House Charlotte Program

Underwriting Criteria

A. Primary Criteria

The program is available to first time homebuyers 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 **www.dreamkeypartners.org/house-charlotte-program/** for any funding updates and program information.

Eligible customers cannot have owned property within the past three (3) years, and in addition cannot have ownership interest in land nor deeded timeshares.

All borrowers are required to receive a minimum of 8hrs of 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 costs (may also include credit counseling if listed on Loan Estimate Disclosure), interest rate buydown, and realtor's commissions.

City assistance can be used directly with FHA, USDA, VA, and conventional 15-30 year fixed rate loans. ***203K or any other rehab 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, Federal Home Loan Bank, etc. ***The funds are provided through a 30 year deferred 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.

- ***30-year term - deferred for year's one (1) through thirty (30) and then forgiven at the thirty-first (31st) year.***

In general, the City allows the lender's underwriting criteria to be the main factor in approving House Charlotte 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 (must be from landlord, not credit report).**
- **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 on a case by case basis, that House Charlotte may *make an exception* to go above 38% on the front-end ratio however, not to exceed 40.00%.

- This would require additional compensating factors to the 3 above that are required; for example: MCC, additional income not being used for qualifying, payment shock no higher than 25%, type of liabilities, residual income, etc. In order to make this exception, the file will be reviewed in its totality to identify additional compensating factors for consideration.
- The back-end ratio must be less than 50%.

- The front-end minimum ratio **cannot be lower than 28%.** The House Charlotte subsidy can be reduced to get the front-end ratio in line, if applicable.

B. Lien Position

House Charlotte program will take 2nd lien position to the primary mortgage. In the case where more than one down payment 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 House Charlotte is providing more assistance than the other funding source, House Charlotte will take 2nd lien position.

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

Please note: House Charlotte $30K will subordinate to NCHFA $15K, and CPLP $50K will subordinate to House Charlotte $30K. When layering multiple DPAs, if unsure, please reach out to the House Charlotte team prior to loan submission to confirm lien positions at **housecharlotte@dkp.org.*

C. Additional Underwriting Criteria

- Properties being sold ***"As-Is"*** are not eligible for the House Charlotte Program.
- 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 DreamKey Partners and Community Link. 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 DreamKey Partners at 704-342-0933 or Community Link at 704-943-9517. A minimum of Eight (8) hours of education **and** counseling is required.
- The House Charlotte team can be reached at 704-705-3999 or by email at **HouseCharlotte@dkp.org**.
- House Charlotte does not require a down payment from the borrower and concurs with the lending institution regarding their down payment requirements.
- ***For eligibility purposes all asset information must be listed on the 1003. House Charlotte asset limit is $40,000 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 and,
  - the condominium community must be *over* 50% occupied by owners in order to be eligible.

  **This would also include duplexes that have been established as a condominium.
- ***A Duplex or Triplex that will be used as income producing property is not permitted.***
- ***No cash can be returned to the buyer at closing***. Prepaids are not reimbursable to the buyer. House Charlotte 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 House Charlotte loan amount. The Closing Disclosure can list it as a principal reduction.

- **Paying off/down debt to qualify:**
    - Debts being paid prior to closing; we need to have proof of $0 balance statement from creditor in order for the debt not to be counted towards DTI ratios. This is needed prior to House Charlotte approval.
    - Debts being paid at closing; we need to have current payoff statement from creditor, and verify on the 1st lender's CD that the House Charlotte funds are not being used to payoff debt.
    - Debts being paid down under 10mos to omit from DTI ratios may not be acceptable if the current payment will cause a hardship to the borrower.
- **Student Loans;** if the student loan(s) are not actively being repaid at the full amount, we require the student loan(s) documentation to verify what status the loan(s) are in.
    - If in deferment/forbearance, the repayment date needs to be 12mos post the closing date. On a case-by-case basis an exception can be made to allow a reduced payment with the additional following documentation:
        - Credit report page showing $0 payment
        - Copy of the FNMA/FHA/FHLMC guideline you are using for payment listed on 1003

Previous House Charlotte homeowners:

- Borrowers cannot have more than one House Charlotte loan at any given time.
- Upon receiving a loan package from the lender, a House Charlotte representative will reach out to the potential House Charlotte Borrower to discuss the loan program details. This will include the recapture and first right of refusal provisions as well the deed restrictions, followed by an acknowledgement form to be completed and signed by the borrower.
- In the case of refinancing existing loans from House Charlotte, 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.dreamkeypartners.org/house-charlotte-program/** for contact information regarding subordinations.
- ***House Charlotte loans are not assumable***.

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