

HouseCharlotte Program Underwriting Criteria

A. Primary Criteria

The program is available to buyers with median incomes up to 110% of HUD's Area Median Income (AMI). Funding priority is provided to borrowers with median incomes up to 80% of the HUD AMI. Please refer to HouseCharlotteProgram.com for any funding updates and program information.

All borrowers are required to receive HUD-approved pre-purchase homeownership education **and** counseling. This includes all household members that will be on the loan.

Assistance from the City can be used for one or any combination of the following: downpayment, closing cost (may also include credit counseling if listed on Loan Estimate Disclosure), and interest rate buydown.

City assistance can be used directly with FHA, USDA, VA, and conventional 15-30 year fixed rate loans. **203K loans are not permitted.** City assistance can also be used with portfolio lenders, and other assistance programs such as HOPE VI programs, North Carolina Housing Finance Agency, and other down payment assistance programs. **The funds are provided thru a 5, 10, or 15-year, deferred, forgivable loan.** No payment is due in any given year unless property is sold, transferred, a change in ownership or occupancy status occurs or cash out refinance takes place.

- **15-year term- deferred for year's one through ten and then forgiven at the rate of 20% per year, for years eleven through fifteen.**
- **10-year term - deferred for year's one through five and then forgiven at the rate of 20% per year, for years six through ten.**
- **5-year term - forgiven at the rate of 33 1/3% per year for years three through five.**

In general, the City allows the lender's underwriting criteria to be the main factor in approving HouseCharlotte subsidies. However, the required monthly payment under both the insured mortgage and, if applicable, the second mortgage or lien, plus other housing expenses and all recurring charges, cannot exceed the borrower's reasonable ability to pay. **The City's guideline for qualifying ratios is 33/45.** In some cases the qualifying ratios may exceed 33/45; however, borrower(s) must show significant compensating factors as follows:

- **Copy of credit score page showing a minimum 620 mid-score**
- **Current VOR showing at least 12 month good rental history**
- **3 months reserves. Must provide most recent bank statement or Activity statement. IF customer doesn't show recent history of paying rent, 6 months reserves are required.**
 - **Liquid reserves from customer's own funds preferred. If reserves are from a gift or retirement funds, customer must still show at least 1 month of their own liquid funds.**

Additional documentation may be required. Please note that HouseCharlotte generally will not allow the front-end ratio to exceed 40%, and the back-end ratio must be less than 50%.

B. Lien Position

HouseCharlotte program will take 2nd lien position to the primary mortgage. In the case where more than one downpayment source is being utilized by the buyer, each case will be negotiated with the other funding source as to what lien position each funder will take. As a general rule, if

HouseCharlotte is providing more assistance than the other funding source, HouseCharlotte will take 2nd lien position.

- Agency/Institution name and amount of other subordinate financing must be listed on the HouseCharlotte Subsidy worksheet.

C. Additional Underwriting Criteria

- The home must appraise for at least the purchase price of the home.
 - In cases where the loan amount may be higher than the purchase price, the home must appraise for that higher loan amount.
- The buyer's interest rate on the mortgage may not exceed 2% of the current market rate for 30 year fixed rate mortgages. The standard used for determining the current market rate is www.bankrate.com.
- 15-30 year fixed rate 3/1 or 2/1 Buydowns are permitted. Buyer must qualify at the maximum rate, which can not exceed 2% of the current market rate.
- **Adjustable rate mortgages are not permitted.**
- A pre-purchase home buying course must be completed prior to closing. Only HUD approved Housing Counseling Agencies can be utilized, and face-to-face counseling must occur. The City recommends the Homeownership Center of Charlotte and Prosperity Unlimited, Inc. Online Education is accepted from **E-Home & Framework ONLY**. Face-to-face Counseling must be included with online education also. In order to register for a Homeownership program, buyers may contact the Homeownership Center of Charlotte at 704-342-0933 or Prosperity Unlimited, Inc. at 704-933-7405. A minimum of Eight (8) hours of education **and** counseling is required.
- The HouseCharlotte Hotline can be reached at 704-705-3999 or by email at HouseCharlotte@cmhp.org. The goal of the hotline is to answer general program questions.
- HouseCharlotte does not require a downpayment from the borrower and concurs with the lending institution regarding their downpayment requirements.
- **For eligibility purposes all asset information must be listed on the 1003. HouseCharlotte asset limit is \$30,000 in liquid assets. Liquid assets include cash and any asset that can be converted to cash within 30 days. This does not include long term retirement savings, such as 401k and IRA accounts.**
- Condominiums are eligible for purchase as long as the condominium has a financially stable condominium association. This would also include duplexes that have been established as a condominium. The condominium community must be over 50% occupied by owners in order to be eligible.
- **A Duplex that will be used as income producing property is not permitted.**
- **No cash can be returned to the buyer at closing.** Prepays are not reimbursable to the buyer. HouseCharlotte requires the closing attorney to cut a check back to the City of Charlotte for any overage of funds. The amount will be used to reduce the principal of the HouseCharlotte loan amount. The Closing Disclosure can state it as a principal reduction.
- **The buyer may not own any other property or have an ownership interest in any real estate at time of closing. This includes, for example, mobile homes, Timeshares, and vacant land.**

The **HouseCharlotte Program Overview Chart** contains additional detailed information on each level of funding. Please also see **Helpful Hints for Lenders**

HouseCharlotte homeowners:

- Borrowers can not have more than one HouseCharlotte loan at any given time.
- In the case of refinancing existing loans from HouseCharlotte, loans may be subordinated by the City if the borrower will end up in a better financial position (reduced payments, reduced interest rate). However, cash may not be taken out of the loan. Cash includes money needed for repairs or remodel. See www.HouseCharlotteProgram.com for contact information regarding subordinations.
- ***HouseCharlotte loans are not assumable.***