned property as my (our) primary residence at the time my (our) loan closed on Month, Day, Year. I (we) have experienced an event or hardship that caused my (our) property to no longer be considered as a primary residence. I (we) are providing documentation to support the event or hardship.

Signed:

Borrower: ____________________________ Date: _____________

Co-Borrower: _________________________ Date: _____________

Please circle the appropriate Event or Hardship and forward the supporting documentation to:

Name of Servicer

Street

City, State, Zip

<table>
<thead>
<tr>
<th>Event or Hardship</th>
<th>Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Marriage</td>
<td>Marriage Certificate</td>
</tr>
<tr>
<td>2) Divorce</td>
<td>Divorce Decree</td>
</tr>
<tr>
<td>3) Death</td>
<td>Death Certificate</td>
</tr>
<tr>
<td>4) Job Transfer</td>
<td>Letter from current or new employer</td>
</tr>
<tr>
<td>5) Unemployment</td>
<td>Unemployment Benefit Statement</td>
</tr>
<tr>
<td>6) Military</td>
<td>Orders for duty station change or deployment</td>
</tr>
</tbody>
</table>
June 9, 2010

Ms. Sharon Lundstrom, Director
Servicing & Loss Mitigation
Department of Housing & Urban Development
National Servicing Center
301 NW 8th St, Suite 200
Oklahoma City, OK 73102

FHA ID 3535010010

RE: Your Loan No. 2082

Dear Ms. Lundstrom,

North Carolina Housing Finance Agency ("North Carolina Housing") is seeking a variance from the requirements of Mortgagee Letters 2009-29 and 2009-35 (the "Mortgagee Letters").

North Carolina Housing is North Carolina’s housing finance agency created pursuant to Chapter 122-A of the North Carolina General Statutes. In that capacity, North Carolina Housing purchases loans to qualified first-time homebuyers from participating lenders throughout the State. Following these loan purchases, North Carolina Housing becomes the Holder of the related Note and the loans are serviced by Servicing companies under contractual agreements with North Carolina Housing. As of May 1, 2010, North Carolina Housing’s loan portfolio consisted of approximately 16,000 loans with an outstanding principal balance of approximately $1.57 billion.

A significant portion of the loans in our portfolio (47%) carry FHA mortgage insurance. In order to service such loans, North Carolina Housing is an FHA approved lender and servicer.

As with most housing finance agencies, North Carolina Housing funds its mortgage purchase activity through the sale of mortgage revenue bonds under Section 143 of the Internal Revenue Code (the "Code" and the regulations promulgated thereunder). These loans are purchased by North Carolina Housing subject to and in accordance with the requirements of the Code and the bond indentures under which the tax-exempt mortgage revenue bonds are issued.

Bonds issued under the indentures are structured and marketed based on financial assumptions regarding amortization of the underlying loans. Blanket changes to interest rates and loan
terms, of the sort required under Mortgagee Letters, may adversely affect North Carolina Housing’s ability to successfully operate our first-time homebuyer lending program because such changes are likely to reduce North Carolina Housing’s cash flow under the bond portfolio. This may lead to several unintended consequences. In the worst case, if cash flows on existing loans are sufficiently reduced, North Carolina Housing’s ability to pay bond debt as it becomes due may be threatened.

At a minimum, North Carolina Housing’s ability to issue new bonds to support the purchase of FHA-insured loans at beneficial interest rates to first-time homebuyers will be negatively impacted. The assessment of the financial strength of North Carolina Housing’s mortgage portfolio by rating agencies depends on our ability to meet cash flow and rating agency requirements. Blanket changes to the terms of the FHA loans, such as interest rate and term modifications, adversely affect that assessment, which in turn could adversely impact our bond ratings and impact the marketability of North Carolina Housing’s bonds.

Although North Carolina Housing is concerned about the unintended consequences on our first-time homebuyer mortgage loan portfolio from a blanket application of Mortgagee Letters, we do recognize and support the goals behind the initiative. In support of those goals, North Carolina Housing will consider, on a case-by-case basis and as an adjunct to other forbearance options, loan modifications to borrowers under FHA-insured loan programs. The approach will be similar to the provisions of Mortgagee Letters, except that the interest rate will not be reduced. The borrower would qualify for modification by amortizing the loan back to the original 30 year term and applying the principal reduction afforded by the FHA-HAMP program. We expect that these modifications will generally result in a reduction of the borrower’s monthly payment. This approach has the benefit of being consistent with the goals of the Mortgagee Letters without unreasonably impacting North Carolina Housing’s first-time homeowner loan program.

For the reasons specified above, North Carolina Housing requests that it receive a variance of the requirements of Mortgagee Letters.

Please contact the undersigned if you need any additional information or have any questions. I may be reached by email at cbsmith@nchfa.com or (919) 877-5637

Sincerely,

Charlene B. Smith
Manager, Loan Servicing

Cc: Elizabeth I. Rozakis,
Chief Financial Officer

3568 Bush St. / Raleigh, NC 27609 A. Robert Kueb, Executive Director 919-877-5700
July 9, 2010

Ms. Charlene B. Smith
Manager, Loan Servicing
North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, NC 27609

Dear Ms. Smith:


The purpose of this letter is to acknowledge and provide guidance as to your letter of June 9, 2010; whereas, North Carolina Housing Finance Agency (NCHFA) is requesting a Variance to the requirements of Mortgagee Letters 2009-35 and 2009-23 when reviewing the Loan Modification Option and FHA HAMP Option under HUD’s Loss Mitigation Program.

NCHFA has stated that the funds utilized in its mortgage purchase activity are through the sale of mortgage revenue bonds under Section 143 of the Internal Revenue Code. That these loans are purchased by NCHFA subject to and in accordance with the requirements of the Code and the bond indentures under which the tax-exempt mortgage revenue bonds are issued. That these Bonds are issued under the indentures are structured and marketed based on financial assumptions regarding amortization of the underlying loans. That Blanket changes to interest rates and loan terms required under Mortgagee Letters 2009-35 and 2009-23 may adversely affect NCHFA’s ability to successfully operate their first-time homebuyer lending program as such changes are likely to reduce NCHFA’s cash flow under the bond portfolio, adversely affect the assessment, which in turn could adversely impact NCHFA’s bond ratings and impact the marketability NCHFA’s bonds.

Although NCHFA has stated that in support, it will consider, on a case-by-case basis and as an adjunct to other forbearance options, Loan Modifications/FHA-HAMP to borrowers under FHA-insured loan programs. In doing so, NCHFA will conduct Loan Modifications/FHA-HAMP by amortizing the loan back to the original 30 year term, with the exception that that the interest rate will not be reduced.

http://www.hud.gov/offices/highway/nc/homes.cfm
Based upon NCHFA’s letter, the National Servicing Center (NSC) recommends NCHFA and their FHA-Approved Sub-Servicers to document their Asset Servicing File for each delinquent asset whereas HUD’s Loan Modification Option and/or FHA-HAMP Option could not be utilized due to the asset being bond funded by the State of North Carolina. Please be sure to document clearly as to NCHFA decision process.

Should you have any questions, please don’t hesitate to contact Debra Beacham at (405) 609-8452 or Debbie.K.Beacham@hud.gov.

Sincerely,

[Signature]

Sharon A. Landsborn
Director, National Servicing Center

Cc:
Scott Bryce, QAD Director – Atlanta
## Loan Modification Capitalization Reimbursement Request

**Servicer name:**

**Mortgagor(s):**

**Property Address:**

**NCHFA #**

**SVR #**

### Escrow Advances

$0.00

### Escrow Shortages

$0.00

### Capitalized Fees

<table>
<thead>
<tr>
<th>Legal Fees</th>
<th>$0.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Inspections</td>
<td>$0.00</td>
</tr>
<tr>
<td>Other (specify)</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$0.00</td>
</tr>
</tbody>
</table>

### Borrower Contribution

<table>
<thead>
<tr>
<th>Suspense account</th>
<th>$0.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other (specify)</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$0.00</td>
</tr>
</tbody>
</table>

### Total Capitalization Requested

$0.00

Attached to this request should be (in this order):

- Executed Loan Modification Agreement
- Loan Modification Worksheet
- Loan History showing last positive escrow balance and subsequent advances
- Escrow Analysis to show shortage capitalized
- Legal invoices
- Property inspection invoices
- Any other expense invoices

**Signature/Title**

**Date**
## Short Sale Transmittal Summary

**To:** North Carolina Housing Finance Agency  
Cns Newcom (cnewcom@nchfa.com)

**From:** ________________ (Name) ________________ (Servicer)

**Date:** ________________

**NCHFA Loan Number:** ________________

**Servicer Loan Number:** ________________

**Mortgagor’s Name:** ________________

**Property Address:** ________________

**Insurer:** ________________

**Due Date:** ________________

**Appraised Value:** $ ________________

**Offer Price:** $ ________________

**Total Payoff Amount:** $ ________________

Please include the following documents:

1. Short Sale Transmittal Form
2. Insurer Approval Letter and supporting documentation
3. Offer to Purchase Contract signed by buyers
4. Copy of buyer’s pre-qualification letter for financing or proof of funds availability for cash sales
5. Recent Appraisal or BPO
6. Current Payoff Quote through settlement date from OTP
7. Preliminary HUD1 Settlement Statement
8. Any other pertinent documentation

---

Short Sale Transmittal Summary  
Revised August 2014
**Servicer’s Securing Notice**

**NCHFA REO Properties**

To: Allen Tate Company  
Ginger Jenkins [ginger.jenkins@allentate.com]

North Carolina Housing Finance Agency  
Cle Newsom [cnewsom@nchfa.com]

From: ___________________________(Name)  
______________________________ (Company)

<table>
<thead>
<tr>
<th>Date:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NCHFA Loan Number</td>
<td></td>
</tr>
<tr>
<td>Servicer Loan Number:</td>
<td></td>
</tr>
<tr>
<td>Borrower Name:</td>
<td></td>
</tr>
<tr>
<td>Address:</td>
<td></td>
</tr>
<tr>
<td>Loan Type:</td>
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</tr>
<tr>
<td>PMI Company: % coverage</td>
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<tr>
<td>Sale Date:</td>
<td></td>
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<tr>
<td>Confirmation Date:</td>
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<tr>
<td>10 Day Period Expires On (if applicable)</td>
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<tr>
<td>Last Property Inspection Date:</td>
<td></td>
</tr>
<tr>
<td>Date Property First Verified as Vacant:</td>
<td></td>
</tr>
<tr>
<td>Eviction Date (if necessary):</td>
<td></td>
</tr>
<tr>
<td>Notes:</td>
<td></td>
</tr>
</tbody>
</table>

Attachments: Foreclosure Appraisal  
Current Payoff Quote showing corporate/escrow advances  
Recorded Trustee Deed

Servicer’s Securing Notice  
Revised February 2013
## Foreclosure Expense Reimbursement Request

**Conventional, USDA and VA Loans**

### Servicer and Address:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attorney/Trustee Fee</td>
<td>$0.00</td>
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<tr>
<td>Eviction Fees</td>
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<td>Publication Fees</td>
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<tr>
<td>Recording Fees</td>
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<tr>
<td>Court Fees</td>
<td>$0.00</td>
</tr>
<tr>
<td>Sheriff's Fees/Service Fees</td>
<td>$0.00</td>
</tr>
<tr>
<td>Title Policy/Exam Fees</td>
<td>$0.00</td>
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<tr>
<td>Certified/Counter Fees</td>
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</tr>
<tr>
<td>Revenue Stamps</td>
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<tr>
<td>Bankruptcy Fees</td>
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<tr>
<td><strong>SUBTOTAL</strong></td>
<td><strong>$0.00</strong></td>
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</table>

### Property Preservation Expenses:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal/BPO</td>
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</tr>
<tr>
<td>Utilities</td>
<td>$0.00</td>
</tr>
<tr>
<td>Trashout/Lawn Maintenance</td>
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</tr>
<tr>
<td>Repairs</td>
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</tr>
<tr>
<td>HOA dues</td>
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</tr>
<tr>
<td>Property Inspections</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td><strong>$0.00</strong></td>
</tr>
</tbody>
</table>

### Escrow Expenses:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Taxes</td>
<td>$0.00</td>
</tr>
<tr>
<td>Hazard/Flood Insurance</td>
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</tr>
<tr>
<td>Mortgage Insurance</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td><strong>$0.00</strong></td>
</tr>
</tbody>
</table>

### Adjustments:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazard Insurance Refund</td>
<td>$0.00</td>
</tr>
<tr>
<td>GW/MI/MIC MI Prem. Refund</td>
<td>$0.00</td>
</tr>
<tr>
<td>Unapplied Funds</td>
<td>$0.00</td>
</tr>
<tr>
<td>Escrow Balance</td>
<td>$0.00</td>
</tr>
<tr>
<td>Interest Curtailment</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td><strong>$0.00</strong></td>
</tr>
</tbody>
</table>

### Reimbursement Due Servicer:

**$0.00**

This is to certify that all expenses listed above have been paid in full.

**Signature/Title**

**Date**
North Carolina Housing Finance Agency
Servicing Policy Waiver Request

__________________________ (Servicer Name)

NCHFA Policy: (Section____________________________, page ____)


Reason for Servicer Waiver Request:


Servicer Suggested Alternative Process:


Signed:

Servicer Staff Name: _______________ Date __________________
Servicer Staff Position: __________________
Servicer Staff Phone Number and email address: __________________

Approved:

NCHFA Staff Name: __________________ Date __________________
NCHFA Staff Position: __________________