ATTACHMENT 1 – AFFORDABLE HOMEOWNERSHIP PROGRAM ADMINISTRATION GUIDELINES

LOAN AMOUNTS, REPAYMENT SCHEDULES, AND FORGIVENESS

Loans of up to $20,000 per household can be issued through the Affordable Homeownership Program. Loans are issued as zero-interest, deferred, forgivable second mortgages with 20-year terms. Borrowers are not required to make payments during the loan term. Assuming a borrower is in good standing and the loan is not in default, the loan will be forgiven at twenty-five (25) percent every five (5) years until the end of the term. Borrowers will only repay the loan if they sell their home within the 20-year term or are no longer using the home as their primary residence. **The Affordable Homeownership Program may only be used for principal reduction (home purchase assistance or foreclosure prevention) or to clear outstanding debt and fee balances. Down payment assistance and home rehabilitation are not eligible uses of funds.**

HOME ELIGIBILITY

The Wake County Affordable Homeownership Program may be used to purchase homes with a purchase price of $275,000 or less, in any part of Wake County outside of the Raleigh and Cary municipal limits. Homes may be new construction or existing homes. Single-family homes, townhouses, and condominiums are all eligible for the program. Homes must be the borrower's primary residence and cannot be rented.

BORROWER ELIGIBILITY

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The Affordable Homeownership Program is intended to serve low- and moderate-income households in accordance with 24 CFR 570 part 200.

First-time homebuyers, defined as households who have not previously owned a home within or outside of Wake County earning less than eighty percent (80%) of the AMI are eligible to use the Affordable Homeownership Program for home purchase assistance. Homeowners earning less than 80% of the AMI facing foreclosure for reasons outside of their control, such as employment loss, reduction in hours, disability, or illness are eligible to use the Affordable Homeownership Program for foreclosure prevention assistance. The following table illustrates 80 percent AMI income limits by household size as of FY 2020:

WAKE COUNTY 80% AMI BY HOUSEHOLD SIZE

Household Size	1	2	3	4	5	6	7	8
80% AMI	$52,750	$60,250	$67,800	$75,300	$81,350	$87,350	$93,400	$99,400

Source: HUD

The administrator will be expected to update underwriting guidelines annually as HUD releases new income limits.

Borrowers must have a credit score of at least 640 to be eligible for the program for home purchase assistance. Lower credit scores will be accepted for foreclosure prevention on a case-by-case basis.

UNDERWRITING CRITERIA

The following criteria must be met in order for a borrower to qualify for a principal reduction loan for home purchase assistance:

A. Borrowers must be able to support a front-end debt ratio of thirty-three percent (33%) or less and a back-end ratio of forty-five percent (45%) or less, **including property taxes, insurance, and HOA fees as applicable.**
B. Borrowers must provide documentation of liquid assets (savings accounts other than retirement savings accounts). Borrowers may not have more than $20,000 in liquid assets.
C. The combined first and second mortgages may not exceed 100% LTV.
D. Borrowers must have three months of mortgage payment reserves.
E. Applicants must be approved for a fully-amortizing first mortgage. The term of the first mortgage may range from fifteen (15) to thirty (30) years, but must have a fixed interest rate. Adjustable rate mortgages are not eligible for use in conjunction with the Affordable Homeownership Program.
F. The home must appraise for at least the purchase price.
G. Home buyer education must be completed before loan closing.

The following criteria must be met in order for a borrower to qualify for a principal reduction loan for foreclosure prevention:

A. Borrowers must either be current on their mortgage payments and ad valorem taxes or have a good payment history on all mortgages prior to recent income loss or financial hardship.
B. Borrowers must have the ability to make monthly payments after loan modification and reduction.
C. Borrowers must have experienced financial hardship that can be demonstrated through bank statements and other financial documents. Examples of financial hardship include:
   a. Loss of employment
   b. Reduction in hours
   c. Pay reduction
   d. Temporary financial hardships such as divorce, serious illness, or the death of a co-signor

The following criteria must be met in order for a borrower to qualify for an accrued debt and fee clearance loan for foreclosure prevention:

A. Borrowers must demonstrate that they are experiencing financial hardship that prevents them from paying off any accrued payments, fees, or taxes, such as:
   a. No-fault job loss (ex. Layoff due to downsizing, not performance-related firing)
   b. Reduction in hours
   c. Healthcare expenses

RESALE AND ASSUMPTION

Borrowers who remain in their home for the duration of the loan term may sell their home without restrictions.

Borrowers who elect to maintain ownership but no longer use the home as their primary residence at any time during the loan term will be considered in default and obligated to repay the entirety of the loan.

Affordable Homeownership Program loans will be assumable upon sale or transfer via estate. If a home is sold or transferred within the 20-year affordability period to a household that earns 80% of the AMI or less, the outstanding balance of the original loan may remain with the home to reduce the purchase price to the new buyer. The term of the original loan will not extend. If the new homeowner is given a new Affordable Homeownership Program loan to further reduce the purchase price, the term of the new loan will be for 20 years. The total of assumed second mortgage debt and new second mortgage debt may not exceed $20,000.

If the home is sold or transferred to a buyer earning more than 80% of the AMI, the outstanding loan balance will be due.

These provisions apply to both home purchase assistance and foreclosure prevention borrowers. **It is the Administrator's responsibility to ensure that borrowers are aware of the resale and assumption provisions of the Program.**

HOMEOWNERSHIP AND FORECLOSURE PREVENTION COUNSELING

All borrowers in the Wake County Affordable Homeownership Program must complete eight (8) hours of homebuyer education for home purchase assistance, or a foreclosure prevention counseling session for foreclosure prevention assistance. Counseling must be completed before the loan is closed. Housing counseling must adhere to the definitions found in 24 CFR part 5.100. Counseling completed with providers other than the Administrator may be accepted only if the counseling provider is an organization certified by the HUD Secretary in accordance with 24 CFR part 214.

MARKETING AND OUTREACH

Wake County HACR will advertise the availability of mortgage financing via its website. However, the administrator will be primarily responsible for marketing the program to prospective borrowers as well as to partners – lenders, housing inspectors, appraisers, etc. Marketing should include a blend of in-person outreach, webinars, print, and web-based media. The marketing plan must demonstrate that it will reach low-income and minority households county-wide, including households where English is not the primary language. Marketing and outreach should comply with, and enforce, the regulatory provisions laid out in section VIII of the Agreement.

MONITORING AND REPORTING

Per 24 CFR 570.501(b), the grantee (Wake County) must ensure that CDBG funding is used in accordance with all program requirements. The funding recipient (the Administrator) is also responsible for its own performance and operating the program in accordance with CDBG guidelines. Per 24 CFR part 85, subpart J, grantees are required to monitor organizations to which they award funds to ensure federal requirements. The Administrator is required to submit to the monitoring and reporting requirements detailed below.

a. Monitoring - Compliance

    1. The Administrator will be required to monitor borrowers to ensure compliance with CDBG and program regulations. Monitoring may be conducted in-person or via mail annually. Monitoring must confirm that the borrower is residing in the home as their primary residence. Applicants must include monitoring procedures, including escalation procedures for borrowers found to be not in compliance.
        a. When a borrower is found not to be in compliance, the Administrator should pursue remediation actions where possible.
        b. If remediation is not possible, the County, as the note holder, will pursue legal action.

    2. Upon sale or transfer to an income-qualified household, the Administrator will confirm the new owner's income qualification.

b. Reporting

The Administrator will be required to provide monthly and quarterly reports, as well as an annual report at the end of the program year, to Wake County HACR. Timing of the reports will be determined in the contract between Wake County and the Administrator. These reports must contain the following information:

1. Marketing activity
    a. Marketing events
        i. Number held, locations, number of attendees
    b. Advertising activity
        i. Print ads placed with name of publication and estimated circulation
        ii. Radio or television ads with radio/television station and airing frequency

2. Individual loans
    a. Transaction information
        i. Initial loan amount
        ii. Loan type (home purchase or foreclosure prevention – principal reduction/debt clearance)
        iii. Loan status (current, in foreclosure, in repayment, repaid)
        iv. Remaining loan amount for loans that have been partially forgiven
        v. Home address
    b. Borrower information
        i. Household size
        ii. Household income level
        iii. Borrower credit score
        iv. Borrower occupation
        v. Race and ethnicity

3. Lending volume for the quarter
    a. Number of loans, with change from previous quarter
    b. Dollar amount per loan with average
    c. Total dollar amount, with change from previous quarter
    d. Percentage of total applications approved

4. Portfolio status
    a. Number of loans in compliance
    b. Indicate loans that are in non-compliance, with the reason for non-compliance and status of remediation
    c. Indicate loans that are in repayment
    d. Average age of loan

c. Auditing Requirements

In addition to the reporting outlined above, the Administrator will be required to provide annual financial audits of the organization to Wake County. The County will review audits for the organization, and will also check Affordable Homeownership Program performance against established policies and procedures. These audits will occur annually. The cost of obtaining financial audits may not be included in program fees.

An Administrator who expends more than $500,000 in federal funding in a year, regardless of grant type and source, will need to submit to an external IPA audit and comply with general audit requirements outlined in 24 CFR 84.26 and 85.26. In these cases, Wake County will monitor to ensure that a formal audit has been completed and will track the resolution status of any findings. The cost of obtaining an audit may not be included in program fees.

The Administrator may be asked to supply additional supporting documentation to satisfy the audit requirements imposed by the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards, and the State Single Audit Implementation Act.