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Homeownership Assistance Program Manual

State of North Carolina

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Policies and Procedures Revision History

Version	Date	Description
1.0	11-14-2022	Original version
2.0	02-02-2023	Rebuild references removed; gift contributions and eligibility clarified; buyer contribution added; definitions clarified for arm's length transactions, family members, and first-time home buyers

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1.0 Introduction and Overview of the NCORR Homeownership Assistance Program

In response to the damage caused by Hurricane Matthew on October 8, 2016 and Hurricane Florence on September 14, 2018, the U.S. Congress appropriated Community Development Block Grant – Disaster Recovery (CDBG-DR) program funding to North Carolina and other impacted states and entitlement communities through Public Law 114-254, Public Law 115-31, and 116-20 that stipulates that these funds be used for necessary expenses for activities authorized and allocated to grantees for disaster relief, long-term recovery, restoration of infrastructure and housing, economic revitalization and mitigation activities in the most impacted and distressed areas resulting from a major disaster declared pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121, et seq.) for activities authorized under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.).

1.1 Introduction to the Homeownership Assistance Program

NCORR's primary focus is housing recovery for both homeowners and renters across areas impacted by Hurricanes Matthew and/or Florence. In addition to repairing, reconstructing and building homes in areas affected by the storms, NCORR also provides homeownership assistance in the form of a financial subsidy to offset some of the costs of becoming a first-time homebuyer. The assistance is available to storm-impacted low- and moderate-income (LMI) households to help with a home purchase. The Homeownership Assistance Program (HAP) leverages the waiver of 42 USC § 5305(a)(24)(A) and (D) found in the Federal Register Notice ([81 FR 83254](#)) applicable to the Hurricane Florence CDBG-DR grant. The waiver states:

42 USC § 5305(a)(24) is included below for reference and to contextualize the specific waivers.

Provision of direct assistance to facilitate and expand homeownership among persons of low and moderate income (except that such assistance shall not be considered a public service for purposes of paragraph (8)) by using such assistance to—

(A) subsidize interest rates and mortgage principal amounts for low- and moderate-income homebuyers;

(B) finance the acquisition by low- and moderate-income homebuyers of housing that is occupied by the homebuyers;

(C) acquire guarantees for mortgage financing obtained by low- and moderate-income homebuyers from private lenders (except that amounts received under this chapter may not be used under this subparagraph to directly guarantee such mortgage financing and grantees under this chapter may not directly provide such guarantees);

(D) provide up to 50 percent of any downpayment required from low- or moderate-income homebuyer; or

(E) pay reasonable closing costs (normally associated with the purchase of a home) incurred by a low- or moderate-income homebuyer;

The waivers allow homeownership assistance for households earning up to 120% of the area median income (AMI) and also permit down payment assistance for up to 100% of the down

payment. NCORR is able to offer down payment funds and funds for closing costs for participating households up to 120% AMI.

Housing counseling service providers will assume a major role in assisting potential participants in this program. They will verify applicant eligibility, provide homebuyer education services, and facilitate delivery of funds and documentation for transaction closing.

1.2 Program Administration

NCORR is an office in the NC Department of Public Safety (NCDPS). NCORR is the administrator of the CDBG-DR funds that provide funding for the administration of NCORR's disaster recovery programs.

As the CDBG-DR administrator, NCORR must ensure that its programs and expenditures are in compliance with HUD regulations. CDBG-DR recovery program activities may be carried out by NCORR staff or its agents, including program delivery contractors, appraisers, demolition contractors, etc. NCORR will be responsible for ensuring that all applicable Federal, State, and local regulations are followed.

1.3 Manual Overview

This Manual outlines the policies that the State of North Carolina and its agents will use to direct the operation of the Homeownership Assistance Program (HAP, or the Program). This Manual is intended to serve as a resource to define the details of policies, eligibility requirements, and the obligations of participants receiving assistance under the Program. It serves as a general reference guide for administrative staff and other interested parties, including For-Profit and/or Non-Profit Partners; Contractors; Subrecipients; units of general local government, and any non-profit organizations that are involved as subrecipients, sponsors, or consultants.

This Manual only addresses the NCORR HAP and is not intended to be a full compilation of all internal program procedures that the State and its agents follow to ensure effective administration of the policies contained in this manual.

1.4 Homeownership Assistance Program website

This Manual, the State Action Plan and subsequent amendments, and the policy manuals for other North Carolina Disaster Recovery programs are available for public review and use at the link listed below:

<https://rebuild.nc.gov/about-us/plans-policies-reports>

1.5 Program Objectives

The Program seeks to achieve the following objectives:

- Increase homeownership to support long-term resilience and economic viability of communities impacted by Hurricanes Matthew and Florence;

- Incentivize home-ready renters to become first time homebuyers and reside in storm-impacted communities to reduce negative economic consequences to those communities;
- Improve homeownership opportunities for Low- and Moderate-Income households

1.6 Meeting National Objectives, Requirements and Priorities

NCORR prioritizes LMI households by setting aside 70% of funds exclusively for homeownership assistance for those households. Outreach and messaging will focus on engaging LMI households.

All of the state's CDBG-DR funded HAP program activities must meet one of the National Objectives as required under the authorizing statute of the CDBG-DR Program. The National Objectives in use in the HAP program are:

- Benefit to Low-to-Moderate Income (LMI) persons.
- Meet a need having a particular urgency (Urgent Need).

The activities proposed for the HAP program will address the National Objectives by benefitting households earning 80% or less of the area median income (AMI) and Urgent Need for households with incomes over 80% AMI. Households earning greater than 80% AMI are able to be served in accordance with the waiver granted by 81 FR 83254. The activities within the HAP will extend assistance to households with incomes at 81-120% of area median income. To ensure that the households with greatest need are served and to adhere to the federal requirement that 70% of the overall CDBG-DR grant funds benefit LMI persons, the NCORR HAP program will prioritize households considered to be LMI.

1.6.1 Storm Tieback

Activities funded by CDBG-DR funds must demonstrate a connection to the disaster as stated in 83 FR 5851. The Program determines the qualifying event (either Hurricane Matthew or Hurricane Florence) for which the activity can demonstrate tieback to.

Hurricanes Matthew and Florence caused significant damage to both the owner-occupied and rental housing stock, depleting an already limited housing supply and exacerbating increases in house prices above affordable levels. This is especially true for single family homes for sale. The storm tieback is based on the participating community responses to a survey on housing needs detailed below.

1.7 Documented Need for Additional Homeownership Opportunities

NCORR recently conducted a survey of stakeholders in long-term recovery from the effects of Hurricanes Matthew and Florence. These stakeholders included staff of local governments, public housing authorities, nonprofit and for-profit participants in affordable housing, all in hurricane-affected counties for one or both storms. Survey respondents were asked whether the storms had had a negative impact on the local supply of affordable housing, whether the hurricanes had negatively affected the availability of well-paying jobs that would support homebuying activity, and whether financial assistance for down payment and closing costs would be helpful in the local community's storm recovery efforts.

Ninety-four percent of respondents agreed that the hurricanes had negatively affected affordable housing supply, with over two-thirds indicating they strongly agreed with that statement. Roughly two-thirds agreed that the negative economic impact of the storm had made it harder for potential homebuyers to afford to purchase a home, reflecting the fact that while home prices have continued to climb since Hurricanes Matthew and Florence overwhelmed counties in North Carolina, storm-affected communities have not experienced sufficient rebounding of local economic opportunities to support homebuying capacity. And 88% of those surveyed agreed that financial assistance for down payment and closing costs could help local communities recover from the storms.

1.8 HAP Overview

The HAP strives to increase the level of homeownership in storm-affected communities while simultaneously positioning that new homeownership in less-flood prone areas to help prevent future loss. It will remove barriers to homeownership by enabling eligible home-ready renter households to become first-time homebuyers and by lowering home acquisition costs and carrying costs. Facilitating affordable, sustainable homeownership bolsters household stability and resilience, which in turn serves to strengthen the household, the neighborhood, and the community.

As outlined in 24 CFR Part 58.35 for purposes of the required evaluation to identify the level of Environmental Review required by HUD, the activities described in the HAP are considered to be Categorically Excluded, Not Subject to Part 58.5 of the Title as referenced at 24 CFR 58.35(b)(5).

Eligible applicants will be provided with up to \$20,000 or 20% of the sales price, whichever is less, to contribute to down payment in addition to receiving assistance for reasonable and customary closing costs, generally expected to total 5% or less of the sale value.

In its May 2021 publication, *First Generation: Criteria for a Targeted Down Payment Assistance Program* (<https://nationalfairhousing.org/wp-content/uploads/2021/06/crl-nfha-first-generation-jun21.pdf>), a Proposal from the Center for Responsible Lending and the National Fair Housing Alliance), the National Fair Housing Alliance provides a recommendation for increasing homeownership opportunities for 1st generation minority households. To accommodate this need, HAP will prioritize this group by offering 1st generation homebuyers earning household incomes at or below 120% of the area median income up to \$30,000 or 30% of the sales price, whichever is less, to contribute to down payment costs. Applicants desiring this increased assistance will be asked to provide validation/attestation that their parents are currently renting or were not homeowners.

Prospective HAP participants will be able to apply to the Program after having received initial approval of first mortgage loan financing from a licensed mortgage lender. Except for the first generation applicant described above, the HAP will not provide loan financing nor will it provide funding beyond the lesser of \$20,000 and 20% of the home's sales price. HAP funding cannot be used in conjunction with a first mortgage loan that provides funds for renovations or rehabilitation of the subject property.

HAP assistance can be combined with assistance from other funding sources, such as local or state down payment assistance programs. HAP funds are provided as a zero percent (0%)

interest, deferred payment loan. As long as the recipient does not sell or transfer an ownership interest in the property before the 36th month, they are not required to repay this deferred loan.

1.9 Homeownership Assistance Property Location

To be eligible, all properties being purchased with HAP program assistance must be located outside of the 100-year floodplain and in one of the CDBG-DR eligible counties shown in the table below. The table indicates each impacted area identified in a FEMA disaster declaration, by qualifying disaster (Matthew or Florence). If no specific storm is indicated, the area is affected by both storms.

Due to limited funding, applications will only be accepted in the 16 HUD-identified MID counties at the initiation of the program. The program may extend to other counties at a later date.

County	
Alamance County (Florence Only)	Lee County
Alleghany County (Florence Only)	Lenoir County†
Ashe County (Florence Only)	Madison County (Florence Only)
Anson County	Martin County (Matthew Only)
Beaufort County†	McDowell County (Florence Only)
Bertie County	Montgomery County
Bladen County***	Moore County
Brunswick County**	Nash County (Matthew Only)
Cabarrus County (Florence Only)	New Hanover County**
Camden County (Matthew Only)	Northampton County (Matthew Only)
Carteret County**	Onslow County**
Chatham County	Orange County (Florence Only)
Chowan County (Matthew Only)	Pamlico County**
Columbus County***	Pasquotank County (Matthew Only)
Craven County**	Pender County**
Cumberland County***	Perquimans County (Matthew Only)
Currituck County (Matthew Only)	Person County (Florence Only)
Dare County†	Pitt County†
Davidson County (Florence Only)	Polk County (Florence Only)
Duplin County**	Randolph County (Florence Only)
Durham County (Florence Only)	Richmond County
Edgecombe County* (Matthew Only)	Robeson County***
Franklin County (Matthew Only)	Rowan County (Florence Only)
Gates County (Matthew Only)	Sampson County†
Granville County (Florence Only)	Scotland County**
Greene County	Stanly County (Florence Only)

County	
Guilford County (Florence Only)	Tyrrell County
Halifax County (Matthew Only)	Union County (Florence Only)
Harnett County†	Wake County (Matthew Only)
Hertford County (Matthew Only)	Warren County (Matthew Only)
Hoke County	Washington County (Matthew Only)
Hyde County	Wayne County*
Johnston County†	Wilson County
Jones County**	Yancey County (Florence Only)

* Denotes a HUD-defined Most Impacted County (Bladen and Columbus Counties added June 2, 2019) for Hurricane Matthew

** Denotes a HUD-defined Most Impacted County for Hurricane Florence.

*** Denotes a Most Impacted County for both Hurricane Matthew and Hurricane Florence.

† Denotes a State-identified most impacted county. State-identified MID(s) do not count toward the 80% expenditure requirement set in the Federal Register Notice(s) for MID areas.

1.10 Priority Areas

The HAP program prioritizes LMI households by setting aside 70 percent of funds exclusively for homeownership assistance for those households. Additional priority includes first time homebuyers, and first generation homebuyers. Outreach and messaging will focus on engaging LMI households located in impacted areas.

1.11 Limited English Proficiency

As the CDBG-DR administrator, NCORR is required to ensure meaningful access to grant-funded services, programs, and activities for persons who have Limited English Proficiency (LEP). From intake to closeout, staff supporting the HAP program will identify applicants who have difficulty speaking or reading English and will ensure that the following services are available to them in accordance with the NCORR Language Access Policy:

- Provision of an interpreter who translates to and from the person's primary language.
- Translation of Program documents.

NCORR will coordinate with subrecipients and partners implementing the HAP to ensure that there is sufficient access to LEP resources for program participants.

1.12 Accessibility, Reasonable Accommodations and Special Needs

The HAP will be accessible to all persons with special needs and will operate in a manner that does not discriminate or limit access to Program services and benefits to persons with disabilities. To ensure that the HAP is operating in compliance with Section 504 requirements of the Rehabilitation Act of 1973 and the Americans with Disabilities Act (ADA), NCORR has assigned staff in accordance with its Section 504 Plan who will:

- Ensure that all facilities where clients will have face-to-face interaction with Program staff are readily accessible and usable by persons with disabilities.
- Assist Certified Housing Counselors in providing written and verbal communication to Program applicants regardless of their disability or limited proficiency with the English language to include sign language, braille, interpreters, etc.
- Assist Certified Housing Counselors in completing home visits with applicants who are homebound or cannot access a partner Certified Housing Counselor in person, as needed.
- Appropriately address any identified hearing, visibility, or mobility limitations of the applicant and/or applicant's household members as required by Section 504 and the Americans with Disabilities Act (ADA).
- Work with a disabled applicant's designee who has power of attorney or any non-profit organization representing the applicant as needed.
- Ensure that all Program facilities are readily accessible and usable by persons with disabilities;
- Assist Certified Housing Counselors in providing written and verbal Program services to applicants regardless of their disability or limited proficiency with the English language to include sign language, braille, interpreters, etc.;
- Conduct or assist Certified Housing Counselors in completing home visits with applicants who are homebound or cannot access a housing assistance center;
- If applicable, working with a disabled applicant's designee who has Power of Attorney or any non-profit organization that is representing the applicant;

All services listed above can be provided upon verbal or written request from the applicant. No additional documentation is required.

In addition, NCORR complies with Section 508 requirements regarding the accessibility of electronic and information technology for individuals with disabilities. NCORR's program management vendor assists with ensuring that all public communications, including its website, meet Section 508 requirements.

1.13 Fair Housing

The Fair Housing Act requires all grantees, partners, HAP beneficiaries, subrecipients, and/or developers whose capital projects are wholly or partially funded with federal assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability or marital status. NCORR and its contractors shall ensure that no applicant is treated in any way that does not comply with the federal Fair Housing Act, the Civil Rights requirements of Title I of the Housing and Community Development Act, and the North Carolina Fair Housing Act (Chapter 41A of the North Carolina General Statutes). NCORR has assigned staff who will ensure that:

eligibility determination. Please note that an applicant’s mortgage lender may apply a different standard with respect to non-recurrent income.

- A minimum buyer contribution of \$500 is required.
- Prepaid closing costs paid by the buyer are allowable to be reimbursed to the buyer at closing as long as they don’t include the buyer contribution.
- Paydown of personal debt (even if for purpose of qualifying for the first mortgage) is not an eligible cost.
- Gift contributions and/or liquid assets in excess of \$30,000, not including funding provided by any down payment assistance programs, are not permitted.

Award Limits

- Eligible households must make less than the maximum income permitted, according to program limitations:
 - i. 70% of funds for households earning at or below 80% of AMI
 - ii. 30% of funds for households earning no more than 120% of AMI.
- HAP assistance may be used for down payment and/or closing costs for applicants with household incomes at or below 120% AMI.
- The maximum available award amount will be:
 - i. 20% of the sales price of the home or \$20,000, whichever is less, for applicants who have not owned a home as their primary residence in the most recent three years (Please refer to the Definitions section of this Manual for further details regarding the full definition of a first-time homebuyer. Reasonable and customary closing costs (not exceeding 5% of the sale price of the home) may also be included in the award; or
 - ii. 30% of the sales price of the home or \$30,000, whichever is less, if the applicant meets the definition of first generation homebuyer stated below. Reasonable and customary closing costs (not exceeding 5% of the sale price of the home) may be included in award.
- Property taxes due on the property to be purchased are not an eligible expense (This does not include establishment of new escrow account for homebuyer).
- Mortgage insurance premiums payable at closing are eligible for closing cost assistance up to 100% of the total premium required to cover the cost of mortgage insurance for the entire coverage period.

Applicant Type	Down Payment Assistance	Closing Cost Assistance	Homebuyer Education
up to 120% AMI	Up to 20% of purchase price or \$20,000 (whichever is less)	Reasonable and customary (generally up to 5% of purchase price)	Required by all Applicants All costs associated with this educational course are covered (100%) from program funds
1 st Generation Homebuyer, up to 120% AMI	Up to 30% of purchase price or \$30,000 (whichever is less)	Reasonable and customary (generally up to 5% of purchase price)	Required by all Applicants All costs associated with this educational course are covered

			(100%) from program funds
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Property Eligibility

- Property must be located in a storm-affected North Carolina county listed in Section 1.9 above.
- Purchase of a home from a **Family Member** as defined in the Glossary of the FHA Single-Family Housing Policy Handbook, 4000.1, Revised 10/26/2021 is NOT eligible under this Program.
- Property to be purchased must meet the definition of **Arm’s Length Transaction** contained in the Glossary of the FHA Single-Family Housing Policy Handbook, 4000.1, Revised 10/26/2021. Arm’s length transactions are not limited to transactions between family members. The burden is on the potential buyer to prove that it is an arm’s length transaction.
- Property must not be located in a Special Flood Hazard Area, designated by FEMA as having special flood, mudflow or flood-related erosion hazards.
- Property must not be located in proximity (not less than 5 miles) to a site identified in the EPA Superfund National Priorities or CERCLA List or other hazardous conditions [24 CFR 58.5(i)(2)]
- Program participant must intend to occupy the property as their primary residence.
- Existing and newly constructed 1- or 2-unit owner-occupied properties are eligible. Purchase of a home that has not been issued a Certificate of Occupancy are NOT eligible under this Program.
- Stick-built, modular and manufactured housing are eligible.
- Manufactured housing must be a 1-unit dwelling which complies with HUD regulations found at 24 CFR 3280.
- Property must be held in a form acceptable to first mortgage lender and resulting in a free and clear title and property transfer.
- Properties in which any compensated parties to the transaction have an interest will only be eligible if such interest is disclosed to the buyer in writing in advance and acknowledged by the buyer with their signature.

Mortgage Loan Eligibility

- First mortgage loans must be positively amortizing and feature fixed payments for at least the first five years.
- First mortgage loans must be obtained from loan providers duly registered in the [Nationwide Mortgage Licensing System and Registry \(NMLS\)](#).
- Subordinate secured debt must be a positively amortizing fixed rate, fixed payment loan or if non-fixed, cap annual payment increases so as to ensure housing payments increase by no more than 10% of the prior year’s payment.
- Subordinate financing with interest-only and/or balloon payments is permitted as long as the term is not shorter than 120 months.
- Seller-paid closing costs must be customary for the market.

Final Eligibility

- Final Eligibility Determination will be completed once all eligibility verifications have been performed and all calculations have been completed. The HAP will use the HUD Income Calculator or a similar calculation to determine if an applicant meets HUD's low-to-moderate income criteria based on the IRS 1040/Adjusted Gross Income definition of annual income. Household gross income must not exceed 120% AMI for the area where the property is being purchased.

2.3 Homeownership Assistance Program Operation

NCORR will work through the North Carolina Housing Coalition (NCHC) and its network of HUD-Certified Housing Counseling Agencies to deliver HAP benefits to eligible applicants. NCHC will process HAP applications, provide homebuyer education services and deliver funds and documents to the home purchase transaction closing.

HAP assistance will be secured by a lien on the property in the form of a three-year, zero percent (0%) interest, deferred payment loan which need not be recaptured as long as the recipient neither sells nor transfers an ownership interest in the property for at least three years. The HAP Applicant will execute a Deed of Trust (to be recorded), and a Subordinate Promissory Note (terms: zero percent interest, deferred payments and full forgiveness upon end of three-year term, for the amount of the down payment assistance only) registered upon transaction closing establishing this requirement. If the HAP Applicant sells the property or transfers an ownership interest during the first three years, 100% of the awarded HAP funds (excluding any HAP funding provided for closing costs associated with the original purchase) must be repaid to NCORR for use by another HAP household.

Awarded applicants will not receive HAP funds directly, but instead will have program funds delivered to the agent responsible for closing the home purchase transaction. Coordinating HAP assistance with the first mortgage process allows NCORR to manage the program efficiently and minimize applicant fallout, delays, and administrative costs, resulting in more funds being available for homebuyers.

NCORR will maintain compliance with HUD CDBG-DR requirement that at least 70% of its funding will be used to assist low-income households, meaning households earning no more than 80% of AMI. Up to 30% of HAP program funds will be available to households earning up to 120% AMI.

Ineligible uses of HAP assistance include:

- Provision of HAP assistance to subsidize first mortgage interest rate
- Provision of HAP assistance to be used as principal reduction payment
- Delinquent property taxes
- Fees or charges on properties which are caused by the seller as identified in the requisite title search
- Acquisition of second homes
- Paydown of personal debt (even if for purpose of qualifying for the first mortgage)

2.4 Homebuyer Education

Homebuyer education is a key component of any successful homeownership assistance program, and it is required for NCORR's HAP. All program applicants will complete the homebuyer education curriculum offered by a HUD-Certified Housing Counseling Agency under the coordination of NCHC.

NCORR believes that funding a home purchase without providing the tools needed to sustain homeownership places the homebuying household in a needlessly precarious position. Understanding the rights and responsibilities of homeownership as well as how the process works and how to successfully manage its elements helps guard against the depletion of a household's assets in a struggle to hold onto a home following financial disruption. In addition such a scenario has negative ramifications for the broader community as well, undermining the objective of supporting long-term resilience and economic viability in its efforts to recover fully from the damage inflicted by Hurricanes Matthew and/or Florence.

3.0 Application Process

Potential applicants may self-identify or may be identified through a referral from another NCORR program, from a HUD-Certified Housing Counseling Agency, or from a housing or mortgage finance professional familiar with the Program. NCHC will manage outreach for potential applicants, assisting with completing the application, instructing how to meet documentation requirements and explaining the steps in the application process.

The HAP application process will include an eligibility evaluation of the household, the property and the mortgage loan. During the eligibility evaluation NCHC may require additional information from the applicant household. NCHC and NCORR will request only the documentation needed to determine eligibility. The documentation required to determine program eligibility may differ from documentation required by the first mortgage lender.

The currently allocated budget for the Homeownership Assistance Program is limited and NCORR anticipates that applications under this Program will significantly exceed available funds.

Applications for this Program will primarily use the "first ready, first served" approach for maintenance of the wait list. NCORR will monitor this aspect of Program implementation and will require that NCHC provide documentation that satisfies NCORR that such wait list is being properly utilized and maintained.

3.1 Personally Identifiable Information ("PII")

The HAP is committed to protecting the privacy of all individual stakeholders, including applicants, the public, and those individuals working on the Program. The Homebuyer Assistance Program will be administered in compliance with NCORR's Personally Identifiable Information Policy which can be found on the NCORR's website.

3.2 Income Determination and Verification Procedures

NCORR and its intended contract administrator for the Homeownership Assistance Program, NCHC, have both adopted the IRS 1040 method of income eligibility verification for all recipients

of CDBG-DR funding. NCHC will follow all HUD-published regulations and rules for HUD Certified Housing Counselors concerning income eligibility/income certification for HAP applicants.

3.3 Applicant Appeals

The Homeownership Assistance Program will operate in accordance with NCORR's **Appeal Policy**. An **appeal** is defined as a written request by an applicant asking for reversal of a determination that affects their eligibility and/or amount of assistance they may receive from an NCORR Program.

Applicants have the right to appeal any determination made by the Program concerning applicant eligibility or the amount of assistance that may be received within thirty (30) calendar days of the date of the determination letter. Applicants may appeal determinations or denials that are contingent upon Program policies. However, it should be noted that NCORR does not have the authority to grant an appeal of statutory or HUD-specified CDBG-DR Program requirements.

Applicants who want to file an appeal should follow the directions in the Homeownership Assistance Appeal Procedures. The Appeal Procedures outline the timeline and steps involved in the appeal process. Once an appeal request is received by NCORR, the Program will enter the appeal in the system of records log and will provide the applicant with written acknowledgement of the appeal within fifteen (15) working days of receipt.

3.4 Involuntary Program Withdrawal

Unless an alternative timetable is approved in advance, all requested documentation must be submitted within 45 days of its request. If the Program notifies the applicant of missing documentation necessary to complete determination of eligibility and the applicant does not provide the necessary documentation to complete the eligibility determination within 45 days of such notice requesting additional documentation, the application will be closed and a notice will be sent to the applicant indicating the closed status of the application. Upon this notification to the applicant, they will be instructed that a new application must be submitted for consideration if the applicant still desires to seek assistance from the Program.

4.0 Duplication of Benefits Review

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), as amended, 42 U.S.C. § 5121 et seq., prohibits any person, business concern, or other entity from receiving Federal funds for any part of such loss as to which they have received financial assistance under any other program, from private insurance, charitable assistance, or any other source. As such, NCORR must consider disaster recovery aid received by Program Applicants from any other federal, state, local or other source and determine if any assistance is duplicative. Any assistance determined to be duplicative must be deducted from the Program's calculation of the Applicant's total need prior to awarding assistance. For HAP program purposes, assistance would be considered duplicative if the requested assistance amount exceeded the amount needed to close the gap between the home's acquisition cost, which is equal to sales price plus reasonable and customary closing costs, and the Applicant's available home purchase funds from all sources in the transaction. Other funding sources include but

aren't limited to Applicant savings, mortgage loan amount, and any other homebuyer assistance sources.

The DOB review performed by NCORR (or by NCHC as contract provisions direct) assures that federal resources are neither duplicated nor wasted when applied to the provision of homeownership assistance.

4.1 Assistance Considered DOB

Because the HAP Program requires eligible Applicants to be first-time homebuyers, it is expected that most Applicants will not have received any benefits from other sources for the purposes of home rehabilitation or replacement. Nonetheless, the Program will perform the due diligence of a DOB review and ensure that program beneficiaries do not receive assistance that is in excess of their unmet need.

In cases where an Applicant has previously received FEMA, SBA and/or any other funds for the purpose of using them to purchase real estate, those funds will be considered as a DOB under this Program. These funds will be deducted from the total unmet need determination as part of the underwriting review.

The following are sources of assistance that may have been provided to Applicants and are considered duplication of benefits.

4.1.1 FEMA Individual Assistance (FEMA IA)

FEMA IA will be determined and verified by NCORR through the FEMA database. If NCORR is unable to verify the FEMA IA amount through the FEMA database, NCORR will use the payment amount provided by the Applicant at the time of application. NCORR will assess the type of FEMA IA provided to determine if there is a duplication with down payment assistance.

4.1.2 Private Insurance

All private insurance settlement amounts for loss of dwellings are considered duplication of benefits and will be deducted from the Applicant's award. Private insurance payments for contents or other expenses will not be deducted from the applicant's incentive award as this would generally be considered a Non-DOB. Insurance proceeds are initially determined by the program through applicant-provided information. Applicants must also authorize the program to contact third-party private insurance providers to verify information provided by the applicants. All homeowner's policies and any assistance provided under the policy in response to storm damage will be verified by third party. If the purpose, connection to storm and/or amount of assistance provided by an insurance company cannot be verified, the amount will be counted as a DOB.

4.1.3 Small Business Administration (SBA) and Other Subsidized Loans

Although unlikely to occur within the HAP, some applicants may have a loan from the Small Business Administration (SBA) or other entity that is guaranteed and subsidized by the federal government. Subsidized home, personal property, relocation and business loans may be obtained by those persons or businesses recovering from a disaster. The HAP will review the status of subsidized loans obtained by the applicant during the DOB analysis process.

On June 20, 2019, HUD published two Federal Register (FR) notices on the calculation of Duplication of Benefits (DOB): 84 FR 28836 (here after referred to as the “DOB Notice”) and 84 FR 28848 (here after referred to as the “DOB Implementation Notice”). V.B Subsidized Loans of 84 FR 28836 – June 20, 2019, provided guidance on the treatment of subsidized loans in Duplication of Benefits analysis as follows: “The full amount of a subsidized loan available to the applicant for the same purpose as federally funded ReBuild NC assistance is assistance that must be included in the DOB calculation unless one of the exceptions in Section V.B.2 applies including the exception in V.b.2 (iii) authorized in the DRRRA amendments to Section 312 of the Stafford Act (which applies to disasters occurring between January 1, 2016 and December 31, 2021, until the amendment sunsets October 5, 2023). A subsidized loan is available when it is accepted, meaning that the borrower has signed a note or other loan document that allows the lender to advance loan proceeds.”

The program will not count the amount of an applicant’s declined or cancelled subsidized loan as DOB in accordance with 84 FR 28836 (6/20/2019) if the requirements in Sections 4.1.3.1 - 4.1.3.4 below allow.

4.1.3.1 Declined Subsidized Loans

Declined SBA loans are loan amounts that were offered by the lender in response to a loan application, but were turned down by the applicant, meaning the applicant never signed loan documents to receive the loan proceeds. The program will not treat declined loans as DOB.

The program will request documentation for the declined loan only if the information received from the third party (SBA, etc.) indicates that the applicant received an offer for the subsidized loan and the program is unable to determine from that available information that the applicant declined the loan. The applicant will complete the Subsidized Loan Affidavit. The program will submit the Subsidized Loan Affidavit to the SBA (or another lender) and will re-verify DOB at project completion.

4.1.3.2 Cancelled Loans

Cancelled loans are loans (or portions of loans) that were initially accepted, but for a variety of reasons, were cancelled (such reasons may include the loan commitment terms have expired, the loan has been withdrawn, all or a portion of the loan was not disbursed and is no longer available to the applicant or cancelation was requested by the borrower). The following documentation will be required to demonstrate that any undisbursed portion of an accepted subsidized loan is cancelled and no longer available to the applicant: • A legally binding agreement between the program and the applicant, the Subsidized Loan Affidavit, must be executed and notarized. The Affidavit indicates either that: o The period of availability of the loan has passed and the applicant agrees not to take actions to reinstate the loan or draw any amounts in the future; or o The period of availability has not passed however the applicant certifies that they will not take action to reinstate the loan or draw more funds; and that they understand that they are subject to a DOB analysis once the period of availability has passed which could affect their incentive award amount. Further, the affidavit will contain the following warning language: “Warning: Any person who knowingly makes a false claim or statement to HUD may be subject to civil or criminal penalties under 18. U.S. C. 287, 1001 and 31 U.S.C. 3729.”

Without a completed, notarized Subsidized Loan Affidavit (or a written communication from the lender confirming that the loan has been cancelled and undisbursed amounts are no longer

available to the applicant), any approved but undisbursed portion of a subsidized loan shall be included in the DOB calculation of the total assistance unless another exception applies.

For all cancelled SBA loans, the NCORR program will send the Subsidized Loan Affidavit to SBA (or other lender) as notification that the applicant has agreed to not take any actions to reinstate the cancelled loan or draw down any additional undisbursed loan amounts. In cases of cancelled loans where partial disbursements were made prior to the cancellation of the loan, the disbursed funds will be treated as funds disbursed for active loans below. As with declined loans, incentive awards made to applicants with cancelled subsidized loans will have DOB re-verified at project closeout.

4.1.3.3 *Active Loans with Disbursed and Undisbursed Funds*

All NCORR programs will consider an active subsidized loan during the DOB analysis. However, accepted but undisbursed loan amounts will not be considered a DOB. In addition, disbursed loan amounts will be considered as non-duplicative provided the funds were:

- Used properly for the same purpose;
- Provided for a different purpose; or
- Provided for the same purpose as the program's activities, but used for a different, allowable use as described in Section 4.3 Non-Duplicative Assistance (Non-DOB).

Applicants with open, subsidized loans will not be required to cancel the loan but will be required to sign a notarized Subsidized Loan Affidavit Form. Completion of this notarized affidavit requires the applicant to certify that they will not draw down more funds without the prior approval of the NCORR program, and that they understand that funds drawn will be subject to a DOB analysis that may affect the incentive award amount. Further, the Subsidized Loan Affidavit will be submitted to the SBA or other lender which states that the applicant has agreed to request permission to draw more funds from NCORR before proceeding.

4.1.3.4 *Property Owners who Declined or Cancelled a Subsidized or SBA Loan*

84 FR 28836 (6/20/2019) states that households who have declined or cancelled subsidized loans such as SBA loans, may be served (if eligible) as the amount of declined or cancelled loans will not be counted as a DOB.

4.2 Other Sources of Duplication of Benefits

Following a disaster, charitable organizations provide many kinds of contributions, including donations, grants, or loans among other types of assistance. Grants and cash donations designated for specific eligible work, even when provided from non-Federal sources, but designated for the same purpose as Federal disaster funds generally are considered a duplication of benefit. Grants and cash donations received for unspecified purposes (e.g., "for disaster recovery/relief efforts"), or for work not eligible for federal assistance, do not constitute a duplication of benefits.

4.3 Duplication of Benefits Analysis Process Overview

To ensure that the Program does not provide a duplication of benefits, NCORR will adhere to the following process:

1. Identify the Applicant's total need;
2. Identify total assistance available;

3. Identify the Amount to Exclude as Non-Duplicative (Amounts used for a different purpose, or same purpose, different allowable use);
4. Identify Total DOB Amount (Total Assistance Minus Non-Duplicative Exclusions);
5. Calculate Maximum Award (Total Need Minus Total DOB Amount); and
6. Final Award (Maximum Award allowed per Program requirements).

5.0 Environmental Review, Inspections, Title Searches, and Appraisals

An environmental review process is required for all HUD-assisted projects to ensure that the proposed undertaking does not negatively impact the property or surrounding social, cultural, and physical environment and possible historic fabric. The specific purpose of the environmental review process for the HAP Program is to ensure that with respect to the property being purchased there are no environmental hazards present, there is no adverse impact on the community social and cultural fabric, and that the property does not have potential historic value.

Every project must be in compliance with the National Environmental Policy Act (NEPA), and other related Federal and state environmental laws. For more information, refer to <https://www.epa.gov/nepa>.

An environmental review must be completed for all project activities prior to obligating Program funds.

- The HUD rules and regulations that govern the environmental review process can be found at 24 CFR Part 58.
- The provisions of the National Environmental Policy Act (NEPA) and the Council on Environmental Quality (CEQ) regulations in 40 CFR Parts 1500 through 1508 also apply. Other federal and state laws and regulations (some of which are enforced by State agencies) also apply depending upon the type of project and the level of review required.

5.1 Level of Environmental Review

For the Homeownership Assistance Program, the level of Environmental Review is defined at 24 CFR 58.35(b)(5). Activities to assist homebuyers to purchase existing or new dwelling units, including closing costs and down payment assistance, interest buy downs, and similar activities that result in the transfer of a title will require a Categorically Excluded (Not Subject to 58.5) (CENST) Environment Review. The environmental review for any activity in this Program will require a formal determination (including preparing a CENST review and inclusion into the project files) of the environmental regulations at 24 C.F.R. § 58.6. Other Requirements to include are:

- Location within a Special Flood Hazard Area;
- Location within a Coastal Barrier Resource System unit and;
- Purchase or sale of an existing property in a Runway Protection Zone or Clear Zone.

NCORR, as the Responsible Entity, is charged with the responsibility of approving all CENSTs.

5.1.1 Special Flood Hazard Area

In accordance with the NCORR Disaster Recovery Action Plan and these Guidelines, if the property is determined to be in a Special Flood Hazard Area, the property will not qualify for CDBG-DR assistance.

5.1.2 Coastal Barrier Resources Area

The Coastal Barrier Resources Act (CBRA), 16 U.S.C. §3501 et seq., protects coastal areas that serve as barriers against wind and tidal forces caused by coastal storms and serve as a habitat for aquatic species. In compliance with the Act, if the property is determined to be located within a Coastal Barrier Resources Area, the property will not qualify for CDBG-DR assistance.

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5.1.3 Runway Protection Zone or Clear Zone

In case that a property is determined to be in a runway protection zone or clear zone, NCORR, as the Responsible Entity, must inform the buyer of the implications of such location and that there is a possibility that the property, may at a later date, be acquired by the airport operator. The buyer must sign an acknowledgement statement understanding the implications of such purchase.

5.1.4 Lead Hazard Assessment

All pre-1978 built properties acquired through this Program must be compliant with the provisions for lead reduction found at 24 C.F.R. § 35. If HUD lead-based paint requirements are not met, these properties will not be eligible to qualify for homebuyer assistance due to time and cost that would be needed to reduce the lead paint hazard.

The regulation is divided into subparts. The specific Subparts that apply to this Program include:

Subpart A: Disclosure

Subpart B: General Requirements and Definitions

Subpart K: Acquisition, Leasing, Support Services, and Operations

Subpart R: Methods and Standards for Lead-Based Paint Hazard Evaluation and Reduction

The lead-based paint requirements for homebuyer assistance programs are found at **24 CFR Part 35 Subpart K**, which covers the acquisition (but not rehabilitation) of properties. The purpose of these requirements is to identify and stabilize deteriorated paint in housing. The requirements for homebuyer programs apply to all pre-1978 units, not just to those occupied by children under 6.

Notification

Administrators of homebuyer programs must ensure that the following take place to comply with the lead regulation's notification requirements:

Disclosure [24 CFR 35 Subpart A].

Lead Hazard Information Pamphlet [24 CFR 35.1010(b); 24 CFR 35.130].

Notices of Lead Hazard Evaluation and Reduction [24 CFR 35.1010(a); 24 CFR 35.125)].

a. Visual Assessment [24 CFR 35.1015(a)].

b. Paint testing [24 CFR 35.110].

Due to state regulations regarding lead testing (NCGS 130A-453.03) within the state and the limited availability of qualified testers, NCORR may offer lead testing services based on feasibility and availability of qualified testers to aid transaction closings at the discretion of NCORR. Other lead inspectors may be used at the discretion of the applicant so long as they comply with state and federal regulations.

Heightened scrutiny for assessments will be used when there are young children involved in the transaction due to increased risk of exposure.

5.2 Deed of Trust/Subordinate Promissory Note Monitoring

The HAP assistance will not require repayment as long as the Program participant maintains the home purchased with HAP funds as their primary residence for a minimum of three years. When the Program participant closes on the purchase of the home, they will execute a HAP Grant Agreement, a HAP Deed of Trust (to be recorded) and a Subordinate Promissory Note and other transaction documentation in the county where the property is located. The HAP Subordinate Promissory Note will automatically expire at the earlier of the 36th month following home purchase or if the property is repossessed by a mortgage loan holder through foreclosure for nonpayment of indebtedness secured by an ownership interest in the property.

Any attempt by the Program participant to sell or transfer an ownership interest in the property before the 36th month will result in NCORR being notified when the HAP Deed of Trust is discovered during a review of the property records. If the HAP participant sells or transfers an ownership interest in the home before the 36th month, the entire amount of original Program funding that was provided to the Program participant (excluding any funding provided for closing costs associated with the original purchase) must be repaid to NCORR for use by another eligible household, as defined in Section 2.3 above. Such repayment obligation will not apply to a foreclosing mortgage lender as the HAP Deed of Trust and Subordinate Promissory Note will automatically expire in the event of foreclosure.

6.0 Administrative Requirements and Program Management

NCORR and its beneficiaries, subrecipients, and contractors must adhere to federal and state requirements, as applicable, and provide confirmation of compliance upon request. This section provides a summary of the significant and applicable Federal regulations for the NCORR HAP Program.

6.1 Americans With Disabilities Act

The Americans with Disabilities Act of 1990 (ADA) prohibits discrimination and ensures equal opportunity for persons with disabilities in employment, State and local government services, public accommodations, commercial facilities, and transportation. It also mandates the establishment of a telecommunications device for the deaf (TDD)/telephone relay services. NCORR takes affirmative steps to ensure that people with disabilities have equal access to the programs offered by NCORR, and that any services are delivered in the most integrated manner possible. Qualified persons with disabilities are informed of the availability of program services and activities, and NCORR's programs or services are readily accessible to, and usable by, individuals with disabilities. NCORR also ensures that reasonable modifications or changes to policies, practices, or procedures are made in order to guarantee people with disabilities equal access to services and programs. Additionally, all programs and activities are accessible, both structurally and administratively, to persons with disabilities. NCORR's mandate to conform to the requirements of ADA, flows down to all of its stakeholders, including recipients, vendors and developers.

6.2 Equal Employment Opportunity

Executive Order 11246, Equal Employment Opportunity, as amended, prohibits federal contractors and federally assisted construction contractors and subcontractors who do over \$10,000 in government business in any one year from discriminating in employment decisions on the basis of race, color, religion, sex, sexual orientation, gender identity or national origin. The Executive Order also requires government contractors to take affirmative action to ensure that equal opportunity is provided in all aspects of their employment.

6.3 Minority- and/or Women-Owned Business Enterprises

Federal Executive Order 12432 guidelines require selected federal agencies to promote and increase the utilization of Minority-Owned Business Enterprises (MBEs). 2 CFR 200.321 requires the Non-Federal entity to take all necessary steps to ensure that all recipients, contractors, subcontractors, and/or developers funded in whole or in part with HUD CDBG-DR financial assistance ensure that contracts and other economic opportunities are directed to small and minority firms, women-owned business enterprises (WBEs), and labor surplus area firms when possible.

North Carolina wants to ensure that public entities utilize M/WBE firms through its HUB program managed at the Department of Administration. As noted in Executive Order 25, Section 5, the HUB program works to incorporate HUD's programmatic requirements into contracting opportunities. As such, NCORR ensures compliance with these goals by requiring, as applicable, recipients and contractors to make best efforts to achieve the overall M/WBE participation goal that the State has set for the entire contract value.

6.4 Financial Management

NCORR has in place proficient financial controls. North Carolina's Department Of Commerce (DOC) ensures that NCORR, as the grantee, as well as those administering CDBG-DR resources, continuously demonstrate conformity with financial management requirements as shown in 2 CFR 200 and applicable Federal Registers. These requirements include, but are not limited to, areas covering: Financial Management; Advances; Internal Controls; Accuracy of

Report Information; Program Income; Salaries and Wages; Indirect Costs; Lump Sum Drawdowns; and Single Audit provisions pursuant to 2 CFR 200 Subpart F (formerly OMB Circular A-133). NCORR's financial management system ensures that NCORR funds are managed with high levels of accountability and transparency.

NCORR's Monitoring and Compliance team ensures that NCORR's Financial Management practices adhere to the following:

- Internal controls are in place and adequate;
- Documentation is available to support accounting record entries;
- Financial reports and statements are complete, current and reviewed periodically; and
- Audits are conducted in a timely manner and in accordance with applicable standards.

6.5 Recordkeeping, Retention and File Management

In accordance with HUD regulations, NCORR follows the records retention requirements cited in 2 CFR 200, which includes financial records, supporting documents, statistical records and all other pertinent records. NCORR subrecipient shall retain all financial records, supporting documents, statistical records, and all other records pertinent to the Agreement for three (3) years from the time of closeout of HUD's grant to the State or for the period provided in the CDBG regulations at 2 CFR 200.333. Notwithstanding the above, if there is litigation, claims, audits, negotiations, or other actions that involve any of the records cited and that have started before the retention period, then all such records must be retained until completion of the actions and resolution of all issues, or the retention period, whichever occurs later.

Every subrecipient and contractor is required to establish and maintain at least three major categories of records: Administrative, Financial, and Project/Case Files.

6.5.1 Administrative Records

These are files and records that apply to the overall administration of the Program participant's CDBG-DR activities. They include the following:

- a. Personnel files;
- b. Property management files;
- c. General program files: Files relating to the subgrantee, recipient's, or contractor's project
- d. Information form to the grantee, the recipient agreement, program policies and guidelines,
- e. Correspondence with grantee and reports, etc.;
- f. Legal files: Articles of incorporation, bylaws of the organization, tax status, board minutes, and
- g. Contracts and other agreements.

6.5.2 Financial Records

These include the chart of accounts, a manual on accounting procedures, accounting journals and ledgers, source documentation (purchase orders, invoices, canceled checks, etc.), procurement files, bank account records, financial reports, audit files, etc.

6.5.3 Project/Case Files

These files document the activities undertaken with respect to individual beneficiaries, property owners and/or properties.

6.5.4 Reporting

As a recipient of CDBG-DR funds, NCORR has established reporting requirements for all recipients and contractors in their respective recipient and contractor agreements and contracts in accordance with 2 CFR 200. The Program reviews reporting requirements for affordable housing projects at five different intervals, as applicable:

1. At execution of agreements;
2. Monthly;
3. Quarterly;
4. Annually; and
5. As required.

Recipients and contractors submit the required documents and reports to the State at the times indicated in the recipient and grant and/or contract agreement, and in the format prescribed by Program staff. Deviations from this requirement must be pre-approved by program staff.

6.5.5 Record Retention

The NCORR Homebuyer Assistance Program will operate in accordance with NCORR’s Record Retention and Access Policy. As the administrator and recipient of CDBG-DR funds, NCORR will follow the records retention rules as stated in 2 CFR § 200.333–200.337 as well as those required by state law.

NCORR is required to maintain all CDBG-required HAP ~~Program~~ documentation, title commitments, transfer instruments, covenants, and other evidence pertaining to all purchase costs and expenses incurred and revenues received in sufficient detail to reflect all costs, direct, and indirect, of labor, materials, equipment, supplies, services, and other costs and expenses of whatever nature, for which payment is claimed. Records must be maintained for a minimum of five (5) years beyond Program close out.

7.0 Acronyms and Definitions

7.1 Acronyms

Acronym	Name
AMI	Area Median Income
CDBG-DR	Community Development Block Grant – Disaster Recovery
DOB	Duplication of Benefits
DPA	Down Payment Assistance
ERR	Environmental Review Record
FEMA	Federal Emergency Management Agency

Acronym	Name
FIRM	Flood Insurance Rate Maps
FHA	Federal Housing Administration
FMV	Fair Market Value
FRIS	Flood Risk Information System
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
LEP	Limited English Proficiency
LMI	Low- and Moderate-Income
MID	Most Impacted and Distressed
MBE	Minority Business Enterprise
NCEM	North Carolina Emergency Management
NCORR	North Carolina Office of Recovery and Resiliency
NEPA	National Environmental Policy Act
NESHAP	National Emission Standards for Hazardous Air Pollutants
NFIP	National Flood Insurance Program
NMLS	Nationwide Mortgage Licensing System
OIA	Office of Internal Audit
OIG	Office of Inspector General
RE	Responsible Entity
SBA	Small Business Administration
SFHA	Special Flood Hazard Area
SSDI	Social Security Disability Income
UGLG	Unit of General Local Government
URA	Uniform Relocation Act
VOB	Verification of Benefits

7.2 Definitions

Acquisition – The utilization of CDBG-DR funds to acquire real property.

Applicant – An individual or household/family who submits an application for homeownership assistance to the NCORR Homeownership Assistance Program.

Appraisal – The product of a systematic approach to determine an accurate estimate of a home’s market value using comparable recent sales in the home’s immediate area or

neighborhood, conducted by a professional appraiser who is licensed through the State of North Carolina.

Appraised Value - An estimate of the price a property would bring in an arm's length transaction between an unaffiliated and knowledgeable buyer and seller.

Appraiser – A duly licensed and qualified individual who conducts a real estate property appraisal in North Carolina

Area Median Income – The median household income adjusted for family size, defined by Metropolitan Statistical Area or county for locations not proximate to any Metropolitan Statistical Area. It is further defined as the median (middle point) household income for an area adjusted for household size as published annually by the United States Department of Housing and Urban Development (HUD). Once household income is determined, it is compared to HUD's income limit for that household size. Income limits are adjusted annually for all areas.

Borrower(s) – The person(s) who:

- (1) receives a loan from a mortgage lender to purchase a property;
- (2) is legally responsible for the repayment of the loan; and
- (3) is subject to any penalties for nonpayment of the loan based upon the terms as described in the loan agreement and/or promissory note.

Community Development Block Grant – Disaster Recovery (CDBG-DR) – HUD funding allocated to eligible disaster recovery entities via congressional appropriations.

Commitment Letter – The notification that is sent to the applicant(s) indicating the action of reserving CDBG-DR funds that are conditionally awarded to the applicant as a three-year, zero percent interest, deferred payment loan for the purchase of a specific dwelling unit. It is a pre-obligation; it is not legally binding and shall be valid for a specific time period.

Closing Costs – Reasonable and customary costs necessary to complete the closing of a mortgage loan to acquire real property. Typical mortgage closing costs include mortgage lender fees, property appraisal and inspection fees, attorney fees, taxes, title insurance, and registration and filing fees. It is expected that closing costs will not exceed five percent (5%) of the loan amount. Closing costs do not include payoff of borrower debt.

Closing Documents – All documents necessary to complete the legal sale of real property in the state of North Carolina and effect a security interest for any mortgage lender participating in the transaction. Also includes informational documents such as the Loan Estimate and Closing Disclosure required to be provided to all mortgage borrowers by the Consumer Financial Protection Bureau. For the HAP Program there will be a HAP Grant Agreement, a Deed of Trust and a HAP Subordinate Promissory Note as described above.

Dwelling – Any building, structure, or portion thereof that is occupied as, or designed or intended for occupancy as, a residence by one or more households/families, and any vacant land that is offered for sale or lease for the construction or location thereon of any such building, structure or portion thereof. 42 U.S.C. 3602

Decent, Safe and Sanitary – Minimum property standards as established by HUD and defined by 24 CFR 700.55.

Disability – For the purposes of this Program, disability is consistent with federal law under the Social Security Act, as amended, 42 U.S.C. 423(d), the Americans with Disabilities Act of 1990, as amended, 42 U.S.C. 12102(1)-(3), and in accordance with HUD regulations at 24 CFR 5.403 and 891.505.

Duplication of Benefits – Provision of the Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) that prohibits any person, business concern, or other entity from receiving financial assistance from federal disaster funds with respect to any part of a loss resulting from a major disaster as to which that person or entity has already received financial assistance under any other program, insurance or another source.

Down Payment – The difference between the property sales price and the total mortgage amount.

Elderly – A person at least 62 years of age. 24 CFR 5.100

Electronic Execution – The process by which all required signatories of Closing Documents execute any and all documents via electronic means. Electronic means may include the transmittal of document signatures by scanning the original signed documents and transmitting those executed copies back to the Program via Email, DocuSign, or other method approved by NCORR.

Fair Housing Act – The Fair Housing Act of 1968, 42 U.S.C. 3601-3619, prohibiting discrimination against protected classes of people in the sale or rental of housing, in the provision of housing assistance, or other housing-related activities. The FHA obligates HUD grantees and their subrecipients to take reasonable steps to ensure meaningful access to their programs and activities for protected classes. The FHA also requires HUD and its program participants to affirmatively further the purposes of the FHA.

Federal Emergency Management Agency (FEMA) - The Federal Emergency Management Agency (FEMA) is an agency of the United States Department of Homeland Security. It was created by Presidential Order on 1 April 1979. The primary purpose of FEMA is to **coordinate the response to a disaster** that has occurred in the United States and that overwhelms the resources of local and state authorities.

First Generation Homebuyer – An individual and spouse (if applicable) who meet the criteria of first time homebuyer AND if their parent(s) or guardian(s) never owned a home during the homebuyer's lifetime or lost the home to a foreclosure or short sale and do not currently own a home. Anyone who lived in foster care also qualifies as a first-generation homebuyer.

First-Time Homebuyer – An individual and spouse (if applicable) who have not owned a home as their primary residence during the three years preceding the closing of the purchase transaction for which HAP Program assistance is being provided. Individuals that own mobile homes on land that they also own do not qualify as first-time homebuyers. The term first-time homebuyer also includes an individual who is a *displaced homemaker or single parent*, as those terms are defined at 24 CFR 93.2:

Displaced Homemaker – an individual who:

1. Is an adult;
2. Has not worked full-time for a full year in the labor force for a number of years, but has, during such years, worked primarily without remuneration to care for the home and family; and
3. Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

Single Parent – an individual who:

1. Is unmarried or legally separated from a spouse; and
2. Has one or more minor children of whom the individual has custody or joint custody or is pregnant.

Flood Insurance – The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012(a)) requires that projects receiving federal assistance and located in an area identified by the Federal Emergency Management Agency (FEMA) as being within a Special Flood Hazard Area (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). In order to be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating in the NFIP, federal assistance cannot be used.

Head of Household – The adult member of the household who is the head of the household for purposes of determining income eligibility. 24 CFR 5.504

Homeowners Insurance – Also known as casualty insurance and hazard insurance, coverage that protects a property owner against damage caused by natural events and other unexpected events that cause damage to the home, to people on the property, and to the contents of the home. Often the cost of annual premiums to maintain coverage are added to the monthly mortgage payment and remitted to the insurer by the mortgage lender's servicing agent.

Household Income – The anticipated gross amount of income from all sources for all adult household members during the upcoming twelve (12) month period in accordance with the definition of annual (gross) income at 24 CFR Part 5.

Household Size – A household is defined as **ALL** persons occupying the same housing unit, regardless of their familial status or relationship to each other. The household members include all persons, including minor children and adults.

Housing Counseling Agency – A public or private non-profit organization established as a HUD-approved provider of housing education and counseling services.

HUD - United States Department of Housing and Urban Development.

IRS 1040/Adjusted Gross Income ("AGI") Calculation Method – Citizens of the United States and resident aliens, except those with gross incomes that fall below a certain level, are required to file an income tax return with the Department of the Treasury's Internal Revenue Service (IRS) each year. The tax return is officially referred to as IRS Form 1040. The Adjusted Gross Income (AGI) is listed on the IRS Form 1040 and is the dollar amount used to determine an applicant's income eligibility for participation in the CDBG-DR Programs.

Limited English Proficiency (LEP) – A designation for persons who are unable to communicate effectively in English because their primary language is not English, and who

have not developed fluency in the English language. A person with Limited English Proficiency may have difficulty speaking or reading English. An LEP person benefits from an interpreter who translates to and from the person's primary language. An LEP person may also need documents written in English translated into their primary language so that they can fully understand important information.

Low to Moderate Income (LMI) – Low to moderate income households are those having incomes not more than eighty percent (80%) of Area Median Income, adjusted for household size, as established by HUD on an annual basis.

Low-to-Moderate-Income (LMI) National Objective - One of three national objectives that any CDBG activity must meet. Activities that meet the LMI objective must benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with HUD Guidance. HUD's most recently published AMI limits will be used to verify the income eligibility of each household applying for HAP assistance prior to awarding Program funding.

- **Low:** Household's annual income up to 50% of the area median family income, as determined by HUD, adjusted for family size.
- **Moderate:** Household's annual income is between 51% and 80% of the area median family income, as determined by HUD, adjusted for family size.
- **Medium:** Household's annual income is between 81% and 120% of the area median family income, as determined by HUD, adjusted for family size.

Manufactured Housing – A dwelling unit composed of one or more components substantially assembled in a manufacturing plant and transported to a building site on its own chassis for placement on a supported structure. This definition does not include mobile homes.

Minimum Property Standards – Certain minimum standards for buildings constructed under HUD housing programs. This includes new single-family homes, multi-family housing, and healthcare type facilities as outlined in HUD's Minimum Property Standards For Housing, 1994 Edition Handbook (4910.1).

Metropolitan Statistical Area – An area with at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core, as measured by commuting ties.

Modular Housing – A home built in sections in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently fixed to one site. A modular home must be constructed in accordance with the standards established in the state and local building codes that are applicable to site-built homes. Modular homes do not include manufactured housing. *For the purpose of the Homebuyer Assistance Program, a modular home will be treated the same as a stick-built single-family dwelling unit pursuant to the North Carolina Uniform Power of Attorney Act.*

Mortgage Loan - A loan in which property or real estate is used as collateral. The Borrower enters into an agreement with a mortgage lender wherein the Borrower receives cash upfront then makes payments over a set time span until the entire loan is repaid to the mortgage lender.

Mortgage Lender – A mortgage lender is a financial institution providing secured loans for purchase and refinance of real property. For HAP Program purposes, the first mortgage loan in

the home purchase must be obtained from loan providers duly registered in the [Nationwide Mortgage Licensing System \(NMLS\) and Registry](#).

National Flood Insurance Program (NFIP) – The National Flood Insurance Program (NFIP) is managed by the Federal Emergency Management Agency and is delivered to the public by a network of approximately 60 insurance companies and the [NFIP Direct](#). The NFIP provides flood insurance to property owners, renters and businesses.

Primary Residence – A dwelling where a person maintains or will maintain residence for the majority of the calendar year. A person may have only one (1) primary residence at a time.

Property Value – In a mortgage transaction Property Value is defined as the lesser of sales price and appraised value.

Purchase Price – The sales price of a property as denoted in the North Carolina Offer to Purchase and Contract.

Recapture – Provision ensuring that NCORR recoups all or a portion of the CDBG-DR assistance provided to a homebuyer if the home does not continue to be the principal residence of the family for at least 36 months.

Special Flood Hazard Area (SFHA) –An **area** identified by the United States Federal Emergency Management Agency (FEMA) as an **area** with a **special flood** or mudflow, and/or **flood** related erosion **hazard**, as shown on a **flood hazard** boundary map or **flood** insurance rate map.