

NORTH CAROLINA HOUSING FINANCE AGENCY



# Self-Help Loan Pool

## PARTICIPATION GUIDELINES

NORTH CAROLINA HOUSING FINANCE AGENCY

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*These guidelines will be revised periodically. Please check to ensure you have the most current version.*  
<https://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool/forms-and-resources>

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# 1. Program Overview: The Self-Help Loan Pool (SHLP)

## Introduction

Through the Self-Help Loan Pool (SHLP) program, NCHFA offers financing to assist eligible home buyers purchase a home built or rehabilitated by a SHLP Member, which includes North Carolina Habitat for Humanity affiliates and other nonprofit agencies that operate a similar self-help housing program. Members must provide mortgage financing that is combined with NCHFA funds to provide a single, affordable first or second mortgage, structured as a 0%, amortizing loan with a typical term of 20 to 30 years for eligible borrowers. The maximum term of SHLP loan is 30 Years, unless combined with a USDA 502-Direct loans, in which case the maximum term is 33 years.

Eligible borrowers are those participating in a self-help housing program (*i.e. borrower contributes sweat equity to help build/rehab the house they are buying from the SHLP Member*) and meet other SHLP guidelines. NCHFA also provides a fee for services to Members for each SHLP loan closed as well as fees for the certification of homes that meet certain energy efficiency standards.

The primary objectives of SHLP are:

- To assist qualified households at or below 80% of Area Median Income to become home owners;
- To increase home ownership opportunities in underserved communities;
- To increase the capacity of N.C. Habitat for Humanity affiliates and other self-help housing nonprofits to produce more affordable homes;
- To leverage other public and private investment; and
- To encourage the production of healthy, energy efficient homes through the application of advanced building science.

## What the SHLP Offers (*New and effective 01-01-23*)

NCHFA offers the following SHLP funding options:

For Eligible Home Buyers:

- Up to \$50,000 in shared mortgage financing at 0% for up to 30 years (*\*up to 33 years if combined with a USDA 502 Direct loan*) to purchase a home located outside a CDBG entitlement city.
- Up to \$35,000 in shared mortgage financing if home is in a CDBG entitlement city. For a list of the 24 CDBG entitlement cities in North Carolina, please see page 35.

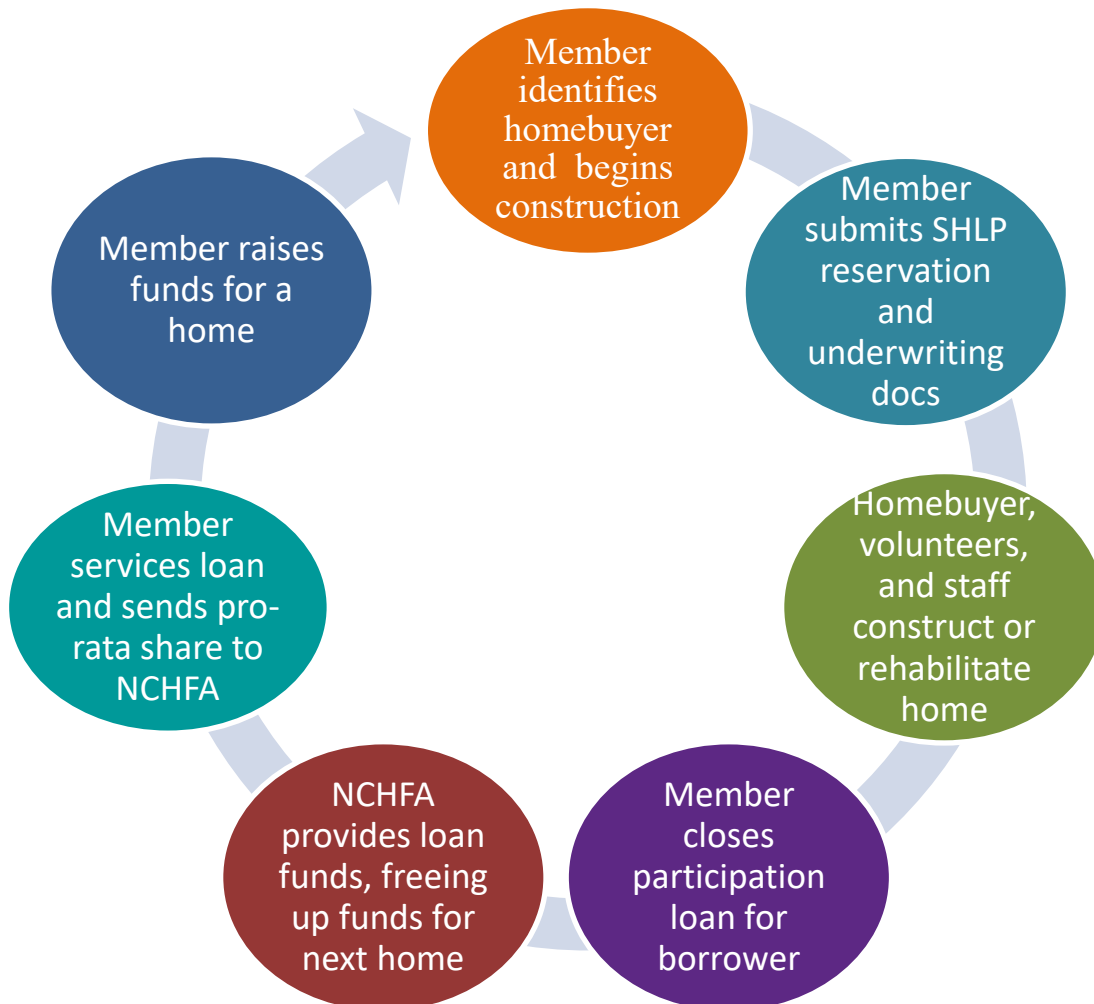
Loan Pool Member Benefits (for nonprofits):

- Member fee of \$1,500 for home buyer preparation and loan packaging services.
- Certification fee for homes built to SystemVision™ for New Home Standard: \$4,000 (*\*built on a slab*) or \$5,000 (*\*built with a crawl space*).
- Certification fee for homes rehabilitated to SystemVision™ for Existing Home Standard: \$5,000 (*\*homes without new HVAC system*) or \$6,000 (*\*homes with new HVAC system*).
- Certification fee of \$1,000 for meeting one of the five Agency-approved Green Building Certification standards for New or Existing Homes.

## How the Self-Help Loan Pool Works

1. SHLP membership is open to NC Habitat for Humanity affiliates and other Self-help housing nonprofits. NCHFA accepts applications throughout the year.
2. Members can reserve financing on a borrower-by-borrower and house-to-house basis.
3. After the underwriting and unit information has been submitted and approved, the Member selects the closing date, and the Agency sends appropriate closing documents to the closing attorney.
4. After the loan has been closed and required documentation received, the Agency sends the Member the SHLP loan amount and Member fee for services provided. If applicable, the Agency also sends the Member a SystemVision™ and/or Green Building certification fee(s) after appropriate documentation is received at NCHFA that the home passed the final inspection(s).
5. The Member, or their agent, services the loan. NCHFA auto-drafts the SHLP portion of the monthly payment from the Member's bank account. As specified in their SHLP Participation & Servicing Agreement, the Member guarantees payment to NCHFA even if the Borrower fails to pay the Member. In the event of foreclosure or if the borrower(s) no longer occupy the home, the Member pays NCHFA the outstanding balance of the SHLP loan. These homes may be rehabilitated and sold to a new borrower(s) who can apply for SHLP funds to finance the purchase of the "recycled" home.

The following flow chart illustrates how the SHLP Loan Pool works and supports Member organizations.



### **Program Funding (New and effective 01-01-23)**

The Agency utilizes HOME funds from the U.S. Department of Housing and Urban Development (HUD) to provide mortgage financing for eligible borrowers and various fees SHLP Members can earn. The amount of assistance requested per unit/borrower will depend on available SHLP funds, program ratios, and funding provided by the Member and others (*\*For more info, see Section 6: Program Financing / Program Options*).

NCHFA allocates funds to support the SHLP program on an annual basis. Funding availability is announced in January each year at: <https://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool>.

In order to support equitable distribution of SHLP funding across North Carolina, total funding for any one Member is limited by an annual loan cap. The current caps are as follows:

- 12 loans if Member serves a Single County
- 15 loans if Member serves Multiple Counties

However, the Agency reserves the right to exceed these caps if unreserved funds are available or additional funds become available. NCHFA will communicate with SHLP Members about funding availability throughout the calendar year.

A Member must submit a written request to exceed their annual cap. If approved, they will receive an email confirmation from NCHFA.

Two important reminders related to the annual loan cap:

- Members should only submit reservations for homes they expect to close within 90 days.
- For the last quarter of the year, Members should only submit reservations for homes they expect to close by January 31 of the following year.

## 2. Becoming a SHLP Member

### Eligible Applicants for SHLP Membership

Eligible Applicants include NC Habitat for Humanity affiliates and other nonprofit organizations that operate a similar self-help housing program where the organization:

- Develops affordable housing using sweat-equity of the home buyer(s), volunteer labor, and donated materials, services, and funds.
- Provides first or second mortgage financing to eligible home buyers at 0% or low interest rate (i.e., below-market).
- Provides servicing of the first or second SHLP mortgage as outlined in their SHLP Participation and Servicing Agreement with NCHFA (*\*NOTE: Members may contract with a third party to service their SHLP loans*).

Eligible Applicants for SHLP membership must also have the capacity to prepare eligible home buyers for successful home ownership and to build or renovate homes for eligible borrowers. NCHFA *requires* Members to partner with a HUD-approved housing counseling agency to provide home buyer education and pre-purchase counseling to their SHLP borrowers.

### Applying for SHLP Membership

To become a SHLP Member, please complete and return the Membership Application which can be downloaded from the Agency website's SHLP Forms and Resources page:

<https://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool/forms-and-resources>

NCHFA accepts SHLP Membership Applications on an on-going basis. All Applications that meet Program threshold criteria will be admitted to membership in the SHLP; this is not a competitive program. Interested organizations can contact a Community Partner Coordinator (*\*see Appendix 10 for contact information for current Coordinators*) for additional information on the application process.

### Agency Evaluation of the Application for Membership

The Agency will evaluate an Applicant's capacity, legal standing, and past performances. Applicants must:

- Be a tax-exempt nonprofit 501(c)(3) organization
- Be a North Carolina Habitat for Humanity affiliate or similar organization that operates a self-help housing program utilizing sweat-equity of home buyers and volunteers as well as donated materials to provide affordable homes for-sale to eligible households; provides first or second mortgage financing at below-market rates to eligible home buyers; and services the loan after closing.
- Identify personnel that will provide key services including:
  - Home buyer preparation (pre-purchase counseling and education);
  - Creating and maintaining home buyer pipeline;
  - Marketing strategy;
  - Screening and qualifying applicants;
  - Construction and/or housing rehabilitation management
- Have at least 1 full- or part-time paid staff member to participate in SHLP



- NCHFA recommends that all SHLP members, especially those with limited staff resources, consider using a professional Loan Servicer. If staff, volunteers, or board members leave the organization, this insures that loans stay current, insurance and taxes are paid, and critical mortgage requirements are met during transitions.
- Have at least 1-year of experience providing homes for-sale to low- and moderate-income households in their service area
- Have no unresolved audit or monitoring findings or legal proceedings against the Applicant or Partnership

### **Required Home Buyer Education and Housing Counseling**

All SHLP borrowers must complete at least 8 hours of HUD-approved home buyer education and pre-purchase counseling. Additional education and/or counseling may be needed and can be provided to the borrower by the SHLP Member and/or a HUD-approved housing counseling agency.

*\*NOTE: For additional information on the required home buyer education and pre-purchase counseling, please see pages 20-21.*

### **Evaluating Affordable Housing Stock in Service Area**

When reviewing Applications, the Agency will determine if there is need for quality, affordable housing below the 95% of Area Median Sales Price Limit for the county or counties served by the Applicant based upon the number of potential borrowers under 80% of the Area Median Income.

To view the current HOME Sale Price Limits for North Carolina, please go to the SHLP Partners page on the NCHFA website:

<http://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool>

### **Other Membership Information**

Once NCHA approves an organization's application for SHLP Membership, we will send the following:

#### **1. HOME Written Agreement**

At least once every 2 years, members must sign a HOME Written Agreement with NCHFA that covers the following items:

- Maximum amount of SHLP assistance available to an eligible home buyer
- Member Fees that can be earned
- Member Responsibilities & Other Requirements
- Counties Served by the Member

#### **2. Participation and Servicing Agreement**

In addition, Members must sign a Participation and Servicing Agreement with NCHFA that is updated/amended every 3 years. As part of the Agreement, the Member or a third-party Servicer, services the SHLP loan payments for NCHFA (*i.e. collects the full mortgage payment from the homeowner and NCHFA auto-withdraws its' portion of the monthly mortgage payment from the SHLP Member's bank account*).

The agreement further stipulates that NCHFA's portion of the SHLP loan must be paid, whether or not the Member is paid; that the Member must pay off the loan in the case of a default and transfer; and that the Member must service or enter into a servicing arrangement with a professional third party to service loans with SHLP funds.

NCHFA typically shares the 1<sup>ST</sup> mortgage financing with the SHLP Member. Alternatively, we can also share the 2<sup>ND</sup> mortgage financing with the SHLP Member. For more information on the 2<sup>ND</sup> mortgage financing option, please contact your assigned Community Partner Coordinator for further discussion.

- 3. SystemVision™ Agreement (OPTIONAL):** To encourage Members to build and/or renovate energy efficient homes, NCHFA provides a certification fee for homes that meet SystemVision™ standards. Members interested in this option must sign a SystemVision™ Agreement that outlines program provisions and governs the relationship with NCHFA and Advanced Energy, the agency that manages the SystemVision™ program. In addition, appropriate Member staff (*i.e. construction manager &/or builder*) must attend to a free technical training session provided by Advanced Energy.

For more information about the SystemVision™ program, please contact Lisa Manuel at Advanced Energy: 919- 857-9018 or [lmanuel@advancedenergy.org](mailto:lmanuel@advancedenergy.org)

### Required Member Training

Once the appropriate Membership agreements have been executed and received, NCHFA will activate their SHLP Membership. The Agency will also assign the new Member a Community Partner Coordinator who will be the Member's main Agency liaison. The Coordinator will provide required training for Member staff on SHLP Program Guidelines and the NCHFA Online Portal.

Before a new Member submits their first SHLP application, they should contact their assigned Community Partner Coordinator who will review the application process and provide any technical assistance needed (*\*NOTE: See Appendix 10 for list of current SHLP Contacts including Community Partner Coordinators*).

### Annual SHLP Membership Renewal Form

Each year, the Member must submit a SHLP Membership Renewal Form that updates NCHFA on any changes in key personnel (staff or Board), home buyer education/counseling program, and outreach/marketing plans; as well as an estimate of the number of SHLP loans for the coming year.

*NOTE: To download SHLP Member Documents from the NCHFA website, click on the following link: <https://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool/forms-and-resources>*

*For more info, please contact your assigned Community Partner Coordinator.*

## **Maintaining an Active SHLP Membership**

A Member can/will become **inactive** and suspended from requesting SHLP funds for any of the following reasons:

- Member fails to submit their Annual SHLP Renewal Form
- Member fails to sign a HOME Written Agreement, Participation & Servicing Agreement, and any other applicable Program Agreement(s)
- Member has failed to comply with the terms of their Program agreements or fails to adhere to established Program Guidelines.

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

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

### 3. Eligible Properties for SHLP

#### General Information

NCHFA requires that eligible SHLP properties have an appraised value equal to or greater than the contract sales price. All properties must also have an appraisal conducted within 6 months of closing to document value.

To be eligible for SHLP financing, properties should be located on, or have direct access from, a publicly-maintained road. Properties accessed by a privately-maintained road must have a Private Road Maintenance Agreement. The Agency discourages the purchase of properties where road maintenance must be scheduled and paid for by the home buyer. Eligible properties include new or existing single family, stick-built homes, and townhouse units.

All homes financed under SHLP must meet local development regulations and applicable building codes, zoning, and other regulations, including any existing homes rehabbed for-sale.

In addition, all properties should adhere to Best Practices for Siting New/Existing Homes (*\*For more info, please see Appendix 1*).

Also, any homes certified under the SystemVision™ program must also meet specific design, construction, and performance standards developed by Advanced Energy Corporation.

For more information about the SystemVision™ standards, please contact Lisa Manuel at Advanced Energy: 919- 857-9018 or [lmanuel@advancedenergy.org](mailto:lmanuel@advancedenergy.org)

Finally, Members are encouraged to have Universal Design and/or Visitability features incorporated into their newly constructed and/or rehabilitated homes whenever appropriate. For more information: ([https://projects.ncsu.edu/design/cud/pubs\\_p/docs/UDinHousing.pdf](https://projects.ncsu.edu/design/cud/pubs_p/docs/UDinHousing.pdf)).

#### Eligible properties under SHLP include:

##### Newly Constructed Units:

- Newly constructed homes must obtain a Certificate of Occupancy before the borrower can close on the SHLP loan.
- All new homes financed under SHLP must meet local development regulations and applicable building codes, zoning, and other regulations.
- All newly constructed homes should also meet the Best Practices for Siting New/Existing Homes (*\*see Appendix 1 / Part A for more information*).
- If applicable, newly constructed homes certified under the SystemVision™ option must also meet specific design, construction and performance standards developed by Advanced Energy Corporation. Members who build new homes that meet SystemVision™, EnergyStar, or other Agency

recognized Green Building certification standards can earn a fee to offset the cost of certification and provide energy guarantees to SHLP-assisted borrowers.

*\*See Appendix 1 / Part B. for more information.*

### Recently Built Builder Inventory

- Newly constructed homes that have been unoccupied for *less than* 12 months are eligible. However, if the property has been unoccupied for more than 12 months, the property will be classified as an *existing home*, even if never occupied, and will require additional housing inspections.

### Existing Homes

*\*NOTE: Includes “recycled” homes the Member built and has reacquired for sale to another buyer*

- All existing homes must pass **two (2) required property inspections**. Needed repairs or replacements must satisfactorily address health, safety, deferred maintenance, and durability issues for the home to be eligible for CPLP-assistance. Quality, safety, and energy efficiency are important for the long-term success of participating borrowers, and therefore are priorities of the program.
- Existing homes acquired by a Member for resale to a home buyer should be ***less than 10 years old*** unless the Member plans to renovate the home to “like new” condition.
- Homes *more than* 10 years old will be considered on a case-by-case basis ONLY under the following conditions:
  1. Unit’s major systems have been evaluated to have ***at least 5 years of useable life*** as documented by a licensed inspector or a qualified system contractor (*i.e. licensed HVAC, Hot Water Heater or Roofing contractor*).  
*NOTE: See page 14 for more information on Supplemental Inspection of Major Building Systems in Older Homes.*
  2. Units are GUT rehabilitated before sale, have passed all applicable state and local building codes, and received a new Certificate of Occupancy
- Member should contact their Case Manager prior to submitting a Reservation for *any* home older than 10 years old, especially for homes built **prior to 1978**. These homes are the most challenging homes to assess properly due to the presence of Lead Based Paint (LBP) and possible LBP hazards. Members **MUST** contact their Case Manager to discuss any pre-1978 home under consideration and receive PRE-APPROVAL from the Agency before submitting a reservation for SHLP assistance. Units must comply with all applicable State and Federal regulations for Lead-Based Paint (*\*For more information see Pre-1978 Properties section on pages 14-15*).
- Members are also encouraged to incorporate Universal Design features into rehabilitated homes whenever possible. For more information: <http://www.ncsu.edu/project/design-projects/udi/>

## Required Inspections for Existing Homes

### Licensed Home Inspection

All existing homes must be inspected by a licensed NC Home Inspector. The home inspection should cover the functionality of building systems and relative age of these systems. The home inspection should also document the age, based on manufacturer's label or estimated age range if exact information is not available, of all major equipment and systems, including but not limited to water heater, HVAC system, roof and exterior.

Any significant deficiencies that threaten the property or borrower must be repaired. Needed repairs must adequately address:

1. all major structural threats to the property (i.e. moisture penetration or standing water, structural integrity)
2. all threats to health and safety of the buyers (i.e. trip hazards, air quality, security)
3. all major deferred maintenance issues
4. energy efficiency whenever possible

In addition, the Member must submit documentation that needed repairs have been completed prior to submission of the Underwriting Package.

### Local Minimum Housing Code Inspection:

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

If the local government (City or County) has adopted a Minimum Housing Code for existing housing, the Member must provide documentation from the local government that the property passed a Minimum Housing Code inspection. Please contact the appropriate government agency to schedule the inspection which typically does not entail a fee. The Member should also retain a current copy of the Minimum Housing Code and be prepared to provide NCHFA with a copy of it upon request.

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

*\*NOTE: UPCS inspections may be replacing HQS inspections during the year, based on HUD's release of new guidelines. Currently, UPCS inspections are not available for single family homes. Additional guidance will be provided as it becomes available.*

Other instances when a HQS Inspection can be *substituted* for a local Minimum Housing Code Inspection are:

- If the local government uses their local Minimum Housing Code to inspect rental properties for health and safety concerns and they provide written documentation that the local government does not inspect existing for-sale homes to certify they meet the local Minimum Housing Code.
- If a local government does not have sufficient staff to inspect existing for-sale homes for compliance with their local Minimum Housing Code during the Due Diligence Period defined in the sales contract and the local government provides written documentation.

In either case, the home must pass the HQS Inspection.

*NOTE: The 5 Year Usable Life Standard for existing homes was dropped as of April 1, 2023. While most Members replace Major Building Systems so they can sell a “like new” home to the new buyer, this change provides more flexibility for Members, especially when they are selling a recycled home (i.e., home they built and have repurchased or assumed through foreclosure).*

*If one of more of the major building systems is not replaced, we recommend the borrower be made aware of the typically life expectancy of that system(s) and estimated replacement costs, especially for any system near or at their typically life expectancy. For more information, please refer to the Major Building Systems Life Expectancy & Replacement Costs posted on the SHLP program Forms & Resources page on the NCHFA website:*

<https://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool/forms-and-resources>

## **Inspection for Pre-1978 Properties**

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

In addition to submitting the home buyer acknowledgement form/disclosure, NCHFA will ONLY consider purchase of a pre-1978 homes that have passed one of the following inspections/assessments:

- Visual Assessment (*\*minimum required*) demonstrating NO deteriorating paint above HUD’s “De Minimus” (*minimum*) levels
- Lead-based paint Inspection Including a Visual Assessment documenting the condition of any paint found containing lead
- Lead-based paint Risk Assessment

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

Contractors working on pre-1978 homes are *required* to be certified as a Renovation, Repair, and Painting (RRP) firm. In addition, they are required to provide verification that a supervisor on the project

has current RRP certification. These state-mandated requirements apply whether or not the borrower applies for loan pool funding.

The 1971 Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846) and the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856) define lead exposure risk and compel actions to be taken to reduce the risk of children being poisoned by lead-based paint hazards. Members involved in rehabilitation, renovation, or repair of homes built before 1978 should identify a strategy to address Lead-Based Paint compliance before any work is performed on pre-1978 property. NCHFA will **not** make SHLP funds available to borrowers for pre-1978 homes if applicable Lead-Based Paint regulations were not followed as part of the rehabilitation.

#### Lead-Based Paint Pamphlet and Disclosure

For any pre-1978 property rehabbed and sold by the Member, the Member must provide the borrower with a fully executed copy of the: Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards. All borrowers must also be provided a copy of the HUD pamphlet: Protect Your Family from Lead in the Home, whether or not lead has been found in the home. Members can download a copy of the pamphlet from: [www.epa.gov/lead/protect-your-family-lead-your-home](http://www.epa.gov/lead/protect-your-family-lead-your-home)

#### Timing on Submission of Inspections

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

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

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

#### Maximum Sales Price and Income Limits

SHLP is supported with HOME funds. Section 215(b) of the National Affordable Housing Act of 1990 requires that the initial purchase price or after-rehabilitation value of home ownership units assisted with HOME funds not exceed 95% of the area median purchase price for single family housing, as determined by the U.S. Department of Housing and Urban Development (HUD). Annually, HUD provides a sales price limit by county and by unit type, new construction or existing homes. In addition, HUD sets Households Income Limits for HOME-funded programs at 80% of the Area Median Income.

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



HUD updates both the Sales Price and Household Income Limits on an annual basis. However, there is no set schedule for when these are updated but generally HUD releases them within the first 6 months of the calendar year but usually not at the same time.

*\*NOTE: The HUD household income limits used by the Section 8 Program are not the same ones used for the HOME Program. To view the the current limits, go to the SHLP page on the NCHFA website:*

*<http://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool>*

## 4. Borrower Requirements for SHLP Assistance

### Eligible Home buyers

For SHLP, eligible home buyers are those with gross annual incomes up to 80% of the area median income adjusted for household size as determined by HUD. The median income limit is adjusted each year, so members should verify the current limit if it appears a household may be close to the 80% limit.

To view the current HOME Sale Price Limits and the 80% Household Income Limits for North Carolina, please go to the SHLP Partners page on the NCHFA website:

<http://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool>

Recipients of Program funds will be required to document the household income of home buyers through third party verification to confirm participant eligibility. Income must be verified as of the date the contract to purchase is signed (if home is pre-sold prior to construction or rehabilitation).

Home buyers must occupy the property financed under SHLP as their principal residence during the Affordability Period (*\*For more info, see pages 42-43*). When the assisted home buyer no longer occupies the assisted SHLP home, it is considered a default.

Members are also encouraged to select and prepare home buyers carefully, so the responsibilities of home ownership will not financially overburden the buyers. To ensure NCHFA is not over-subsidizing a borrower, the home buyer should commit *at least* 15% of their gross monthly income for housing expenses (*i.e. loan payment, taxes, and insurance*).

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

### Responsible Lending Standards

#### Borrower Ratios (*Effective: 03-16-22*)

NCHFA has set the following maximum borrower ratios for SHLP assistance: **Housing Ratio** cannot exceed **32%\*** of gross household income and total **Debt-To-Income (DTI) Ratio** cannot exceed **45%** of gross household income.

The borrower's total **Debt-To-Income (DTI)** or "Back-End Ratio" cannot exceed 45% of their total monthly qualifying income. This means that after the total monthly housing payment is added to all other debts (*i.e. consumer credit debt, car loans, student loans*), the total of those payments cannot exceed 45% of their monthly household income.

*\*NOTE: We recognize that Habitat ratios are lower than the SHLP program ratios.*

When the Housing and/or DTI ratios raise underwriting concerns, NCHFA may calculate a cashflow analysis to determine a borrower’s repayment ability. Borrower’s will be evaluated on a case-by-case basis and examine compensating factors, including but not limited to:

- Strong cash reserves after closing
- Strong cash flow after paying other living expenses
- Mortgage payment is significantly lower than the borrower’s current rent
- Consistent work history
- Part-time or self-employment earnings that do not have the tenure yet to be included in qualifying income
- Home Owner Association (HOA) that maintains exteriors, Energy Efficiency certifications, or other enhancements that lower ongoing cost to live in home.

*\*NOTE: Borrowers whose Housing Ratio are close to program maximums will be evaluated on a case-by-case basis by using a cashflow analysis and examining other compensating factors.*

### Residual Income and Cash Flow

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

A cashflow analysis will be calculated to determine a borrower’s repayment ability whenever the borrower’s housing and total debt ratios raise underwriting concerns. This includes borrowers who use housing assistance (*i.e. Section 8 for Homeownership*) to cover 50% or more of their mortgage payment, borrowers must also pass a residual income test modeled after VA underwriting guidelines. NCHFA reserves the right to deny borrowers who cannot demonstrate sufficient residual cashflow. After deducting housing expenses, utility allowance, childcare expenses, and all other monthly debts, the remaining monthly income must meet or exceed the minimum amount detailed below:

Household Size	For Total Loan Amounts of \$79,999 or Below	For Total Loan Amounts of \$80,000 and Above
1	\$382	\$441
2	\$641	\$738
3	\$772	\$889
4	\$868	\$1,003
5	\$902	\$1,039
> 5	+ \$75 per person up to a family of 7	+ \$80 per person up to a family of 7

*\*NOTE: See Appendix 7 for Cash Flow Worksheet to calculate borrower’s residual income.*

### 1. Grossing Up Non-Taxable Income

While some lenders gross up non-taxable income (*i.e. calculating a higher household income because of non-taxable income*) for the borrower, SHLP does *not* allow grossing up of qualifying or compliance income to meet program ratios.

### 2. Income Stability

To demonstrate that a borrower has sufficient income stability, NCHFA prefers 2 years of income or income plus education history supported with W2's or profit and loss statements for self-employed.

### 3. Borrower Cash Out at Closing

Borrowers may **not** receive cash out at closing. The Agency requires that any cash out be applied to the principle loan balance of the SHLP loan from NCHFA. The only exception is nominal amounts of cash out of closing are allowed due to last minute adjustments to settlement charges, *not to exceed \$2,500*. Any cash out at closing is subject to approval by the Agency. In general, any final adjustment to loan amount(s) should be updated in the portal by the SHLP Member *prior* to scheduling the closing.

### 4. Verification of Income or Employment

Verification of income or employment documents (VOEs) must be dated no more than 6-months prior to the date of the loan approval. Paystubs may be used if no more than 90 days old at the time the package is submitted for approval and the Member has included related W-2 for the previous 2 years of employment. A minimum of sixty (60) days / two (2) months of Year-To-Date (YTD) earnings must be provided. The homebuyer's income and employment status must remain stable and unchanged from the time of verification through closing (*\*For more info, see Section 8: Program Underwriting & Income Qualification*).

### 5. Borrower Assets

Generally, borrowers should save not only for the down payment and closing costs, but also to establish a reserve fund sufficient to cover at least two months of housing expenses. While not a factor for denial, strong borrower reserves will be considered a positive compensating factor for loans where ratios are near the program maximum.

While there is not an asset limit, if net assets exceed \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD (*\*currently less than 1%*). In order to properly include income for assets greater than \$5,000, actual interest income should be added as part of the household income or if there is not interest income, the current passbook savings rate should be used to impute an interest income amount that should be added to household income.

## Additional Borrower Eligibility Requirements

### 1. Other Property Ownership

The SHLP is a program designed to support the purchase of a qualified home buyer's primary residence, not to support the development of a rental portfolio. Potential home buyers do not need to be first-

time home buyers. Other property ownership is limited to multiple heir property. The home buyer may not use other owned property as an investment while also trying to participate in the loan pool program.

## 2. Borrower Marital Status

The home buyer(s) sign a Borrower Affidavit that among other things, verifies their marital status. However, IF the prospective SHLP borrower is separated or divorced, NCHFA requires submission of appropriate documentation with their SHLP underwriting package.

OPTION 1: Separation Agreement and Free Trader: If the prospective SHLP borrower is separated but not legally divorced, NCHFA requires a recorded separation agreement with free trader language that specifically addresses future real estate transactions. If the free trader language is not present in the separation agreement, a recorded free trader agreement that specifically addresses future real estate transactions must be submitted to NCHFA.

OPTION 2: Divorce Agreement: Legally divorced individuals must submit a copy of a recorded divorce judgment or decree.

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

OPTION 3: Proceed with Closing as If Married: If documentation cannot be provided regarding marital status, the spouse's income will be included for eligibility purposes; and the spouse must sign the deed of trust and deed restrictions. In this case, the spouse would be considered a co-occupant and income will not be included in qualifying for the loan payment, but will be included for eligibility. The spouse will not be listed on the promissory note.

## 3. Legal Status

All buyers assisted with SHLP funds for the purchase of their homes must be legal residents of the United States of America. The borrower and co-borrower must be permanent residents or working to become permanent residents as this program is a primary residence program, not for temporary housing. This standard does not apply to other household members, only to those receiving direct financial assistance through the program. Due diligence for confirming citizenship and/or residency status and compliance with federal and other requirements for mortgage loan financing for borrowers is the responsibility of the SHLP Member.

## **Required Home Buyer Education and Housing Counseling**

Homeownership is both a great opportunity and a big responsibility. The NC Housing Finance Agency wants to help individuals and families not just buy a home but to be successful homeowners. That's why we follow the National Industry Standard recommended benchmark that borrowers complete at least eight (8) hours of home buyer education and pre-purchase housing counseling *before* their application can be approved. Post-purchase counseling is also strongly recommended.

On August 1, 2021, the HUD Counseling Rule took effect and impacted federally-funded home buyer assistance programs. The Rule states home buyer education and housing counseling that is required under or provide in connection with all HUD programs may only be provided by HUD certified housing counselors who work for a HUD-approved housing counseling agency.

SHLP borrowers must complete at least six (6) hours of HUD-approved home buyer education. This education should cover a variety of topics including, but not be limited to, budgeting and savings, credit, selecting and buying a home, and home maintenance. Moreover, the education provided should be consistent with the National Industry Standards for Homeownership Education and Counseling.

*\*For more information, go to <http://www.homeownershipstandards.com/Home/Home.aspx>*

NCHFA encourages borrowers to complete a home buyer class in person whenever possible. However, when that is not possible, the Borrower may complete a HUD-approved online home buyer education course.

One such online option is [eHome America](#), which is based on NeighborWorks America's acclaimed "Realizing the American Dream" curriculum, is HUD-approved, and exceeds the National Industry Standards for Home Ownership Education and Counseling. For more information on eHome America, please go to the Community Home Buying Programs page on the NCHFA website: <http://www.nchfa.com/home-buyers/buy-home/community-home-buying-programs>

Each SHLP borrower must complete the approved home buyer education course within 12-months of the anticipated closing date and submit proof of completion (*i.e. Certificate of Completion*) with their Underwriting Package.

*\*NOTE: Borrowers who completed their home buyer education course more than 12-months prior to closing must either retake a home buyer education course OR complete a supplemental home buyer education session with a certified housing counselor. If choosing the latter, the borrower must have the counselor complete the Recertification Form (\*see Appendix 8).*

In addition, SHLP borrowers must also receive at least two (2) hours of pre-purchase counseling from a HUD-certified counselor employed at a HUD-approved housing counseling agency, to ensure the borrower is "mortgage ready" and that the home they are purchasing is affordable. Pre-purchase counseling should evaluate home buyer readiness, income, debts, and ensure the home buyer has understood the educational component and applied it to their intended home purchase.

Members should contact NCHFA if they need assistance identifying a HUD-approved housing counseling agency to provide the required home buyer education and Pre-purchase counseling to their borrowers.

### **Other Eligibility Criteria and Final Eligibility**

NCHFA reserves the right to request any additional documentation it deems necessary to carefully evaluate financial risk for all SHLP loans. In addition, final decisions regarding eligibility will be determined by an Internal Review Committee. Strong compensating factors may be considered on a case-by-case basis if ratios, job history, or other eligibility criteria are close to program guidelines.

No requests from borrowers will be considered. Furthermore, no consideration for an exception may be given for:

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

## 5. Program Loan Underwriting and Income Qualifications

SHLP Members are expected to qualify all home buyers to be assisted by SHLP financing.

### Income Qualification Timing and Use of a Sales Contract

In contrast to Habitat programs which determine eligibility when a borrower is accepted into their program, income-eligibility for the SHLP must be verified (or re-verified) within six months of the date that SHLP assistance is received by the homebuyer OR at the time a contract to purchase is signed (24 CFR 92.254 (a)(ii)(A)(7)). As many SHLP Members pre-sell inventory, this strategy allows income verification to occur at the time of the contract (before construction or rehabilitation has occurred) if the affiliate use sales contracts at the time of initial commitment to the buyer.

However, if units are not pre-sold or no sales contract exists, verification-of-income documents must be dated no more than six months prior to loan closing, or else recertification will be required. NCHFA recommends that Members make a preliminary determination of household income as early as possible. Unfortunately in this scenario, it is feasible that a home buyer that initially qualified may not qualify several months later if their household income has changed.

### Qualifying and Household Income

SHLP differs significantly from most Habitat programs with respect to borrower eligibility requirements, calculating the household income (versus qualifying income), and timing of the approval process.

The maximum household income under SHLP is 80% of the Area Median Income, as adjusted for household size. To view the current HOME Income Limits for North Carolina, please go to the SHLP Partners page on the NCHFA website:

<http://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool>

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

### Subsidy Layering Review

The SHLP loan is offered as an amortizing, 0% interest loan. SHLP assistance requires a minimum borrower contribution toward their monthly payment (front-end ratio). Borrowers should contribute a minimum of 15% of their gross monthly income toward their housing payment.

Borrowers *must not* contribute more than 32% of their gross monthly income toward their housing payment. Members should be mindful of other regional costs that impact the affordability of housing, including but not limited to: property taxes, property insurance, flood insurance, wind insurance, and utilities.



While the program allows up to 32% of a borrower's gross income to go toward the house payment, for some borrowers more than 30% may overburden them. As part of the housing counseling process, borrowers should develop a budget and financial plan for their future. Housing costs should be carefully considered as part of this budget.

### Student Loan Debt (*Effective: 08-16-21*)

For outstanding Student Loans, regardless of payment status, NCHFA will use the following in calculating their total monthly debt:

- The payment reported on the credit report or the actual documented payment, when the amount is above zero; or
- 0.5 percent of the outstanding loan balance, when the monthly payment reported on the Borrower's credit report is zero.

### Calculating Total Monthly Subsidy: Homeownership Vouchers

If a borrower(s) is receiving a Section 8 homeownership voucher, the voucher may be applied against the total house payment (*i.e., principal, interest, taxes, and insurance*) for the purpose of calculating underwriting ratios. Rental vouchers *cannot* be substituted for a homeownership voucher.

Documentation from the applicable Housing Authority must be provided to verify the voucher can be used for homeownership.

### Required Third Party Documentation

Applicable third-party documentation must support calculated household income, such as:

- W2 forms,
- Verification of employment/income forms,
- Minimum of 60 days of Year-to-Date (YTD) earnings not more than 90 days old,
- For new jobs, at least 30 days of paystubs plus verification of employment from previous job
- child support decrees and in cases where child support has been ordered, but not paid, on behalf of children in the household, the file must contain a statement to that effect.
- Divorce decrees,
- Separation agreements,
- Documentation from child support enforcement authorities,
- Award letters for Social Security,
- Award letters for Social Security Disability,
- Award letters for Supplemental Security Income,
- Documentation of full-time student status,
- Payroll ledgers,
- Section 8 vouchers, and
- If self-employed, YTD Profit and Loss Statement and the last 2-years of Tax Returns.

### How Much Income Documentation

All income documentation must be retained on file and submitted to the Agency in the Loan Underwriting Package. For salaried and hourly employees, paystubs may be used if no more than 90 days old at the time the Underwriting Package is submitted to NCHFA and the Member has included

related W-2's for the previous 2 years of employment. A minimum of 60 days of YTD earnings (*\*not more than 90 days old*) must be submitted. In addition, NCHFA will need a Verification of Employment (VOE) which includes the employee's date of hire. For self-employed borrowers, NCHFA will require 2 years of tax returns as well as a current Profit & Loss Statement. The home buyer's income and employment status must remain stable and unchanged from the time of verification through closing.

### Annualizing Income

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

### Overtime and Other Income

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

*\*NOTE: For additional information, please see Appendix 9: HUD Income Guidelines*

### Borrower Documentation and Submitting the Underwriting Package

Members must submit a Reservation Request for each prospective SHLP Borrower, as well as sufficient documentation to verify the eligibility of the Borrower. The process begins with the submission of a Reservation Request and Environmental Review). This submission secures your client a place in the queue for funds and, if approved, ensures that funds are set aside in their name for *up to 90 days*. As a result, Reservation Requests may be submitted not *more than 90 days* but no *less than 18 business days* before the planned loan closing. If a Member has not closed during this time, re-qualification or re-verification of the Borrower may be required. Any extension of reservation approval will be done on a case-by-case basis. Depending on the amount of time passed after Agency underwriting approval and whether a sales contract was in place with the borrower, new underwriting documentation may be required.

After NCHFA has approved the Reservation, the Member can submit the Underwriting Package and must do so *at least fifteen (15) business days prior* to the anticipated loan closing date. The Underwriting Package includes documentation for all household income (earned & unearned income). Items to be submitted include:

- Two months of recent paystubs, not more than ninety (90) days old at time of submission)
- W-2's for past two years
- Verification of Employment (VOE)

Only complete Underwriting Packages should be submitted for review and approval. Incomplete packages will be returned to the Member.

**\*\*\*\*\* IMPORTANT NOTE \*\*\*\*\***

**For more information on NCHFA Loan Pool Portal**

Please download the recorded [Intro to Loan Pool Portal](#) training session posted on the SHLP Forms and Resources page on the NCHFA website:

<https://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool/forms-and-resources>

QUESTIONS? Please contact your assigned Community Partner Coordinator.

*\*NOTE: If a SHLP Member does not have prior Underwriting Approval, the Agency will not fund a loan after closing. It is therefore important to coordinate Agency approval closely with the closing. There is required language that must be included in the Promissory Note and Deed of Trust at closing for the Agency to be able to fund a loan.*

## 6. Program Financing / Program Options

### SHLP Financing Availability and Terms of Assistance (*\*effective 01-01-23*)

Members may request SHLP financing for their clients on a first-come, first-serve basis. SHLP funding must be used with first or second mortgage financing provided by the Member.

NCHFA also provides a service fee to Members for helping the borrower apply for SHLP assistance as well as provide home buyer education and housing counseling services. In addition, NCHFA provides an additional fee(s) to Members for meeting SystemVision™ Building Standards with or without a Green Building Certification. Funding is *not* available for land acquisition, land development, construction financing or organization operations.

Members access SHLP funds by submitting a Reservation Request then an Underwriting Package to NCHFA using the NCHFA Online Portal: <http://www.nchfa.org/LPPortal>

*\*Please see Appendix 4 for more information on the NCHFA Loan Pool Portal.*

Members submit the reservation and underwriting package for each home they are building or rehabilitating for-sale to an eligible home buyer. Reservation Requests can be submitted year-round as long as funding is available. Requests that meet program threshold criteria for organizational capacity and project standards will be eligible to receive SHLP funds.

### SHLP Assistance

Type of Assistance: Borrower	New Construction	Rehab / Existing
Participation Loan (1 <sup>ST</sup> or 2 <sup>ND</sup> Mortgage) at 0% for up to 30 years to Borrower ( <i>*up to 33 yrs. if combined w/ USDA 502-Direct loan</i> )	Up to <b>\$35,000</b> in a CDBG entitlement city <u>or</u> Up to <b>\$50,000</b> in a non-entitlement city	Up to <b>\$35,000</b> in a CDBG entitlement city <u>or</u> Up to <b>\$50,000</b> in a non-entitlement city
Type of Assistance: Member		
SystemVision™ Certification fee to Member	\$4,000 (slab) <u>or</u> \$5,000 (crawl)	\$5,000 or \$6,000 *if new HVAC installed
Green Building Certification fee to Member	\$1,000	n/a
Home Buyer Preparation and Documentation fee to Member	\$1,500	\$1,500
TOTAL (maximum available to Borrower and Member):	\$41,500 / \$42,500 in a CDBG entitlement city <u>or</u> \$56,500 / \$57,500 in non-entitlement city	\$41,500 / \$42,500 in a CDBG entitlement city <u>or</u> \$56,500 / \$57,500 in non-entitlement city

### **Participation Loan Funding per Unit**

NCHFA can provide up to \$50,000 (*up to \$35,000 if home is in a CDBG entitlement city*) in SHLP funds as an amortizing loan at 0% with a maximum term of 30 years/360 months OR maximum of 33 years/396 months if combined with a USDA 502-Direct loan to eligible borrowers.

Members enter into a “Participation and Servicing Agreement” with the Agency, under which one promissory note and deed of trust secure funds loaned from two separate sources: the Member and NCHFA. Home buyers will make just one monthly payment to the Member organization which will then forward the SHLP’s pro rata share to the Agency.

The Agency reserves the right to reduce or withdraw funding per loan if these thresholds are not met; the borrower’s income is not sufficiently stable; the unit does not meet program design for quality and durability; or if the unit or borrower do not meet other program guidelines.

### **Energy Efficiency and Green Building Fee**

As part of the SHLP program, the Agency provides a fee for homes meeting SystemVision™ Standards and certain Green Building Certifications.

For homes built to the SystemVision™ for New Homes Standards, a \$4,000 for homes built on an insulated slab or \$5,000 for homes built with a sealed crawlspace per unit fee will be paid to the Member to compensate them for meeting a higher building standard.

For homes rehabilitated to the SystemVision™ for Existing Home Standards, a \$5,000 (the standard certification) or \$6,000 (standard certification and the HVAC system replaced to program standards) fee will be paid to the Member to compensate the Member for meeting a higher building standard.

NCHFA provides an additional \$1,000 fee for SystemVision™ certified units that also meet one of the following Green Building Certifications:

- EnergyStar 3.0, LEED for homes (any level)
- NGBS standards
- Enterprise’s Green Communities standards
- Green Built NC standards.

Units that qualify under SystemVision™ for New Homes *do not* automatically qualify under EnergyStar 3.0. EnergyStar 3.0 is treated as a green building program option, and Members will need to contract with their own EnergyStar rater to receive a certificate under that program.

A portion of the certification fee is paid to help defray the additional construction costs incurred to meet the higher building standards that cannot be captured in the sales price. This includes compensating Advanced Energy Corporation for completing various inspections throughout the building process.

For more information about the SystemVision™ standards, please contact  
Lisa Manuel at Advanced Energy: 919- 857-9018 or [lmanuel@advancedenergy.org](mailto:lmanuel@advancedenergy.org)

## Additional Financing: IDA Matching Funds

If the home buyer has successfully completed an NCHFA-recognized IDA Program administered by a NCHFA Community Partner Loan Pool (CPLP) Member, he/she may also be eligible for IDA Matching Funds.

NCHFA can be a secondary source of match funds for home buyers that use their IDA savings to help purchase a home from a SHLP Member. However, the CPLP Member must submit a separate application for IDA Matching funds.

If approved, NCHFA will provide funding to match the home buyer's IDA savings on a 2:1 basis with the following minimum and maximum amounts available:

Minimum NCHFA Match: \$1,000.00  
Maximum NCHFA Match: \$2,000.00

Minimum Home Buyer Savings: \$ 500.00  
Maximum Home Buyer Savings: \$1,000.00

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

- No cash out allowed at closing for home buyers approved for IDA Matching Funds
- IDA Program must be pre-approved by NCHFA
- Borrowers must complete at least 21 hours of financial literacy and home buyer education
- The IDA Program Sponsor must provide an equal or great local match relative to the amount requested by the Agency.

For more information, please contact your Community Partner Coordinator.

## SHLP Member Fee

To defray expenses associated with packaging the SHLP loan as well as educating, and counseling the home buyer, NCHFA will provide a \$1,500 fee to the Member which is payable upon receipt of the complete closing package.

## Funding Available for SystemVision™ Only Option

Under the SystemVision™ Only option the Agency will disburse \$1,000 to the Borrower as a deferred, 0% down payment assistance loan that will be forgiven over 5 years (20% per year) and recorded with a Promisory Note and Deed of Trust. This \$1,000 is subtracted from the appropriate SystemVision™ certification fee disbursed to the Member after closing with Green Building certification fee, if applicable. Borrowers must be income eligible to receive SystemVision™ Only assistance just as they would for any SHLP loan.

Once Member reaches the annual funding cap, no funds will be made available unless otherwise communicated by NCHFA. Funding availability is assessed throughout the year. NCHFA reserves the right to exceed the annual funding cap if unreserved funds are available.

SystemVision™ Only Option		
Type of Assistance: Borrower	New Construction	Rehab / Existing
Deferred, down payment assistance loan at 0% that is forgiven over 5 years to Borrower	\$1,000	\$1,000
Type of Assistance: Member		
Deferred, loan at 0% that is forgiven over 5 years to Member	\$3,000 (slab) <u>or</u> \$4,000 (crawl) <i>Plus</i> <i>\$1,000 from the Borrower</i>	\$4,000 <u>or</u> \$5,000 if new HVAC system installed <i>Plus</i> <i>\$1,000 from the Borrower</i>
Green Building Certification development fee to Member	\$1,000	n/a
Home Buyer Preparation and Documentation fee to Member	n/a	n/a
TOTAL (maximum available to Borrower and Member):	\$5,000 / \$6,000	\$7,000 / \$8,000

As part of the HOME affordability period requirements, the Agency must disburse a minimum of \$1,000 to the borrower so that there are funds to recapture should the borrower not occupy the home as their principle residence during the affordability period, which is also five years. This \$1,000 must show on the Settlement Statement or Closing Disclosure, and the same requirements of only minimal cash out of closing apply (*not to exceed \$2,500*). Borrowers must income-qualify for SystemVision™ Only Assistance funds exactly as they would for other SHLP funding. Should the unit sell during the five (5) year affordability period, the pro-rata share of the \$1,000 fee (*\*20% forgiven each year*) will need to be repaid to the Agency by the Member out of proceeds from the sale.

<b>SHLP Assistance Options</b> <i>(New and effective 01-01-23)</i>			
<b>Borrower Benefits &amp; Requirements:</b>	<b>Option A:</b> Home Buyer Loan + SystemVision™ with or without Green Certification	<b>Option B:</b> Home Buyer Loan only	<b>Option C:</b> SystemVision™ Only with or without Green Certification
Maximum Financing Available	<b>\$50,000</b> as a shared 1st Mortgage <u>or</u> 2nd Mortgage <i>*\$35,000 if home in a CDBG entitlement city</i>	<b>\$50,000</b> as a shared 1st Mortgage <u>or</u> 2nd Mortgage <i>*\$35,000 if home in a CDBG entitlement city</i>	\$1,000 as a loan to the borrower
Type of Assistance	Amortizing participation loan	Amortizing participation loan	Forgivable subordinate loan - Over 5 years
Interest	0%	0%	0%
Term	20-30 yrs. <i>*NOTE: Up to 33 yrs. If combined w/ USDA 502 loan</i>	20-30 yrs. <i>*NOTE: Up to 33 yrs. If combined w/ USDA 502 loan.</i>	5 years for the \$1,000 loan which is forgiven 20% per year
Maximum Sales Price of Home:	95% of Area Median Sales Price	95% of Area Median Sales Price	95% of Area Median Sales Price
Type of Home:	New and Existing Single family homes <i>NOTE: Pre-1978 homes must be pre-approved</i>	New and Existing Single family homes <i>NOTE: Pre-1978 homes must be pre-approved</i>	New and Existing Single family homes <i>NOTE: Pre-1978 homes must be pre-approved</i>
1 <sup>ST</sup> Mortgage Product	Habitat for Humanity	Habitat for Humanity	Habitat for Humanity
Recapture:	Upon default or sale.  <i>NOTE: If home is inherited by an income-eligible heir, Agency may allow loan to be assumed or issue a new loan.</i>	Upon default or sale.  <i>NOTE: If home is inherited by an income-eligible heir, Agency may allow loan to be assumed or issue a new loan.</i>	Upon default or sale within the first 5 years, Buyer pays remaining principal balance to Agency



## SHLP Assistance Options

<b>Borrower Benefits and Requirements:</b>	<b>Option A:</b> Home Buyer Loan + SystemVision™ with or without Green Certification	<b>Option B:</b> Home Buyer Loan only	<b>Option C:</b> SystemVision™ Only with or without Green Certification
Affordability Period	5-15 years depending on amount of SHLP assistance	5-15 years depending on amount of SHLP assistance	5 years
Occupancy Requirements	Borrower's principal residence during affordability period <i>(*considered default if not)</i>	Borrower's principal residence during affordability period <i>(*considered default if not)</i>	Borrower's principal residence during affordability period <i>(*considered default if not)</i>
Home Buyer Education and Counseling Requirement	Must complete a HUD approved Home Buyer Education course <u>and</u> Pre-purchase counseling from a HUD certified housing counselor	Must complete a HUD approved Home Buyer Education course <u>and</u> Pre-purchase counseling from a HUD certified housing counselor	Must complete a HUD approved Home Buyer Education course <u>and</u> Pre-purchase counseling from a HUD certified housing counselor
Maximum Home Buyer Ratios	Maximum <b>32%</b> housing ratio, maximum <b>45%</b> debt-to-income ratio	Maximum <b>32%</b> housing ratio, maximum <b>45%</b> debt-to-income ratio	Maximum <b>32%</b> housing ratio, maximum <b>45%</b> debt-to-income ratio
Minimum Credit Score	n/a	n/a	n/a
Asset Limits (Requirements)	If > \$5,000, must include interest earned in HH Income calculation	If > \$5,000, must include interest earned in HH Income calculation	If > \$5,000, must include interest earned in HH Income calculation
Other Property Ownership:	Not allowed unless multiple heir property	Not allowed unless multiple heir property	Not allowed unless multiple heir property

## SHLP Assistance Options

	<b>Option A:</b> Home Buyer Loan + SystemVision™ with or without Green Certification	<b>Option B:</b> Home Buyer Loan only	<b>Option C:</b> SystemVision™ Only with or without Green Certification
<b>Member Fees:</b>			
Home Buyer Prep fee	\$1,500	\$1,500	N/A
SystemVision™ New Homes certification fee	\$4,000 (slab) <u>or</u> \$5,000 (crawl)	n/a	\$3,000 (slab) <u>or</u> \$4,000 (crawl)  <i>PLUS</i> <i>\$1,000 for Borrower(s)</i>
SystemVision™ Existing Homes certification fee	\$5,000 <u>or</u> \$6,000 <i>if</i> new HVAC installed	n/a	\$4,000 <u>or</u> \$5,000 <i>if</i> new HVAC installed  <i>PLUS</i> <i>\$1,000 from Borrower(s)</i>
Green Building certification fee (new construction)	\$1,000	n/a	\$1,000
Maximum Fees per home (as applicable):	Up to \$8,500.00	\$1,500.00	Up to \$7,000.00

## 7. General Loan Requirements for SHLP

### Shared Mortgage Financing

NCHFA will provide shared financing under the following two options:

#### OPTION 1: Amortizing First Mortgage

The SHLP Member and NCHFA share financing of a combined 0%, amortizing first mortgage for eligible borrowers. The Member's first mortgage must be equal to or greater than the SHLP loan. In addition, SHLP funding cannot exceed 50% of the sales price.

Members are *responsible* for servicing the participation loan, or ensuring that their agent/sub-servicer services the loans. NCHFA will auto draft the SHLP portion of the home buyer's loan payment from the Member's bank account on a monthly schedule. The Member must immediately contact NCHFA if it changes bank accounts so that the auto draft references the correct account number.

#### OPTION 2: Amortizing Subordinate Mortgage

The SHLP Member and NCHFA share financing of a combined 0% second amortizing mortgage to eligible borrowers. Member's second mortgage must be a *minimum* of \$10,000 in subordinate financing. In addition, SHLP funding cannot exceed 50% of the sales price.

The Amortizing Subordinate Mortgage option allows SHLP Members to originate and close a first mortgage in their name as well as work with an Alternate First Mortgage lender. Please note that the First Mortgage must be equal to or greater than the SHLP loan. Servicing for all amortizing mortgages must be handled either by the SHLP Member or their designated sub-servicer. Whichever servicing approach is utilized, all servicing must be consolidated to a single servicer for all the amortizing mortgages so the borrower makes only one monthly payment.

SHLP Member **MUST** contact their Community Partner Coordinator to discuss this option further. In addition, the Member must submit a completed Alternate 1<sup>st</sup> Mortgage Review Form and receive approval from NCHFA *before* they submit a reservation under Option 2 for the first time **OR** anytime the Member plans to change financing strategies.

*\*NOTE: Please see Appendix 5 for a copy of the Alternate 1<sup>st</sup> Mortgage Review Form. You can also download it from the SHLP Forms and Resources page on the NCHFA website:*

*<https://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool/forms-and-resources>*

If a SHLP Member proposes any other financing strategy, they must contact NCHFA for approval of the alternate financing strategy. Moreover, the Member must submit the request *at least* ninety (90) days prior to the submission of a reservation under the proposed financing strategy.

All SHLP loans will be provided as interest-free amortizing mortgages to eligible home buyers. Recipient organizations may use their own loan documents to make permanent participation loans, securing funds from both the recipient and the SHLP under a single first or second mortgage, provided:

1. Certain required language is included in the note and deed of trust to reference the dual funding sources
2. Loan term does not exceed 30 years when combined with a Habitat first or second amortizing mortgage or 33 years if combined with a USDA 502 Direct loan.
3. Loan documents are reviewed and approved by the Agency prior to closing (Agency will review the Promissory Note and Deed of Trust for each unit funded as part of the approval process).
4. Restrictive Deed Covenants enforcing the HOME Affordability Period are properly recorded (supplied by the Agency).

SHLP Members must retain the original executed and recorded notes and deeds of trust on file and forward copies of appropriate documents to the Agency within 5 business days of closing the loan, as specified in the SHLP Closing Instructions Letter.

**Funding Available in CDBG Entitlement Cities (*New and effective 01-01-23*)**

Under either the first mortgage or second mortgage option, SHLP members are limited to a maximum loan of \$35,000, or no more than 50% of the sales price, whichever is less, for a home sold in one of the following 24 CDBG entitlement cities in North Carolina:

Asheville	Gastonia	Lenoir
Burlington	Goldsboro	Morganton
Cary	Greensboro	New Bern
Chapel Hill	Greenville	Raleigh
Charlotte	Hickory	Rocky Mount
Concord	High Point	Salisbury
Durham	Jacksonville	Wilmington
Fayetteville	Kannapolis	Winston-Salem

**Flood Insurance Eligibility and Maintaining Flood Insurance**

Structures including homes and other residential improvements must be outside the 100-year floodplain, also called a Special Flood Zone. If any portion of the structure is located within a Special Flood Zone, the home must be eligible for the National Flood Insurance Program and flood insurance must be maintained for the life of the loan. If a clear determination cannot be made about the boundary of the structure(s) relative to the flood zone, flood insurance must be maintained for the life of the loan.

**SHLP Submissions**

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

1. The **Reservation Request**: Member submits Reservation Request and Environmental Review via the NCHFA Loan Pool Portal with Flood Map of home to be purchased attached. Members may submit their request *no more than* ninety (90) calendar days prior to the anticipated closing. In addition,

Members should NOT submit Reservations with *less than* eighteen (18) Agency business days *prior* to the scheduled closing.

2. The **Underwriting Package**: Member submits the underwriting package via the NCHFA Loan Pool Portal with applicable documents attached. Documents will include: income documentation, affidavits, and required Inspections for an existing home or a Certificate of Occupancy (CO) for a new home. Members may submit the Underwriting Package as soon as their Reservation Request has been approved but no less than fifteen (15) Agency business days *prior* to the scheduled closing.
3. The **Final Closeout Package**: Includes copies or originals of recorded loan documents and energy efficiency and/or green building certifications, if applicable. As specified in the NCHFA Closing Instructions sent to the Closing Attorney, the signed set of closing documents must be received at NCHFA within five (5) Agency business days of the SHLP loan closing.

### **Underwriting Package**

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

- Current Paystubs (*60 days of paystubs no more than 90 days old*)
- W-2 for previous year
- Verification of Employment
- Home Buyer Written Agreement (*\*must be signed, no electronic signatures*)
- Property Appraisal
- Sales Contract
- Borrower Affidavit (*\*must be signed, no electronic signatures*)
- Addendum to Sales Contract (*\*must be signed, no electric signatures*)
- Required Inspections for an Existing Home: (1) Home Inspection by a licensed NC Home Inspector, and (2) local Minimum Housing Code or Housing Quality Standards (HQS) Inspection, whichever is applicable. If a major problem is identified by either inspection, Proof of Repairs must be submitted. If home is more than 10 years old, proof that Major Building Systems have at least 5 years usable life must be submitted.
- Required Inspection for a Newly Constructed Home: Certificate of Occupancy (CO) should be submitted with Underwriting Package if available. Must be submitted prior to closing.
- Completion of required Home Buyer Education & Pre-purchase Counseling
- Loan Estimate Disclosure

*\*NOTE: The following three required SHLP documents are auto generated by the Portal system based on information entered:*

1. *Home Buyer Written Agreement*
2. *Borrower Affidavit*
3. *Addendum to Sales Contract*

*These documents must be signed by the Borrower and uploaded with the Underwriting Package. Please note that NCHFA does not currently accept electronic signatures on any of these required documents.*

**\*\*\*\*\* IMPORTANT NOTE \*\*\*\*\***

Member staff must complete a NCHA Loan Pool Portal Training *before* they submit an application for SHLP assistance. For more information on the Portal, see Appendix 2.

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

**Pre- and Post-Closing a SHLP Loan (Effective: 06-01-21)**

Once the Borrower has been approved for SHLP assistance by the NCHFA Underwriter, the Member will receive an Underwriting Approval Letter /Conditional Approval Letter (*\*see sample letter in Appendix 3*).

The Member can then select the closing date but they must provide NCHFA with at least **seven (7)** Agency business days' notice. NCHFA staff needs this time to prepare the applicable SHLP closing documents and to process any SHLP funds sent to closing (*i.e. \$1,000 for SystemVision™ Only Assistance*). Available closing dates will be reflected in the Closing Calendar integrated into the NCHFA Online Portal.

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

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

Moreover, changes that will require the Member to resubmit the file for underwriting include:

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

Once the loan is re-approved, the Member can proceed with scheduling the closing date via the portal.

*\*NOTE: For changes in any Amortizing Mortgage Amount of less than \$5,000, the SHLP Member must notify NCHFA of the change before scheduling the closing but the file will not have to be resubmitted for underwriting. However, failure to notify NCHFA will result in the SHLP loan being unapproved. The Member must resubmit the file for underwriting and have it re-approved.*

**Pre-Closing Timeline and Documents**

Once the closing has been scheduled through the NCHFA Loan Pool Portal, the assigned NCHFA paralegal, will send a Closing Instructions Letter to the Closing Attorney with the following items:

- Copy of Loan Participation & Servicing Agreement

- Participation Agreement Instructions which outline the necessary changes to be incorporated within the Loan Note and Deed of Trust for the Combined first mortgage loan.

The Closing Instructions Letter includes a list of the documents that the Closing Attorney must submit to NCHFA at least 3 Agency business days prior to the closing:

- Copy of Promissory Note (showing HFH and NCHFA 1st lienholder)
- Copy of combination Deed of Trust
- Completed Loan Closing Disclosure  
*NOTE: \*SHLP Member & Closing Attorney are responsible for preparing the Loan Closing Disclosure*
- Executed Pre-Closing Letter signed by the closing attorney
- Signed copy of Certificate of Occupancy, *if not provided with the Underwriting Package*

**\*\* \* IMPORTANT! \*\*\***

The Closing Attorney needs to email the above listed closing documents *at least 3* Agency business days *prior* to the closing. Please send documents to the assigned NCHFA paralegal listed in the Pre-Closing Instructions.

Once the due diligence items are received and reviewed, NCHFA will send the following items to the Closing Attorney to bring to the loan closing:

- Declaration of Deed Restrictions provided by NCHFA to be executed
- Authorization Code to close the SHLP Loan  
*\*NOTE: NCHFA will review the final Closing Disclosure for the first mortgage and all other funding before issuing authorization to close*

**\*\* IMPORTANT! \*\***

If closing is delayed for any reason, Member must contact the assigned NCHFA paralegal, *immediately* so we can instruct the Closing Attorney on next steps to take. Depending on how long the closing is delayed, a new set of closing documents and/or new check may have to be generated by NCHFA.

*\*NOTE: The NCHFA paralegal working on the SHLP closing is identified in the Pre-closing Instructions sent to the closing attorney.*

After the closing, the Attorney or Member should contact the assigned NCHFA paralegal to confirm that the loan closed on schedule.

### **Post-Closing Timeline and Documents**

The Closing Attorney and/or Member should review appropriate closing documents for completeness and accuracy before they are submitted to NCHFA. This includes making sure closing documents were recorded at the Register of Deeds in the applicable county where the home is located. Specifically, the Closing Attorney or Member must submit copies of the following closing documents to NCHFA within five (5) business days of closing to Laura Altimare, Program Documentation Specialist:

For SHLP 1st Mortgages: Amortizing First Mortgage (Funding OPTION 1):

1. Executed Promissory Note

2. Recorded Deed of Trust and recording receipt
3. Recorded Declaration of Restrictive Covenants
4. Evidence of Hazard Insurance with acknowledgement of Lender’s loan interest(s). Minimum amount of policy: sufficient to cover total replacement costs of dwelling
5. Executed Loan Closing Disclosure for Closing

For SHLP 2nd Mortgages – Amortizing Subordinate Mortgage (Funding OPTION 2):

1. Executed Promissory Note
2. Recorded Deed of Trust
3. Recorded Declaration of Deed Restrictions
4. Recorded Request for Notice(s)  
(originals of these documents to be completed, executed, and recorded by closing attorney’s firm)
5. Executed Borrower’s Affidavit
6. Executed Loan Closing Disclosure for 1<sup>ST</sup> Mortgage
7. SHLP “Combination” Loan Closing Disclosure
8. Signed W-9 for all Borrowers
9. Supplemental Closing Instructions executed by closing attorney

Please send **copies** of the appropriate Closing Documents and applicable Energy Certifications to Laura Altimare, Program Documentation Specialist:

Email address: [lmaltimare@nchfa.com](mailto:lmaltimare@nchfa.com)

Mailing address: North Carolina Housing Finance Agency  
ATTN: Laura Altimare  
3508 Bush Street  
Raleigh, NC 27609-7509

*NOTE: As per the SHLP Participation & Servicing Agreement, the Member must keep originals of any non-recorded closing documents on file.*

### **Payment of Loan Amount and Member Fees**

Once the appropriate documentation has been received, NCHFA will process one or two SHLP payments, depending on whether or not the home received SystemVision™ and/or Green Building Certification.

**ONE PAYMENT for Homes Without SystemVision™ or Green Building Certification:**

If appropriate closing documents are received within 5 Agency business days of the closing, NCHFA will process one payment for the Borrower funds up to \$50,000 (or up to \$35,000 if home sold in a CDBG entitlement city) plus the Member fee for loan packaging and home buyer prep services (\$1,500.00).

If the closing documents are not received within this timeline, the Member must intervene to insure that the closing-related items listed in the Closing Instructions Letter are provided no later than 15 Agency



business days after the closing. The \$1,500 Member fee will be forfeited if documents are not received within this timeframe.

However, if the delay was due to circumstances beyond the Member's control, they can submit an appeal with sufficient documentation to Kim Hargrove, Team Leader – Documentation and Compliance, for review. She will make the final determination if any or all the Member fee(s) will be forfeited.

**TWO PAYMENTS for Homes With SystemVision™ and/or Green Building Certification:**

If the appropriate closing documents are received with 5 Agency business days of the closing, NCHFA will process one payment for the the Borrower funds up to \$50,000 (*or up to \$35,000 if home sold in a CDBG entitlement city*). However, the Member fees for loan packaging and home buyer prep services (\$1,500) and SystemVision™ and/or Green Building Certification will be processed together once all the applicable certifications are received at NCHFA.

### **Standard SystemVision Certification Policy**

Homes certified to SystemVision™ and/or Green Building Standards must have *passed* the final inspection PRIOR to occupancy and ideally, PRIOR to closing. The SystemVision™ and Green Building fee may be forfeited if the buyer occupies the home prior to receiving a passing SystemVision™ or Green Building final inspection. This requirement is both for the safety of the home buyer and to prevent needless re-inspections delays after occupancy.

As such, SystemVision™ certification should be obtained no later than thirty (30) calendar days after occupancy or closing. As mentioned above, if the final inspection is completed and passed prior to occupancy, it is unlikely this will be an issue. If the SystemVision™ certification is not received within thirty (30) calendar days of occupancy or closing, the SystemVision certification fee will be forfeited: up to \$5,000 for a newly constructed home and up to \$6,000 for an existing home.

NCHFA recognizes that processing a Green Building Certification requires more time than SystemVision Certification™. As such, Members have up to one hundred twenty (120) calendar days to submit the applicable Green Building certification to NCHFA. Failure to do so within this timeframe will result in the Member forfeiting the \$1,000.00 certification fee.

However, if a delay in submitting either certification was due to circumstances beyond the Member's control, they may submit an appeal with sufficient documentation to Kim Hargrove, Team Leader, for review. She will make the final determination if any or all of the SystemVision™ and/or Green Building certification fee(s) will be forfeited.

Finally, SHLP membership may be revoked or terminated for any Member that is delinquent on submission of the required closing documents, applicable certifications or other documentation more than 3 times in a calendar year. However, the Member may reapply for membership when their organizational capacity has improved.

### **Emergency Response SystemVision™ Certification Policy**

In the event of an emergency that would limit the ability for Advanced Energy staff, building inspectors, or energy raters to physical conduct inspections (pandemics, hurricanes, wild fires, etc.), Advanced

Energy will coordinate with relevant construction staff to conduct remote inspections. Performance testing (i.e. duct blaster, blower door, pressure testing) may be postponed until the emergency has subsided. In the case of an emergency related delay, NCHFA will recognize a certification without the physical inspection for the certification incentive. It will be the responsibility of the loan pool member, Advanced Energy, and the borrower to setup a time for performance testing after the emergency has subsided.

## 8. Servicing Issues

### Loan Servicing Capacity

Members must maintain their organizational capacity to service loans for the likely life of the SHLP loan. At a minimum, Members must have at least one paid staff member. With Agency approval, Members may choose to contract with other Member organizations, local banks, or professional servicers to service the SHLP loans.

*NOTE: As per HUD, no servicing fee may be charged to the borrower for servicing the SHLP loan. Also, Member must also notify NCHFA when a Third-Party Servicer is contracted to sub-service a SHLP funded loan on behalf of the Member.*

### Refinancing Standards: Loan Servicing & Repayment

SHLP funding, up to \$50,000 (*\$35,000 if home sold in a CDBG entitlement city*), is repaid to the Agency over the life of the loan term or when the borrower sells the home, refinances or no longer occupies the property as their primary residence. The funding is recaptured upon default. If the home is being inherited by an income-eligible heir, the Agency may allow the heir to assume the original loan or issue a new loan.

SHLP Members must contact the Agency about any proposed SHLP loans modifications, assumptions, or subordinations by emailing [Subordinations@nchfa.com](mailto:Subordinations@nchfa.com). Each loan requires case-by-case approval by NCHFA for modifications and/or subordination. Assumptions are allowed in the case of transfer of property due to inheritance or changes to the household configuration (*i.e., divorce*). Any other reason must be pre-approved by the Agency. Subsequent borrowers must be income qualified to be eligible for assumption due to the affordability requirements for the HOME funding used in SHLP. In all cases, the Agency must approve the assumption and legal documents used.

In most cases, certification fees earned for SystemVision™ with or without Green Building do not have to be repaid to the Agency. However, if the Member received SystemVision™ Only Assistance and the home is sold during the 5-year HOME Affordability Period, the pro-rated share of the SystemVision™ and Green Building Certification fees must be repaid to the Agency out of the sales proceeds.

### Death of a Borrower

In the event of the death of a borrower, the SHLP Member must contact their assigned Community Partner Coordinator.

### Recapture and Affordability Provisions

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

Amount of SHLP Assistance (\$):	Affordability Period:
More than \$40,000	15 years
\$15,000 to \$40,000	10 years
Less than \$15,000	5 years

If the borrower chooses to sell the property and repay the Agency in full, the recapture and affordability provisions no longer apply.

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

If the Borrower can document that the sale did not generate sufficient funds to cover NCHFA's portion of the loan in full, the Agency agrees to accept the net proceeds in full satisfaction. If the price set out in the proposal does not reflect the Fair Market Value of the property, NCHFA shall have the right to demand its pro-rata share of the loan to be paid in full.

*\*NOTE: Any balance forgiven due to lack of sufficient proceeds likely may need to be treated as income when the borrower files taxes for the year in which the property sold. If so, NCHFA will issue a 1099 to the borrower. Borrower should consult with a tax specialist for more information.*

SHLP funds are governed by executed promissory notes and secured by deeds of trust for each unit. The units are also subject to a declaration of deed restriction and must comply with HOME regulations and provisions. Additional guidance regarding recapture, as well as repayment, loan servicing, and other related matters can be found in the Member's SHLP Participation and Servicing Agreement.

### **Foreclosures and Recycled Units**

In the event of a foreclosure, the SHLP Member must contact their assigned Community Partner Coordinator. Members remain in contact with NCHFA throughout the foreclosure process.

The Member may have the option of finding a program-eligible borrower to assume the financing attached to the SHLP-funded unit. If so, the existing SHLP loan must be paid off and a new SHLP loan secured for another program-eligible borrower.

Members who have a home returned to them through foreclosure, assumption, or deed-in-lieu of foreclosure and who want to sell the unit to another eligible borrower need to:

- Pay off the balance on the SHLP loan, if NCHFA financed the unit originally;
- Have home inspected for compliance with local Minimum Housing Code or if applicable, Housing Quality Standards (HQS);

- Have home inspected by a licensed NC Home Inspector

The NC Department of Insurance maintains a state listing of licensed Home Inspectors here: [https://ncdoi.com/osfm/Engineering\\_and\\_Codes/HILB.aspx](https://ncdoi.com/osfm/Engineering_and_Codes/HILB.aspx).

Members need to coordinate timing of the payoff of the original SHLP loan with the NCHFA servicing department. The balance of the loan payment is due to NCHFA before transfer of the property to the Member.

To verify the balance of the SHLP loan, the Member can send a request to [payoffs@nchfa.com](mailto:payoffs@nchfa.com). Someone from the Agency's servicing department will contact the Member with additional instructions.

The Agency reserves the right to request repayment prior to resale if the Agency deems this request necessary. As soon as the Member is aware of a pending change in ownership (foreclosure, assumption, etc.), please contact your assigned Community Partner Coordinator.

Members who are not communicating promptly about progress towards repayment and/or recycling the home for a new income qualifying borrower may be required to immediately repay the SHLP loan and/or forfeit the member fee on a future SHLP loan.

### **Privacy Notices and Confidentiality**

In the process of servicing the SHLP loan, the Member must ensure that borrowers are adequately informed about what personal information is collected from the borrower and how it is shared between the Member, NCHFA, the servicer (if applicable), and other organizations engaged in the funding, servicing, account maintenance, and responding to court orders, legal investigations, or reporting to credit bureaus. Personal information from SHLP borrowers must be treated as confidential and must be safeguarded from unauthorized access. Privacy notices must be provided to the borrower within a reasonable timeframe after the closing of a loan that denote what information is held by the Member and their servicer (if applicable) and how that information may be shared between NCHFA, the Member, other funders, and other organizations as part of the ongoing servicing and management of their loan for the entirety of the loan and possibly after the loan has been repaid depending on the nature of the inquiry.

## 9. Additional Program Requirements

### Information Security

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

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

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

To learn more about our system, please go to:

<http://userawareness.zixcorp.com/sites/index.php?b=486d9255f67a440f54eddd1cd0df8ac0&type=2&p=2>

### Helping Home Buyers with Limited English Proficiency

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

NCHFA will ensure that each SHLP Member has a current Four Factor Analysis or LAP if applicable. Organizations applying for new membership in the SHLP will provide this information at application. Also, NCHFA recommends Members update their Four Factor Analysis or LAP *at least every five (5) years* or as new Census Data is available. If a Member changes their Service Area, they must update their Four Factor Analysis, LAP if applicable, as well as their HOME Written Agreement (*\*For more information on the Four Factor Analysis or LAP, please see Appendix 6*).

### Relocation Assistance

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

## Affirmative Marketing and Fair Housing

SHLP Members must comply with all federal fair housing laws and regulations, including affirmative marketing and anti-discrimination policies. Marketing of Agency-funded programs like SHLP must be open and non-discriminatory. Guidance on meeting affirmative marketing requirements and additional information on fair housing and non-discrimination may be found at the website:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/fair\\_housing\\_equal\\_opp](http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp).

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

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



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

## Conflict of Interest

Every SHLP member must submit a copy of their organization's Conflict of Interest policy as part of the initial membership application. The member must recertify the policy is still current *at least* every three (3) years and notify NCHFA of any changes.

A conflict of interest may occur when an employee, or a member of an employee's family, friend, or business associate may stand to benefit directly or indirectly, from a program, contract, or other matter pending before the Board of Directors. A conflict of interest may either be real or perceived. When the SHLP Member become aware of an actual or perceived conflict, the SHLP Member must promptly identify and disclose it so NCHFA can manage it in an appropriate manner.

The existence of a conflict of interest does not necessarily mean that any individual acted improperly or illegally, but it does require that the SHLP Member handle such conflict properly to avoid violation of federal and/or state rules or SHLP Member policy.

If the SHLP Member believes they may have an actual, potential, or perceived conflict of interest, they must notify NCHFA in writing (via email is acceptable) seeking guidance on how to resolve the potential conflict. The notice must include all relevant information and describe the nature of the conflict. NCHFA will then notify the SHLP Member what action is necessary to address the potential conflict of interest.

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

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

In all cases, borrowers should be given the option to "shop for" lenders, realtors, appraisers, inspectors or any other real estate service provider related to their transaction, if applicable. While choices for real estate service providers may be limited in some areas, the borrower(s) must be allowed to choose.

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

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

### **Records Retention Policy**

In addition to the HOME Written Agreement provisions regarding Record Keeping & Reporting (*\*see Section I*), the SHLP Member should retain documents that support the organization's efforts to Affirmatively Further Fair Housing and affirmatively market the SHLP program. The following records should be kept for a period 5 years after the affordability period ends:

- Any Fair Housing Complaints Filed Against the Member's Organization
- Affirmative Marketing Efforts
- Limited English Proficiency requests for accommodation and if applicable, compliance with Member Organization's Language Access Plan
- Documentation that supports housing counseling time spent with clients served by SHLP
- Privacy Notices provided by the Member or the Member's subservicer to the borrower regarding the serving of the loan.

In addition, the Member needs to keep all borrower eligibility documentation on file for 5 years after the affordability period ends.

*\*NOTE: For more info on the Affordability Period, see pages 42-43.*

### **Monitoring of Member**

NCHFA staff will monitor a sample of active SHLP members every five (5) years, and more frequently, if deemed necessary. Items to be monitored include:

1. Updates to Four Factor Analysis or Language Access Plan (LAP), if applicable, plus documentation of any Limited English Proficiency requests for accommodation and how they were addressed
2. Plan and actions to Affirmatively Further Fair Housing
3. Documentation that supports home buyer education and/or housing counseling time spent with clients served by SHLP



4. Documentation related to the approval of SHLP files
5. Agreements with partners to provide home buyer education and pre-purchase counseling (*if applicable*)
6. Agreements with partners to provide financial assistance for construction or rehab of a home purchased with SHLP funds (*if applicable*)
7. Programmatic Agreements
8. Programmatic Documents such as the annual SHLP Membership Renewal Form
9. Agreements with third party servicers, originators, or investors that have responsibility for any SHLP-funded properties

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

### **Faith-Based Organizations**

Faith-based organizations that meet the other requirements to participate as a nonprofit organization are eligible for membership. These types of organizations will receive equal consideration. However, housing activities in conjunction with SHLP must be separate in time and location from explicitly religious activities.

# APPENDIX 1: Best Practices for Siting Homes and Green Building Standards Accepted

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## **PART 1: Best Practices for Siting New/Existing Homes**

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1. Whenever possible, structures including homes and other residential improvements should be located outside the **100-year floodplain**, also called a Special Flood Zone. Members should examine site conditions including elevation changes and proximity of the structure(s) to the perimeter of the floodplain. In flood prone areas, Members should make every reasonable effort to elevate a new or redeveloped residential building within 10 feet of the floodplain to reduce or eliminate flood insurance costs.
2. Property should have no problems with drainage, steep slopes or waterways that threaten the property or increase costs for homeowners above normal site maintenance. While applying across the state, the following issues often are critical for specific regions:
  - a. Coastal Region:
    - i. salinization of potable surface and ground water
    - ii. positive storm water drainage over entire site including away from the home
  - b. Coastal Plain Region:
    - i. access to potable ground water
    - ii. positive storm water drainage away from home
    - iii. wetlands
  - c. Piedmont:
    - i. excessive storm water drainage issues
    - ii. foundation issues due to soil composition mixed with water drainage
    - iii. accessibility issues due to moderately steep slopes
  - d. Mountain Region:
    - i. soil loss due to steep slopes
    - ii. accessibility issues due to steep slopes
3. Access to property should be compatible with existing traffic patterns and street capacity. Site should not enter or exit onto a major high-volume traffic artery that would create problems for resident access or hazards to children.
4. Property should be located on, or have direct access from a publicly maintained road.
5. Property should be free from excessive traffic and noise, including that from cars, trains and airplanes

6. The property should be free from significant industrial or agricultural hazards, including hazardous substances, toxic chemicals, gas, oil and chemical storage tanks and facilities, runoff, spills, odors, noise, and airborne particulates.
7. Property should be near schools, food and other shopping, appropriate services, and recreational facilities.
8. Property should be well-integrated into existing neighborhood or community and not isolated.
9. The neighborhood should be primarily residential or a well-planned mix-use development; and adjacent areas should be compatible with residential development.
10. Physical conditions of buildings and infrastructure in the neighborhood should be acceptable unless the home is part of a neighborhood revitalization program that will upgrade the buildings and infrastructure in the neighborhood. In the latter case, a comprehensive revitalization strategy should be adopted by the locality, with revitalization work already underway.

---

## **PART 2: Green Building Standards Accepted**

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In addition to earning a certification fee for homes built/rehabbed to SystemVision™ standards, Members can also receive a certification fee for meeting one of the following five **Green Building** standards:

- Home Innovation Research Labs' National Green Building Standard (NGBS)  
[www.homeinnovation.com](http://www.homeinnovation.com)
- UGBC's LEED for Homes Program  
<http://www.usgbc.org/cert-guide/homes#introduction>
- Enterprise Foundation's Green Communities Program  
<http://www.greencommunitiesonline.org/>
- Green Built North Carolina  
<http://www.wncgbc.org/programs/green-built>
- ENERGY STAR for New Homes (3.0) under EPA and the US Department of Energy  
[https://www.energystar.gov/index.cfm?c=new\\_homes.hm\\_index](https://www.energystar.gov/index.cfm?c=new_homes.hm_index)

### **ADDITIONAL INFO:**

Members can **only** add a Green Building certification fee if they are also requesting a SystemVision™ fee.

Members will receive **\$1,000** per home regardless of which Green Building Certification is received.

Members **must add** the Green Building certification fee with appropriate SystemVision™ fee in the Funding section when submitting a SHLP Reservation.

## APPENDIX 2: Submitting SHLP Application via the NCHFA Online Loan Pool Portal

### General Information

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

What Tools Do You Need to Use the Portal?

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

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

### SUBMITTING A RESERVATION FOR SHLP FUNDS

When a Member has an eligible home and home buyer, they may submit a Reservation Request for SHLP funds using the NCHFA Loan Pool Portal: <http://www.nchfa.org/LPPortal>

**NCHFA|Online**

**SIGN IN**

Username:

Password:

Keep me logged in  
[Forgot Password?](#)  
[Forgot Username?](#)

**Log In**

**Login with Your Username & Password**

NCHFA Online provides partners and individuals access to programs offered by the North Carolina Housing Finance Agency, including the N.C. Foreclosure Prevention Fund and various Loan Pool Programs.

You must have a valid login to access these services.

If you are a homeowner interested in the N.C. Foreclosure Prevention Fund, please visit the [N.C. Foreclosure Prevention Fund](#) website for information on how to apply.

**NORTH CAROLINA HOUSING FINANCE AGENCY**

**NC Foreclosure Prevention FUND**

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The Reservation request consists of basic information on the Borrower/Co-Borrower and Property to be purchased. The only required document to be submitted with the reservation is a **Flood Map** that shows the location of the home to be purchased.

Key websites used to generate the required Flood Map of property to be purchased:

- NC Flood Risk Information System: <http://frist.nc.gov/fris/Home.aspx?ST=NC>
- Google Maps: <https://www.google.com/maps>

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

### **SUBMITTING THE SHLP UNDERWRITING PACKAGE**

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

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

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

*NOTE: See Underwriting Package on page 26 for more information.*

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

**\*\*\*\*\* IMPORTANT NOTE \*\*\*\*\***

### **For more information on NCHFA Loan Pool Portal**

Please download the recorded Intro to Loan Pool Portal training session posted on the SHLP Forms and Resources page on the NCHFA website:

<https://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool/forms-and-resources>

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

## **APPENDIX 3: Sample SHLP Reservation and Loan Approval Letters**



**North Carolina Housing Finance Agency**  
3508 Bush Street  
Raleigh, NC 27609  
(919) 877-5700

**\* SAMPLE**

**SELF HELP LOAN POOL  
RESERVATION CONFIRMATION**  
August 31, 2014

Habitat for Humanity of the Thomasville Area  
Member # 53  
PO Box 1072, Thomasville, NC 27361  
Fax: (336) 476-6375

Your Self Help Loan Pool reservation request for the below referenced borrower and property has been confirmed.

**Borrower(s) Name:** [REDACTED]

**Property Address:** [REDACTED]

**SHLP Mortgage Amount:** \$39,000.00

**Member Fee:** \$1,000.00

This reservation will remain in effect until 1/26/2015 12:00:00 AM.

\_\_\_\_\_  
Manager/Director Approval

\_\_\_\_\_  
Date



North Carolina Housing Finance Agency  
3508 Bush Street  
Raleigh, NC 27609  
(919) 877-5700

SELF HELP LOAN POOL  
LOAN CONDITIONAL APPROVAL

Insert Date

SHLP Member Name  
SHLP Member Address

The referenced underwriting package has been reviewed by NCHFA and your request for funding is approved subject to all the conditions outlined in the Self Help Loan Pool Guidelines, the SHLP Participation and Servicing Agreement, and the SHLP HOME Written Agreement.

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

Borrower(s): Borrower(s)  
Address: Borrower Address  
City: City County: County

SHLP Loan Amt: \$XX,XXX.00  
Member Fee: \$1,200.00  
System Vision for (\*add applicable type): \$X,XXX.00

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

- Copy of combination Promissory Note and all riders (showing HFH and NCHFA as lienholder)
- Copy of combination Deed of Trust and all exhibits (showing HFH and NCHFA as lienholder)
- Fully completed Loan Closing Disclosure for Combined Mortgage
- Pre-Closing Instructions executed by closing attorney
- Signed copy of Certificate of Occupancy

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

North Carolina Housing Finance Agency  
ISAOA/ATIMA  
P.O. Box 28066  
Raleigh, NC 27611-8066  
Loan #: 9223625 - 1

Sincerely,

Scott Farmer  
Executive Director - Authorized Officer

NC Housing Finance Agency Program Contact: Josh Burton  
Email: jdburton@nchfa.com Phone: (919) 877-5678



# **APPENDIX 4: Lead-Based Paint Acknowledgement Form and Assessment Form**

## Lead-Based Paint Visual Assessment: Introduction

*For Homes Constructed Before 1978*

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

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

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

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

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

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

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

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

After the deteriorated paint is stabilized and any dust or paint chips have been safely removed from the property, a **lead-based paint clearance examination** must be conducted by a certified lead professional in each worksite or area where the work was performed. If the deteriorated area did not exceed the HUD de minimis levels, no clearance examination is required. A certified Lead-Based Paint Inspector or Risk Assessor can also conduct a **Visual Assessment**. A list of state certified lead-based paint inspectors, risk assessors, and lead professionals is maintained on the NCDHHS website: <https://schs.dph.ncdhhs.gov/lead/accredited.cfm>.

## Lead-Based Paint Acknowledgement Form For Homebuyers

*For Homes Constructed Before 1978*

*(section below to be completed by the borrower and co-borrower)*

<b>Property Address:</b>	<input type="text"/>
<b>Borrower:</b>	<input type="text"/>
<b>Co-Borrower:</b>	<input type="text"/>

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

<b>Signature of Borrower:</b>	<input type="text"/>	<b>Date:</b>	<input type="text" value="/"/>	<input type="text" value="/"/>
<b>Signature of Co-Borrower:</b>	<input type="text"/>	<b>Date:</b>	<input type="text" value="/"/>	<input type="text" value="/"/>

### Lead-Based Paint Visual Assessment Form

(section below to be completed by the certified Inspector/Assessor)

**Property Address:**

**Business Name:**

**Inspector/Assessor:**

- Property has been tested and determined to not to contain lead-based paint (attach documentation)
- Property has had lead-based paint hazards abated/remediated (attach documentation)
- Property required a Visual Assessment (if not abated or tested and no lead found)

**Date of Visual Assessment:**

- I have completed a visual assessment of the above property and there is **NO** evidence of deteriorated paint.
- I have completed a visual assessment of the above property and there is evidence of deteriorated paint but the area(s) of deterioration does **NOT** exceed the HUD de minimis (minimum) levels.
- I have conducted a visual assessment of the above property and there is evidence of deteriorated paint and the area(s) does **EXCEED** the HUD de minimis (minimum) levels.

<b>Interior:</b> Is there any peeling, chipping, chalking, or cracking paint? <input type="checkbox"/> YES <input type="checkbox"/> NO	<b>Interior:</b> Deterioration exceeds the HUD de minimis (minimum) level? <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> NA
<b>Exterior:</b> Is there any peeling, chipping, chalking, or cracking paint? <input type="checkbox"/> YES <input type="checkbox"/> NO	<b>Exterior:</b> Deterioration exceeds the HUD de minimis (minimum) level? <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> NA
<b>Location(s) of Deteriorated Paint Exceeding the HUD de minimis (minimum) levels:</b> <div style="border: 1px solid black; height: 100px; width: 100%;"></div>	

**Signature of Inspector/Assessor:**       **Date:**

*\*Attach copy of Inspector/Visual Assessor credentials*

# **APPENDIX 5: NCHFA Alternate 1st Mortgage Review Form**

<b>North Carolina Housing Finance Agency</b>	
<b>Self-Help Loan Pool Program</b>	

<b>Alternate First Mortgage Review Form</b>	<b>Date of Request:</b>		
<b>SHLP Member Organization Name:</b>			
<b>SHLP: Primary Contact Name</b>	<b>Email Address</b>	<b>Phone Number</b>	
<b>Executive Director</b>	<b>Email Address</b>	<b>Phone Number</b>	
<b>Current Board Chairman</b>	<b>Email Address</b>	<b>Phone Number</b>	
<b>Investor or Lending Institution Name:</b>			
<b>Investor: Primary Contact Name</b>	<b>Email Address</b>	<b>Phone Number</b>	
<b>Date Funding Made Available:</b>	<b>Date Funding Expires:</b>	<b>Funding Per Loan Available:</b>	
<b>Any Other Special Terms, Provisions, or Fees?</b>	<b>How will defaults be handled?</b>		
<b>\$ Amount of Commitment</b>	<b>Interest Rate:</b>	<b>Anticipated Total # of Loans</b>	
<b>Which business holds the Mortgage Lender License for these transactions?</b>			
<b>Lender: Primary Contact Name</b>	<b>Email Address</b>	<b>Phone Number</b>	
<b>License Number</b>	<b>License Type</b>	<b>Expiration Date</b>	
<b>Which individual(s) holds the Mortgage Loan Originator License for these transactions?</b>			
<b>Originator: Primary Contact Name</b>	<b>Email Address</b>	<b>Phone Number</b>	
<b>License Number</b>	<b>License Type</b>	<b>Expiration Date</b>	
<b>Which organization will act as the Mortgage Servicer for these transactions?</b>			
<b>Servicer: Primary Contact Name</b>	<b>Email Address</b>	<b>Phone Number</b>	
<b>License Number</b>	<b>License Type</b>	<b>Expiration Date</b>	

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**See the websites below for more information and to look up license information:**

[http://www.nccob.org/Public/FinancialInstitutions/Mortgage/MortgageLI\\_LenderBroker.aspx](http://www.nccob.org/Public/FinancialInstitutions/Mortgage/MortgageLI_LenderBroker.aspx)

<https://www.nccob.org/Online/NMLS/LicenseSearch.aspx?from=NCCOBExtLicensed>

[http://www.nccob.org/Public/FinancialInstitutions/Mortgage/MortgageLI\\_LO.aspx](http://www.nccob.org/Public/FinancialInstitutions/Mortgage/MortgageLI_LO.aspx)

NCHFA USE:	
Reviewed By:	Date Approved:
Notes:	

Rev 9/1/17

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\*NOTE: Form can be downloaded from the SHLP Forms and Resources page on the NCHFA website:

<https://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool/forms-and-resources>

# **APPENDIX 6: Guidance for Developing a Four Factor Analysis and Language Access Plan**

*(Effective: 12/06/21)*





## NCHFA Guidance for Developing a Four Factor Analysis and LAP

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

To conduct the first part of the Analysis, you will need to access Census Data.

- Go to <https://data.census.gov/cedsci/> and search for C16001 to access the table “Language Spoken at Home for the Population 5 Years and Over.”
- Click on the Product selector and pull down to select “2019: ACS 5-Year Estimates Detailed Tables”
- Select “Geos” and under Geography select “County”, then under Within (State) select “North Carolina, then “All Counties within North Carolina”. (Alternately, you can select only those counties in your service area.
- Click “Close”.
- Select “Excel” from the top menu bar, then “Export to Excel”.

For any LEP group that is 5% or more of your county’s total population, NCHFA considers that significant size and requires a Language Assistance Plan (LAP). Each project still needs to conduct the Four Factor Analysis if the LEP population(s) are smaller than 5%.

To determine if you reach the 5% or higher threshold, take the total number of people in your county and multiply by .05. After you have this number, compare it to the numbers in the columns “Speak English less than very well”. If the number is the same or higher than the 5% number you calculated, the population is considered to be of significant size and requires a Language Access Plan (LAP) which will be discussed later in this guidance.

To conduct a Four Factor Analysis, you must assess the following:

1. The number or proportion of LEP persons eligible to be served or likely to be encountered by the program or recipient (see below for instructions);
2. The frequency with which LEP individuals come in contact with the program;
3. The nature and importance of the program, activity, or service provided by the program to people's lives; and
4. The resources available to the recipient and costs.

If your Census Data percentage is 5% or greater, you will need to create a Language Access Plan (LAP). In addition to the information provided for your Four Factor Analysis, your LAP, which should be a concise document of 1-2 pages, should address what language assistance services will be provided if requested or needed. For example, if your organization has bilingual staff or a program website in another language, these would be considered language assistance services. You can also include items like your organization will contact the Carolina Association of Interpreters and Translators if language services are requested and/or have HUD's "I Speak" cards available in your office for LEP persons who walk in. Other examples of language assistance services include: contracting with another organization to supply an interpreter when needed; using a telephone service line interpreter; or seeking the assistance of another agency in the same community with bilingual staff to provide oral interpretation. HUD's "I Speak" cards and some translated materials are available here:

[https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opp/17lep](https://www.hud.gov/program_offices/fair_housing_equal_opp/17lep)

The LAP should also include the following:

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

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

*Updated 12/6/2021*

# **APPENDIX 7: Cash Flow Worksheet for Calculating Borrower's Residual Income**



### Monthly Cash Flow FirstHome Mortgage Program

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

	Borrower	Co-Borrower
Gross monthly taxable income		
Less federal taxes		
Less state taxes		
Less social security taxes		
Less mandatory retirement plans		
Net Monthly taxable Income		
Add Non-taxable Income		
Total Net Monthly Income		

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

Current SS taxes are 7.65% of monthly taxable income.

Total Net Income (borrower & co-borrower) combined	
Less total mortgage payment (PITI + HOA dues)	
Less Maintenance & utilities (square footage <input type="checkbox"/> x .14)	
Less other recurring expenses used in calculating debt ratio	
Less debts less than 10 months Remaining	
Less child care expense	
Balance available for family support	

Family Size	Loan Amount Below \$80,000	Loan Amount Equal to or Above \$80,000
1	\$382	\$441
2	\$641	\$738
3	\$772	\$889
4	\$868	\$1003
5	\$902	\$1039
6	\$977	\$1119
7	\$1052	\$1199

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

DAP Loan

# **APPENDIX 8: Recertification Form for Supplemental Home Buyer Education Completed**

**Recertification Form:**  
**Supplemental Home Buyer Education Completed**

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

\*\*\*\*\*

Loan Pool Borrower: \_\_\_\_\_

Anticipated Closing Date: \_\_\_\_\_

HUD Certified Counselor: \_\_\_\_\_

Agency: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

\*\*\*\*\*

I certify that the Loan Pool Borrower listed above received **Supplemental Home Buyer Education** from me on \_\_\_\_\_ (date) and, in my opinion, has a good understanding of the home buying process.

The topics covered included (\*attached additional sheet if needed):

\_\_\_\_\_  
Signature of HUD Certified Counselor

\_\_\_\_\_  
Date

\_\_\_\_\_  
HUD Counselor ID #

## APPENDIX 9: HUD Income Guidelines

### HUD Guidance on Determining Income

- 1) As defined by 24CFR85 (the federal regulations governing the HOME Investment Partnerships Program, from which SHLP funds are derived), annual gross income includes, but is not limited to:
  - a. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
  - b. The net income from operation of a business or profession. Expenditures from business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included as income, except to the extent that the withdrawal is reimbursement of cash or assets invested in the operation by the family. \*NOTE: Net business losses will not be deducted from household income (NCHFA Guideline).
  - c. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as a deduction in determining net income. Any withdrawal of cash or asset from an investment will be included as income, except to the extent that the withdrawal is reimbursement of cash or assets invested by the family. Where the family's net assets exceed \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD (\*rate currently less than 1%). In order to properly include income for assets greater than \$5,000, actual interest income should be added as part of the household income or if there is no interest income, the current passbook savings rate should be used to impute an interest income amount that should be added to household income.
  - d. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment;
  - e. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except as noted in below);
  - f. Housing assistance: If the housing assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the housing assistance agency in accordance with the actual cost of shelter and utilities, the amount of housing assistance income to be included as income shall consist of the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities, plus the maximum amount that the housing assistance agency could in fact allow for shelter and utilities. If the family's housing assistance is ratably reduced from the standard need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;
  - g. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and all regular pay, special pay and allowances of a member of the armed forces (except as noted below).

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

### **Notes Regarding Documentation of Household Income**

- In cases where child support has been ordered, but not paid, on behalf of children in the household, the file must contain a statement to that effect.
- Income documentation must be retained on file and submitted to the Agency in the Loan Underwriting Package. Paystubs may be used if not more than 90 days old at the time the package is submitted for approval and the Member has included related W-2's for the previous two years'



employment. The homebuyer's income and employment status must remain stable and unchanged from the time of verification through closing. A minimum of 60 days of income information not more than 90 days old must be submitted.

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

### **Annual income includes:**

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

- The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
- The net income from operation of a business or profession. Expenditures from business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included as income, except to the extent that the withdrawal is reimbursement of cash or assets invested in the operation by the family.
- Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as a deduction in determining net income. Any withdrawal of cash or asset from an investment will be included as income, except to the extent that the withdrawal is reimbursement of cash or assets invested by the family. Where the family's net assets *exceed* \$5,000, annual income shall include the greater of the actual income derived from all family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD (*\*currently less than 1%*). Members shall note on the compliance analysis worksheet if a potential borrower has more than \$5,000 of assets or interest income.
- The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment;
- Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except as noted in below);

- Housing assistance: If the housing assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the housing assistance agency in accordance with the actual cost of shelter and utilities, the amount of housing assistance income to be included as income shall consist of the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities, plus the maximum amount that the housing assistance agency could in fact allow for shelter and utilities. If the family's housing assistance is ratably reduced from the standard need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;
- Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and all regular pay, special pay and allowances of a member of the armed forces (except as noted below).

**Household Annual income does not include:**

- Income from the employment of children (including foster children) under the age of 18 years;
- Payments received for the care of foster children;
- Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as noted above);
- Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses of any family member;
- Income of a live-in aide, as defined in 24 CFR 5.403;
- Amounts of educational scholarships paid directly to the student or educational institution, and amounts paid by the Government to a veteran, for the use in meeting the costs of tuition, fees, books, equipment, materials, supplies, transportation and miscellaneous personal expenses of the student.
- Any amount of such scholarship or payment to a veteran not used for the above purposes that is available for subsistence is to be included as income;
- The special pay to a family member serving in the armed forces who is exposed to hostile fire;
- Amounts received under training programs funded by HUD;
- Amounts received by a disabled person that are disregarded for a limited time for purposes of Supplemental Security Income (SSI) eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);
- Amounts received by a participant in a public-assistance program which are specifically for or in reimbursement of out-of-pocket expenses incurred (i.e., special equipment, clothing, transportation, child care, etc.) to participate in a specific program.
- Temporary, nonrecurring or sporadic income, including gifts;
- Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the United State Housing Act of 1937. A notice will be published in the Federal

Register and distributed to PHAs and owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

- Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
- Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.

## APPENDIX 10: Self-Help Loan Pool (SHLP) Contacts

### Program Guidelines, Marketing & Outreach, Technical Assistance and Training Questions:

- Rich Lee, Senior Community Partner Coordinator  
919-877-5688 or [rylee@nchfa.com](mailto:rylee@nchfa.com)
- Vedera Mimms, Community Partner Coordinator (*\*effective: 11-28-22*)  
919-877-5655 or [vcnimms@nchfa.com](mailto:vcnimms@nchfa.com)

*BACKUP: Kim Hargrove, Team Leader – Documentation and Compliance*  
919-877-5682 or [kchargrove@nchfa.com](mailto:kchargrove@nchfa.com)

### Underwriting Questions:

- Eddie Fishburne, Program Compliance Underwriter  
919-480-8764 or [exfishburne@nchfa.com](mailto:exfishburne@nchfa.com)

### Reservations, Payments and Membership Renewal Questions:

- Deborah Hamilton, Senior Program Documentation Specialist  
919-877-5709 or [dmhamilton@nchfa.com](mailto:dmhamilton@nchfa.com)

*BACKUP: Mark Lindquist, Senior Compliance Coordinator*  
919-501-4263 or [mwlindquist@nchfa.com](mailto:mwlindquist@nchfa.com)

### Closings and Closing Documents Questions:

- Liz Hair, Paralegal  
919-877-5712 or [echair@nchfa.com](mailto:echair@nchfa.com)
- Koshanda Ruffin, Paralegal  
919-877-5698 or [kyruffin@nchfa.com](mailto:kyruffin@nchfa.com)

### Post-Closing Documents & Energy Efficiency Certification Review Questions:

- Laura Altimare, Program Documentation Specialist  
919-981-2649 or [lmaltimare@nchfa.com](mailto:lmaltimare@nchfa.com)

### Foreclosures and Payoffs for Recycled Homes

- Mary Moss, Senior Servicing Analyst  
919-877-5697 or [mgmoss@nchfa.com](mailto:mgmoss@nchfa.com)

For more information, please go to the SHLP Program page on the NCHFA website:  
<https://www.nchfa.com/homeownership-partners/community-partners/community-programs/self-help-loan-pool>