Help More Clients Get Into Home Ownership
October 15th, 2014 – 3:45 – 5
Introductions

• Submitting Questions
• Handouts
• Don’t leave without meeting lenders and CPLP members.
• Who here is a lender? Who here is a CPLP member?
• Agency Staff
Today’s Agenda

1. An update and review about the NC Home Advantage Mortgage, Down Payment Assistance, and Mortgage Credit Certificates
2. Review about the Community Partners Loan Pool
3. Brief Technical Update on CPLP for Member Organizations
4. Cooperative Discussion about how we all can work better together (be sure to swap business cards)
N.C. Home Advantage Mortgage™

• Helps first-time and MOVE-UP buyers
• Competitive interest rates
• Downpayment assistance available
• Available on GOVT (FHA, VA and USDA loans)
• CONVENTIONAL LOANS!
• Can be combined with Mortgage Credit Certificates (for first-time buyers)
Down Payment Assistance

- 3% of loan amount for FHA, VA, & USDA
- 2% for Conventional
- Deferred, 0% interest for 15 years
- AND EVEN BETTER!!
  Completely forgiven at year 15
  Reduced by 20% per year in years 11-15
NC Home Advantage Mortgage™ can help you reach more buyers

• No Sales Price Limits
• $85,000 income limit statewide (differs for MCC & CPLP)
• Participating Lenders:
  • http://www.nchfa.com/Applications/IncomeSalesLender/HomeAd_ISL_Search.aspx
• Preferred Loan Officers:
  • http://www.nchfa.com/Homebuyers/HBprefloanofficers.aspx
• CPLP Member Organizations:
  • http://www.nchfa.com/Nonprofits/HPcommunitypartnersloan.aspx
Who is eligible for the NC Home Advantage Mortgage™?

- Principal Residence in NC
- Annual Qualifying Income of $85,000 or Less
- Middle credit score of:
  - 640 or higher for All Types: FHA, VA, USDA, Conv
- Automated Underwriting System (AUS) approval required
- 45% debt-to-income (back end) ratio for NC Home Adv.
- No housing (front end) ratio
- No borrower contribution requirement
Which properties are eligible for the NC Home Advantage?

For FHA, VA, and USDA:

- New/previously owned single-family homes
- Townhouses, condos and duplexes
- New manufactured homes with 660 credit score

For Conventional:

- New/previously owned single-family homes
- Townhouses
- Fannie Mae Approved Condos
- **NO manufactured homes** or duplexes
Our programs are easier than ever!

- Statewide lender network
- No NCHFA forms, no seller/closing affidavits
- Quick approvals, quick closings
Mortgage Credit Certificates

• UNBELIEVABLE help for first-time buyers
• Federal Tax Credit on a borrower’s federal income tax return for **first time homebuyers** (or requalifying as first time homebuyers)
  • This is the ONLY Agency program that requires first-time buyers.
• Provides a tax credit equal to 30% (existing) / 50% (new) of total interest paid annually not to exceed $2,000
  – Can still claim remaining 70% (or 50%) as deduction
Mortgage Credit Certificates

• Available for life of the loan as long as property is owner occupied
• Can be re-issued one time within 12 months of refinancing when refinanced from a fixed rate loan to another fixed rate loan
• Think – DTI Ratios!
Thank you for participating in our N.C. Home Advantage Mortgage™ program.

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Objectives of CPLP

• To assist low-wealth households, and especially those **below 80% of area median income**, to become homeowners;
• To **increase home ownership opportunities** in underserved communities;
• To **support local affordable home ownership efforts** and help develop the capacity of organizations to produce more homes;
• To leverage other public and private investment; and,
• To encourage the production and rehabilitation of healthy, energy efficient homes through the application of advanced building science.
Community Partners Loan Pool (CPLP)

A maximum **15%** of sales price at 0% interest, deferred, subordinate mortgage

- Credit scores 640 or greater
- Incomes Below 80% Area Median Income
- Must apply with participating nonprofit or local government
- Must complete and 8-hour Home Ownership Readiness Course and possible counseling
- First Mortgages: NC Home Advantage Mortgage, USDA Section 502 Mortgage, or other if approved
Can I please have a second mortgage for my client?

• How does this work?
  – Through CPLP Members: Local Governments & Nonprofits **ONLY**

• Where can I find a list of the CPLP Members?
What does a CPLP Member do?

- Ensure the borrower receives homebuyer counseling and education
  - 8 hours minimum. So don’t wait until the day before closing to start
- Evaluate the readiness of the client for homeownership
  - Budgeting, stability of income, debts, credit counseling, etc.
- Assembles and Submits the Compliance Underwriting Package the Agency reviews for CPLP
  - Reservation, Environmental Review, Household Income Documents, Inspections/Appraisals, Agreements, Affidavits, Supporting Docs, Agency Forms
- The CPLP Member may also be the developer or rehabilitation contractor for the home the client is interested in.
Can I please have a second mortgage for my client?

• What else does the CPLP Member do?
  – Coordinate with the Lender to ensure all parties approve the client and home and notify parties so that we can fund and close the loan
  – Serve as a third party in the transaction to provide advocacy and support for the borrower(s)
  – Request the funds for closing
    • 5 business days prior
    • Make sure the lender is diligently working to get approval on the NC Home Adv loan.
1. Intake (Community Engagement, Fair Housing)
2. Readiness (Screening, Counseling, Education)
3. Determining Fit for CPLP and Appropriate Subsidy
4. Document Packaging (Reservation, Underwriting, Closing Docs, Closeout)

CPLP is meant to support local affordable homeownership development efforts. The Agency is dependent on local partners to engage their community and be the primary relationship with homeownership-ready, affordable buyers across the state.
Who does what?

• Lender:
  – NC Home Advantage Loan
  – MCC
  – 2% or 3% DPA
  – Lender funds at closing

• CPLP Member:
  – CPLP Loan
  – IDA Match
  – Energy/Green
  – Housing Counseling
  – NCHFA sends funds
Key Timing Summary for CPLP Members

- **Reservation**
  - Up to 150 Days prior to closing to 4 weeks before closing

- **Underwriting**
  - 3 Weeks prior to closing
  - Updated Compliance Analysis may be needed if loan amounts or sales price changes
  - Appraisal
  - 60 days of paystubs needed not more than 3 months old

- **Inspections**
  - Existing: Home Inspection & Local/HQS – Future UPCS
  - New: Certificate of Occupancy (Can Pend for)

- **Closings**
  - Minimum of 5 Business Days notice needed to review loan docs with closing attorney
  - Be aware there are delays around state holidays and the fiscal year end close (July-June)

- **Requisitions**
  - With Underwriting Package
  - Disbursements take 5 business days

- **Closeout Documents**
  - Recorded Copies 5 days after Closing (45 days Maximum) including green certificates
Who is eligible for CPLP?

- Borrowers at or below **80% of Area Median Income**
- Sufficient income to afford the home and current household debts (32/41 with a cash flow analysis above 41)
- Generally a **640** middle credit score
- ALL borrowers must complete **at least 8 hours** of homebuyer education & counseling
- IDA Participants: Eligible for **up to $2,000** in matching of their savings (2:1)
Funding Options

The CPLP offers a zero-interest, deferred second mortgage:

- **Up to 15%** of purchase price if combined the NC Home Advantage Mortgage,
- **Up to 10%** of purchase price when combined with a USDA Section 502 Loan, or
- **Up to 10%** of the purchase price if combined with other first mortgage financing.
  - Other mortgages must be approved and demonstrate that the APR, fees, term, and monthly payment offered are better than those offered by the NC Home Adv. (with TIL & GFE)

When combined with the NC Home Adv., CPLP can also be combined with the Agency’s Down Payment Assistance and/or the Mortgage Credit Certificate.
Ratios and Subsidy Review

- CPLP Can be Combined with local DPA or other assistance.
  - CPLP subordinates based on CPLP assistance relative to other assistance

- Max Deferred/Forgiving Subsidy < 30% of Sales Price
  - What do we Include? Grants, fully deferred loans, forgiving loans
  - Basically, the borrower should be able to afford repaying at least 70% of the purchase price of the home.

- Borrower Minimum Front-End (Housing) Ratio of 20%

- Maximum Front-End Ratio of 32%

- Maximum Back-End Ratio (Total Debt Ratio) of 41%
What Types of Units are Allowed?

• Eligible Units – must be stick-built single family home, townhouse, or condominium unit.
  
  – **New units**
  – Builder Inventory (housing inspections if unoccupied for 12+ months)
  
  – **Existing Units – Less than 10 Years Old**
    • Have 2 Property Inspections
    
  – Existing Units – More than 10 Years Old – *Contact your Community Partner Coordinator*
    • Comprehensive rehabilitation or GUT rehabilitation
    • Have 2 Property Inspections
    • Must document the condition of critical building systems (minimum 5 years of usable life)
  
  – Pre-1978 Units must be pre-approved by Agency to be eligible for funding
    • Why? Lead-based paint issues because we use HUD funding for CPLP.
What Types of Units are Allowed?

• What did Josh just say about the sweet spot for CPLP? How old?
• Are you going to submit a 40 year old property as your first CPLP request?
  – PS, this is where you say, “No, I’d never do that. I really want to make Josh’s life easier.”

<table>
<thead>
<tr>
<th></th>
<th>Conventional</th>
<th>FHA</th>
<th>Conventional with $20,250 CPLP</th>
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</thead>
<tbody>
<tr>
<td><strong>Sales Price</strong></td>
<td>$135,000</td>
<td></td>
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<tr>
<td><strong>Loan Amount</strong></td>
<td>$130,950 Conv</td>
<td>$132,554 FHA</td>
<td>$20,250 / $114,750</td>
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<td><strong>Interest Rate</strong></td>
<td>4.5% FHA / 5% Conv</td>
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<td><strong>Term</strong></td>
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<td><strong>Principal &amp; Interest</strong></td>
<td>$702.97</td>
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<td><strong>Monthly MI</strong></td>
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<td>$146.56</td>
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<td><strong>Est. Taxes/Ins.</strong></td>
<td>$175.00</td>
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<tr>
<td><strong>Total Payment</strong></td>
<td><strong>$965.27</strong></td>
<td><strong>$993.20</strong></td>
<td><strong>$824.47</strong></td>
</tr>
</tbody>
</table>

Initial Savings: $27.93 ($335.16 yr.)
Savings after 78% LTV reached: $146.56 ($1,758.72 yr.)

LTV reached

* All dollar figures are purely for illustration. Final figures are based on a variety of factors.
Qualifying vs. Compliance Income

• **Lender** will use qualified income based on industry guidelines (Conv, FHA, VA & USDA).

• **Member** will include **all** income from anyone who is expected to occupy the property with exception of a full-time dependent student.
CPLP requires that all income be included for all household members over 18 years of age (with the sole exception of documented full-time students).

- Calculated income must be supported by all applicable third-party documentation, such as:
  - Most recent W2 form (2013),
  - Verification of Employment (VOE)/income forms,
  - Current pay stubs (60 days worth at least and within recent 90 days),
  - Child support decrees, documentation from child support enforcement authorities,
  - Divorce decrees,
  - Separation agreements,
  - Award letters for Social Security or Disability
  - Bonus, commission pay, overtime,
  - Minimum of 2 years tax return and current P&L for self-employed,
  - Interest and dividend income.
Existing Homes
Inspections: Plan Your Approach

- Existing = Second owner or > 12 months old
- Plan & Schedule Inspections for existing homes
  - NC Home Inspection (any licensed NC Home inspector)
  - Local Minimum Housing Code (likely city inspectors if applicable)
  - Housing Quality Standards (Local housing authority staff or city/county/council of government staff that work with CDBG or Section 8 – same inspection used)
  - Final inspections or invoices needed for moderate/major deficiencies
Existing Homes
Inspections: Property Condition

• Two types:

1. Property Condition: evaluation of condition of current building systems – licensed NC home inspection
   • Goal: to identify deferred maintenance issues and major/moderate deficiencies (moisture penetration, structural, non-functioning systems, etc.)
Existing Homes
Inspections: Health & Safety

• Two types:

2. Health and Safety: evaluation of potential threats to occupancy

**For 2014:** local minimum housing code (sometimes called minimum property code/standard) or Housing Quality Standard (HQS) if no code is applicable (HUD form 52580-A or 52580)

Goal: to identify major threats to living in property (trip hazards, peeling paint, absence of railings, shock threats, pest access, mold, ability to heat food, etc.)
When should inspections be scheduled?

• Recommendation:
  • First, get the licensed home inspection
  • Make any repairs but especially health & safety repairs
  • Then get the minimum property code inspection (Pass / Fail)
• Need to ensure that there is time for inspecting, repairing, re-inspecting, and closing
• Improve process with buyer education before they put a sales contract on a property
Which repairs?

• Imminent threats to health and safety (i.e. must be able to meet local min property code / HQS inspection)
• Repairs to prolong the life of the home
• Minor repairs that could prevent major future damage to the home
• Submit final inspection or invoices as proof that moderate/major deficiencies were corrected
In January 2015, a new minimum property standard will take the place of HQS → UPCS (Uniform Property Condition Standard)

- Durability & Life expectancy of key systems will be a priority
- The 10 year old sweet spot = 5 years of expected life likely
- Key Systems Impacted by Shorter Replacement Cycles: Roof, Water Heater, HVAC
CPLP Member Update

• What’s on the radar for 2015?
  – Hopefully more CPLP Loan Volume!
  – Some version of UPCS replaces HQS
    • If you have an early 2015 closing (February or earlier) for existing property, get it underwritten before January. (Think November!).
  – Housing Counseling Certification and Rule Coming
CPLP Member Update

• What’s on the radar for 2015?
  – Home Performance with Energy Star program option in CPLP for energy retrofit
What needs to happen in your market to increase affordable home ownership opportunities?

Who is doing IDAs? Who is planning to increase your work in IDAs? Other innovative home ownership programs?

Who needs loan officers to work with your clients?
Do you need to be a first-time homebuyer to participate in the NC Home Advantage Mortgage and/or Community Partners Loan Pool?
- No ONLY the Mortgage Credit Certificate

Can you combine NC Home Adv with CPLP, MCC, and the 2% DPA?
- Yes they can be combined

What is the credit score for CPLP?
- 640 (USDA 502 alternative credit is okay)

Who reserves the NC Home Adv loan?
- The Lender
Review

• Who reserves the Community Partners Loan?
  – The Loan Pool Member

• How many days do you have for a CPLP reservation? How many days does a lender have for NC Home Adv lock?
  – 150 days for CPLP reservations, 60 days for the NC Home Adv Lock

• What is the CPLP maximum loan amount on a $150,000 home?
  – 15% with NC Home Advantage or $22,500
  – 10% with other or $15,000

• What are the approval steps for the CPLP?
  – Reservation, Underwriting, and Closing
Thank you for partnering with us!

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