

INTRODUCTION

In this chapter, we will examine homeownership and discuss considerations to make when deciding whether this is the most appropriate housing option given your current financial and life situation, as well as information to help you stay in your home.

Additional contact information for the organizations or programs mentioned throughout the Primer can be found in Appendix A.

BASIC TERMS

Mortgage: A loan obtained to purchase real estate. The "mortgage" itself is a lien (a legal claim) on the home or property that secures the promise to pay the debt. All mortgages have two common features: *principal* and *interest*. Also included in your monthly mortgage payment is money paid into an escrow account (see below).

Chapter 4: Homeownership

Principal refers to the part of the monthly payment that reduces the remaining balance of the mortgage.

Interest is the fee charged for borrowing money.

Below-Market Interest Rate Mortgages: A mortgage that has a reduced interest rate which can subsequently increase your purchasing power.

Escrow Account: An account where a portion of your mortgage payment is held to cover real estate taxes, homeowner's insurance, and mortgage insurance (if applicable).

Down Payment: A portion of the buyer's own funds put towards purchase of a home. Down payments may come from buyers' savings accounts, checking accounts, stocks and bonds, life insurance policies, and gifts.

Mortgage Insurance: Generally, if a down payment is less than 20% of the purchase price of the home, mortgage insurance is required. Mortgage insurance is issued by a private company or by a government agency such as the Federal Housing Administration.

Lenders may require payment of the first year's premium at closing, but there are mortgage insurance products that do not require a lump-sum payment at closing.

Homeowner's Insurance: An insurance policy that includes personal liability insurance in case someone is injured on the property, personal property coverage for loss of and damage to personal property due to theft or other events, and dwelling coverage to protect the house against fire, theft, weather damage, and other hazards.

If the home you want to buy is located near water, you may be able to get flood insurance as part of your homeowner's protection. Flood insurance may be required in some areas. Check with your real estate professional or lender for further information. Lenders may require payment of the first year's premium at or before closing. Lenders may add the insurance cost to monthly mortgage payments and keep this portion of payment in an escrow account. Lenders pay the insurance bill out of escrow when premium notices from the insurance company are received.

Chapter 4: Homeownership

Second Mortgage: An additional mortgage that has a lien (legal claim) position subordinate to the first mortgage. A second mortgage often represents the difference between the price of the house and first mortgage plus the down payment. When offered through affordable housing programs, this is sometimes referred to as a 'soft second' mortgage.

Closing: A formal meeting where homeownership is transferred from the seller to the buyer. Also known as a settlement, the meeting is typically attended by the buyer(s), the seller(s), their attorneys if they have them, both real estate agents, a representative of the lender, and the closing agent. The purpose is to make sure the property is physically and legally ready to be transferred to the buyer.

Closing costs: Expenses in addition to the price of the property that are paid at closing, which generally include a loan origination fee, attorney's fee, taxes, an amount placed in escrow, and charges for obtaining title insurance and a survey.

Title: A legal document evidencing a person's right to or ownership of a property.

Title Search: A check of the public records to ensure that the seller is the legal owner of the property and to identify any liens or claims against the property.

Title Insurance: Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against losses arising from defects in the title not listed in the title report or abstract.

Loan Origination Fee: A fee, sometimes called a "point" or "points," that covers the lender's administrative costs of processing the loan. Often expressed as a percentage of the loan, the fee varies across lenders. Generally, the buyer pays the fee.

Survey: The lender may require that a surveyor conduct a property survey. This is a protection to the buyer as well. Usually the buyer pays the surveyor's fee, but sometimes this may be paid by the seller.

Chapter 4: Homeownership

Credit Report: A record of your debts and payments compiled by credit bureaus. Credit bureaus gather this information from credit card companies, banks, department stores, and other firms. Other credit terms include:

Credit history shows how well you have paid past debt.

Capacity is your financial means for repaying debt.

Capital is money for down payments and closing costs.

Collateral protects the lender if you fail to repay the loan.



Find More Information about Homeownership Terms

Visit HUD's Web site at www.hud.gov/offices/hsg/sfh/res/sc3secta.cfm for more information on these terms or visit www.nchousing.org and click on Research & Publications/Affordable Housing Primer.

AM I READY TO BUY A HOME?

Buying a home is a major investment. There are benefits to homeownership, but owning a home also comes with added responsibilities.

- You are responsible for exterior and interior maintenance and repairs such as roofing, windows, landscaping, carpeting, plumbing, and painting.
- You are responsible for paying all taxes and insurance.
- You may need to purchase household items such as major appliances, a lawn mower, and garden tools.
- Upkeep on a house can be time consuming and costly. When things like air conditioning breaks, you have to pay to get them fixed.

Although there are programs designed to help make buying a home easier, all programs have income requirements. In order to qualify for a home mortgage, whether or not you are using the services

Basic Qualifications for Home Mortgages

- ▶ 12 months of clean credit
- ▶ \$20,000 minimum annual income
- ▶ \$1,000 minimum savings

of a home buying program, all lenders have annual income requirements. As a rule of thumb, most lenders require at least \$20,000 a year in income. You must also have a certain amount of savings (usually at least \$1,000) to help cover initial fees. Lenders also require at least 12 months of clean credit history, which means that you have paid your rent and other bills on time and do not have any outstanding judgments.

**How Do I Know If I'm Ready
To Buy A Home?**

Ask yourself the following questions:

- Do I have a steady source of income? Have I been employed on a regular basis for the last 2-3 years? Is my current income reliable?
- Do I have a good record of paying my bills?
- Do I have few outstanding long-term debts, like car payments?
- Do I have money saved for a down payment?
- Do I have the ability to pay a mortgage every month, plus additional costs?

If you answer "yes" to these questions, you may be ready to buy your own home and should speak with a Housing Counselor.

Chapter 4: Homeownership

Housing Counselors

If you think buying a home is the best option for you or would like more information on whether this is a reasonable option, you may benefit from speaking with a Housing Counselor. Housing Counselors provide assistance to clients – usually those persons thinking about buying a home – by helping them address current housing problems, improve their living conditions, and outline and attain housing goals.



Find a Housing Counselor

To contact a Housing Counselor in your area call the Association of Housing Counselors c/o The Affordable Housing Group at 704-258-2302 or visit www.affordablehousinggroup.org. Local Housing Counselors can also be found on HUD's and NCHFA's Web sites. Visit HUD at www.hud.gov/local/nc/homeownership/hsgcounseling.cfm or visit NCHFA at www.nchfa.com/nonprofits/HRChousingcounseling.aspx.

FIRST-TIME HOME BUYER PROGRAMS

If you are a first-time home buyer and your income level has previously kept you out of the housing market, you may qualify for one of the NC Housing Finance Agency's (NCHFA) first-time home buyer programs. If you meet NCHFA's income requirements, which vary from county to county and are based on family size, you may be eligible for:

- A below-market interest rate mortgage;
- Down payment assistance up to \$8,000 or a second mortgage up to \$25,000; and/or
- A Mortgage Credit Certificate.

FirstHome Mortgage

NC Housing Finance Agency offers 30-year, fixed-rate mortgages from several sources including the Federal Housing Administration (FHA), Veterans Affairs (VA), and US Department of Agriculture (USDA), and conventional mortgages at below-market interest rates available through participating lenders to qualifying first-time home buyers.

Chapter 4: Homeownership

A FirstHome Mortgage could decrease your interest rate by 1% and subsequently increase your purchasing power. Down payments are usually 0% to 3.5% of the sale price. For qualified buyers, certain mortgages offer 100% financing, which means that no down payment is required.

Down Payment Assistance and Second Mortgages

Home buyers who need help with the down payment and closing costs may qualify for interest-free, deferred second mortgages of up to \$8,000. To qualify for down payment assistance, your income and the home's sale price must fall within limits that are lower than those for a first mortgage without down payment assistance.

You also may qualify for assistance through selected non-profit or government agencies that offer deferred second mortgage loans up to \$25,000 for the purchase of their newly constructed homes. Funds are available to eligible home buyers who apply through local agencies under NCHFA's New Homes Loan Pool Program.

The second mortgage is targeted to home buyers with incomes below 80% of area median income.

Buyers with incomes below 80% of area median income who work with self-help groups such as Habitat for Humanity, may also qualify for second mortgage assistance up to \$25,000. Funds are available to eligible home buyers who apply through organizations belonging to NCHFA's Self-Help Loan Pool, which is financed by NC's Housing Trust Fund.

Mortgage Credit Certificates

NCHFA also may be able to help you through a Mortgage Credit Certificate (MCC). An MCC is a federal tax credit authorized by Congress to assist home buyers with moderate and low incomes.

While all homeowners can claim an itemized tax deduction for mortgage interest, an MCC allows you to go a step further. An MCC reduces your tax liability by a percentage of the mortgage interest you pay.

Chapter 4: Homeownership

If you qualify for an MCC, you can claim 20% of your mortgage interest as a credit on your federal income taxes. You can save up to \$2,000 per year on your federal taxes, money that can be put toward your mortgage. An MCC can be used with almost any type of mortgage, including adjustable rate mortgages; but, it cannot be used with NCHFA's First-Time Home Buyer Mortgage.



Find More Information on First-Time Home Buyer Programs

For more information on the first-time home buyer programs discussed above contact NCHFA at 919-877-5700 or visit www.nchfa.com.

USDA Section 502 Direct Loan Program

The US Department of Agriculture (USDA) has a Direct Loan Program – Section 502 – to provide very low- and low-income people with the opportunity to acquire, build, rehabilitate, improve, or relocate dwellings in rural areas. The standard term for a Section 502 loan is 33 years. However, loans may be made for a shorter term, and in certain cases for 38 years. Payment subsidies are available to some borrowers to reduce monthly loan payments.

In summary, to be eligible for a Section 502 loan, applicants must:

- Have an adjusted income that is at or below the applicable low-income limit at loan approval;
- Have an adjusted income that is at or below the applicable moderate-income limit for assumed loans or loans to purchase an REO property;
- Be unable to obtain sufficient credit from another source;
- Agree to personally occupy the dwelling;
- Meet citizenship or eligible noncitizen requirements;

Chapter 4: Homeownership

- Have the legal capacity to incur a loan obligation and not be suspended or debarred from participation in Federal programs; and
- Demonstrate both the willingness and ability to repay the loan.

USDA Single Family Housing Guaranteed Loan Program

The objective of the guaranteed rural housing loan program is to assist eligible households in obtaining adequate but modest, safe, decent, and sanitary housing in rural areas by guaranteeing sound rural housing loans which otherwise would not be made without a guarantee. Guarantees are limited to loans to applicants with incomes that do not exceed moderate income limits.



USDA Loan Programs

To learn more USDA Loan Programs visit
www.rurdev.usda.gov/nc/do-list.htm.

SECTION 8 HOMEOWNERSHIP

Since 1999 the US Department of Housing and Urban Development (HUD) has included a homeownership option in the Housing Choice Voucher Program (Section 8) to allow this assistance to be used by qualified low-income households to become homeowners. HUD rules allow Public Housing Agencies (PHAs) administering Section 8 programs to institute a home ownership option, but it is not mandatory. Visit www.hud.gov/offices/pih/programs/hev/homeownership or see the table on the next page for NC PHAs currently offering the Section 8 Homeownership Program.

If you currently participate in the Housing Choice Voucher Program, your local PHA participates in the homeownership voucher program, and you meet income and other eligibility requirements, you may be eligible for this program.

While PHAs are not required to offer the homeownership option, they may be required to provide this option to a qualified person with a disability as a reasonable accommodation.

Chapter 4: Homeownership

Request for such an accommodation could be made when a person with a disability needs an accessible unit, but no such rental unit is available. (See *Chapter 3 for more information on Reasonable Accommodations.*)

To determine the amount of mortgage subsidy offered, the PHA uses its normal voucher program payment schedule. There is no time limit for receiving assistance under this program for an elderly household or a household headed by a person with a disability. For all other families, there is a mandatory term limit of 15 years, if the initial mortgage incurred to finance the purchase of the home has a term that is 20 years or longer. For all other cases, the maximum term of homeownership assistance is 10 years.

**NC Public Housing Agencies Offering
the Section 8 Homeownership Program**

Asheville Housing Authority	828-258-1222
Chatham County Housing Authority	919-542-3742
Choanoke Area Development Association	252-539-4155
Coastal Community Action, Inc.	252-223-1630
Durham Housing Authority	919-683.1551
Eastern Carolina Human Services Agency, Inc.	910-347-2151
Four County Community Services	252-537-0552
Gastonia Housing Authority	704-864-6771
Greensboro Housing Authority	336-275-8501
Greenville Housing Authority	252-329-4004
Hickory Housing Authority	828-328-5373
High Point Housing Authority	336-887-2661
Isothermal	828-287-2281
Kinston Housing Authority	252-523-1195
Laurinburg Housing Authority	910-276-2582
Mountain Projects, Inc.	828-452-1447
<i>List continued on next page.</i>	

Chapter 4: Homeownership

Northwest Piedmont Council of Governments	336-761-2111
Northwestern Regional Housing Authority	828-264-6683
Rocky Mount Housing Authority	252-977-3141
Sandhills Community Action Program, Inc.	910-947-5675
Sanford Housing Authority	919-776-7655
Statesville Housing Authority	704-872-9811
Twin Rivers Opportunities, Inc.	252-637-3599
Western Carolina Community Action, Inc.	828-693-1711
Western Piedmont Council of Governments	828-264-6683
Wilmington Housing Authority	910-341-7700
Winston-Salem Housing Authority	336-727-8500

HABITAT FOR HUMANITY

Habitat for Humanity International is a private non-profit with over 1,500 affiliates in the United States and over 80 affiliates in North Carolina. Habitat's goal is to eliminate poverty housing by providing families the opportunity to improve their living conditions. Families who are selected to participate in the program have housing, but live in

substandard or inadequate conditions and are unable to secure affordable housing in the private market despite having a steady income.

Not only do families purchase their homes, they also are required to help build their house and the houses of other Habitat families as part of their "sweat equity" agreement.

In order to qualify for a Habitat home, a family must complete an application process that involves attending an orientation, an income and credit screening, an in-office interview, criminal background check, employment history, and rental history check, and an interview at the applicant's current residence by two members of the Family Selection Committee. Committee members provide the Board of Directors a report on the applicant's need for housing, ability to pay, and willingness to partner, and the Board makes the decision about whether to approve the applicant for participation in the program.

Those approved must put in at least 85 hours of work on their own house during its construction. The application process takes three to six months,

Chapter 4: Homeownership

and the sweat equity requirements take three to nine months. From the date of orientation to the time of house closing, the process generally takes one year.



Habitat for Humanity

For more information on Habitat for Humanity contact your local affiliate. Contact information can be found at www.habitat.org/cd/local.

INDIVIDUAL DEVELOPMENT ACCOUNTS

Based on the idea that all people should have access to the financial tools used by wealthier people, Individual Development Accounts (IDA) combine budget and credit counseling with a program of matched savings to help low-income individuals and families build assets. These matched savings accounts are similar to 401(k) plans, but can serve a broad range of purposes such as buying a first home, paying for post-secondary education, or starting a small business. All IDA program participants are required to enroll in a financial literacy training program as a condition to getting the match money.

IDA programs are funded by public and private sources and are implemented by community-based organizations in partnership with a financial institution that holds the deposits.



Individual Development Accounts

For more information contact The IDA and Asset Building Collaborative of North Carolina at 919-341-6418 or visit www.ncidacollaborative.org.

BUYING A MANUFACTURED HOME

For many North Carolinians, especially those in rural areas, buying a home will include looking at manufactured or HUD-code homes. A manufactured home (also called a "mobile home") is a type of house that is built in a factory according to federal US Department of Housing and Urban Development code standards. A complete house, or sections, is then transported to a retailer for display and sale. The home has a structural frame or chassis that supports the complete unit of walls, floors, and roof.

Chapter 4: Homeownership

Underneath is a running gear consisting of wheels, axels, and brakes for transportation to the home site.

A manufactured home is different from a travel trailer in that a trailer can be towed behind a car. Manufactured homes are not built for traveling and cannot be towed by the family car. They are built to be a permanent residence; although, they can be transported to different sites by professional movers.

Many people buy manufactured homes because of the lower costs of purchasing and maintaining them. A notable advantage of purchasing a manufactured home is that buyers feel like they have instant housing. Manufactured homes are particularly popular in the South. In North Carolina, manufactured homes accounted for 38% of new home starts in the 1990's, and currently make up 18% of our occupied housing stock.

However, there are many disadvantages associated with manufactured homes. One major downside is that manufactured homes, unless on foundations, are considered personal property (like cars) rather than real property, and their value depreciates (decreases) with time rather than appreciating (increasing) like a stick-built house.



Find More Information about Manufactured Housing

If you are thinking about buying a manufactured home, visit the NC Housing Coalition Web site at www.nchousing.org/housing_issues_nc/manufactured_housing and read our *Consumer's Guide to Manufactured Housing* or call 919-881-0707 to request of copy.

STAYING IN YOUR HOME

If you own a home, the last thing you want is to have to leave as a result of predatory lending, foreclosure, accessibility issues, or its deteriorated condition.

This section will cover various programs designed to help prevent you from losing your home.

Foreclosure Prevention

At the first sign of financial trouble, homeowners should contact a Housing Counselor. *(See the section on Housing Counselors earlier in this chapter for information on how to find a housing counselor or contact the NC Housing Coalition at 919-881-0707.)* You do not have to wait until your interest rate re-sets or increases, or until you are already behind in your payments. By seeking help early, you can increase your chances of having more options available.

In these situations, a housing counselor can help:

- **Review your financial situation and determine what options are available to you.**
- **Advise you on which workout arrangements makes the most sense for you and your family, based on your circumstances.**
- **Call the lender with you or on your behalf to discuss a workout plan.**
- **Protect you from future credit problems before you get too far behind on mortgage payments.**
- **Give you information on services and programs in your area that provide financial, legal, medical or other assistance.**
- **Serves clients of all income levels or cost of home.**
- **Housing counseling services are FREE.**

A good counselor will also help you create a monthly budget plan to ensure you meet all your monthly expenses. Your personal financial plan will clearly show how much money you have available to make the mortgage payment. This analysis will help you and your lender determine whether a reduced or delayed payment schedule could help you.

Chapter 4: Homeownership

Homeowners HOPE Hotline

The Homeowner's HOPE Hotline is a free service provided by the Homeownership Preservation Foundation to help homeowners around the nation struggling to avoid foreclosure. By calling the HOPE Hotline you will have access to national HUD-approved counselors who are prepared to provide you with 45 minutes of housing counseling to examine the details and analyze your current financial situation, develop goals and a plan of action for moving forward, and recommend the best options for you. In some cases, they may be able to initiate a 3-way call between the counselor, you and your lender, to discuss what will work best in your situation to keep you from losing your home.

Before you call the HOPE Hotline prepare/gather a list of all major bills you pay every month and have your mortgage payment statement in front of you complete with your mortgage loan number.

Counselors on the HOPE Hotline may be reached toll-free at 888-995-HOPE (4673). They operate 24 hours a day, 7 days a week.

Legal Aid of NC and Pisgah, Financial Protection Law Center, Land Loss Prevention Project, Legal Services of Southern Piedmont Mortgage Foreclosure Project

The Mortgage Foreclosure Project includes a "team" of attorneys and staff who are located in Legal Aid of NC offices (and other legal services organizations) across North Carolina and who specialize in foreclosure defense and predatory lending law.

If you think that you might be at risk of foreclosure, think that something wasn't right about the closing on the purchase or refinancing of your home, or if you can answer "yes" to any of the questions below, you may have been the victim of an improper mortgage or loan.

Do any of the following circumstances apply to you?

- Are you in a worse financial situation than before refinancing or taking your second mortgage?

Chapter 4: Homeownership

- **Were you promised one mortgage/loan, but found out that you got a different mortgage/loan when you signed the paperwork, or later?**
- **Do you have an unreasonably high payment due at the end of or during your mortgage/loan's term?**
- **Is your monthly payment or interest rate higher than you thought it would be?**
- **Were there a lot of fees included in your mortgage/loan?**
- **Did you have high closing costs when you signed for your mortgage/loan?**
- **Did you sign mortgage/loan paperwork that was blank or incomplete at the time of your closing?**
- **Did your lender include information in your mortgage/loan paperwork that was not truthful?**
- **Did you find your mortgage/loan confusing and not have anyone you could trust to explain it to you?**

- Did you get a second mortgage/loan for home improvements that were incomplete or done poorly?
- Does your mortgage/loan include very high insurance payments?
- Are you going to be fined or charged prepayment penalties included if you pay off your mortgage/loan early?
- Was your mortgage/loan refinanced or changed to another creditor without your knowledge or consent?

If so, please gather your paperwork and call the Legal Aid of North Carolina central intake office toll-free 866-219-5262 to see if you qualify for assistance from the Mortgage Foreclosure Project.

NC Commissioner of Banks State Home Foreclosure Prevention Project

The NC Commissioner of Banks can act as an intermediary between borrowers and lenders, with the goal of increasing the number of borrowers who receive loan modifications.

Chapter 4: Homeownership

To qualify, the loan must have originated between January 1, 2005 and December 31, 2007. In addition, it must be a subprime loan, occupied by the owner and the home must be the owner's primary residence.

In these cases, the lender or loan servicer must send a notice of foreclosure to the borrower 45 days prior to initiating any foreclosure proceeding. The notice must contain the following information:

- An itemization of past due amounts and any other charges that must be paid;**
- Information on resources available to the borrower for avoiding foreclosure;**
- Contact information the borrower can use to reach the lender or servicer to discuss modification options;**
- Contact information for at least one local HUD-approved counseling agency; and**
- The address and telephone number for the consumer complaint section of the North Carolina Office of the Commissioner of Banks (NCOCB).**

Within 3 days of sending the foreclosure notice, the servicer must file information electronically on the loan in question with the Administrative Office of the Courts. The NCOCB will immediately refer the borrower to an established network of housing counselors throughout the state to gather detailed information about the loan, the property, and the borrower's finances. The NCCOB legal staff will conduct a legal review of the loan to determine whether a loan modification could prevent foreclosure.

If the NCCOB concludes that a modification could prevent foreclosure, it will notify the mortgage servicer, the homeowner, and the Administrative Office of the Courts and extend the allowable foreclosure filing date an additional 30 days. To determine whether a loan will benefit from a modification, the NCOCB will consider criteria including full loan information, the mortgage servicer's loss mitigation efforts, and the borrower's capacity for and interest in staying in the home.

Chapter 4: Homeownership

Filing a Complaint

If you determine that the company with which you have a complaint is regulated by the NC Commissioner of Banks, or if you are not sure, you may contact the NC Commissioner of Banks by calling 919-733-3016 and ask for the Consumer Complaint Division. Additional information can be found here: www.ncforeclosurehelp.org/StateForeclosurePreventionProject.aspx

HUD's Making Home Affordable Program

Making Home Affordable (MHA) is part of President Obama's stimulus plan to get the housing market back on track. Through the MHA Program, families may be eligible to refinance or modify their loans to a payment that is affordable now and into the future.

Making Home Affordable Refinance

Eligible borrowers who are current on their mortgages, but have been unable to take advantage of current lower interest rates because their homes have decreased in value, may now have the opportunity to refinance.

You may be eligible for the Home Affordable Refinance Program if:

- **You are the owner occupant of a one to four unit home;**
- **The loan on your property is owned or securitized by Fannie Mae or Freddie Mac;**
- **At the time you apply, you are current on your mortgage payments (current means that you haven't been more than 30-days late on your mortgage payment in the last 12 months or, if you have had the loan for less than 12 months, you have never missed a payment);**
- **You believe that the amount you owe on your first mortgage is about the same or slightly less than the current value of your house;**
- **You have income sufficient to support the new mortgage payments; and**
- **The refinance improves the long term affordability or stability of your loan.**

During the application process, your lender will give you a “Good Faith Estimate” that includes your new interest rate, mortgage payment and the amount you will pay over the life of the loan. Compare this to

Chapter 4: Homeownership

your current loan terms. If it is not an improvement, refinancing may not be right for you. You should also consider that refinancing from an adjustable rate to a fixed rate loan or eliminating higher risk loan terms such as interest only payments or balloon payments will also provide long term stability, as you will not have to worry about your interest rate increasing.

Making Home Affordable Modification

The Home Affordable Modification Program is designed to help homebuyers who are struggling to pay monthly mortgage payments that are more than 31% of their gross monthly income. This program is not limited to borrowers with loans owned or insured by Fannie Mae and Freddie Mac. Any lender/servicer can participate in the program, although it is voluntary.

To be eligible for the Home Affordable Modification Program you must:

- Be an owner-occupant in a one to four unit property;**

Chapter 4: Homeownership

- **Have an unpaid principal balance that is equal to or less than \$729,750 for one unit properties (there is a higher limit for two to four unit properties);**
- **Have a loan that was originated on or before January 1, 2009;**
- **Have a mortgage payment (including taxes, insurance, and home owners association dues) that is more than 31% of your gross (pre-tax) monthly income; and**
- **Have a mortgage payment that is not affordable, perhaps because of a significant change in income or expenses.**

The Home Affordable Modification Program helps by reducing borrowers' interest rates and monthly payments down to a level they can afford. The plan permits lenders to get to a level of affordability in a variety of ways, including reducing interest rates, extending terms, or writing down principal.

Contact your loan servicer or a housing counselor to find out if you might be eligible for the Home Affordable Program, although participation by your lender/servicer is voluntary. If you have additional

Chapter 4: Homeownership

questions, you can also contact the Homeowner's HOPE™ Hotline at 1-888-995-HOPE (4673) or at www.makinghomeaffordable.gov.

Beware of Foreclosure Rescue Scams - Help Is Free!

- There is never a fee to get assistance or information about federal, state and local government programs from your lender or a HUD-approved housing counselor.
- Beware of any person or organization that asks you to pay a fee in exchange for housing counseling services or modification of a delinquent loan. *Do not pay – walk away!*
- Beware of anyone who says they can “save” your home if you sign or transfer over the deed to your house. Do not sign over the deed to your property to any organization or individual unless you are working directly with your mortgage company to forgive your debt.
- Never submit your mortgage payments to anyone other than your mortgage company without their approval.

- **Never pay a company to help you during a foreclosure crisis unless it is an attorney that you personally hire to represent you and not some scammer who tells you to pay them your mortgage payments while they work things out for you!**

North Carolina Home Protection Program & Loan Fund

If you have lost your job, the N.C. Home Protection Program & Loan Fund (HPP) may be able to help you keep your home. HPP helps workers who lose their jobs because of changing economic conditions. It can provide a loan to pay your mortgage while you look for a job or train for a new one, and counseling to help you understand your options and plan your next step. Funded by the North Carolina General Assembly, the loans are offered by the North Carolina Housing Finance Agency (NCHFA) in partnership with housing counseling organizations that serve all 100 counties.

How Does It Work?

Homeowners apply through a participating local housing counseling agency who will assess your

Chapter 4: Homeownership

situation and determine your eligibility for HPP assistance as well as explore other foreclosure prevention options (*see list of participating housing counseling agencies in Appendix I*).

If you qualify for HPP, the housing counseling agency will help you apply for assistance. You can receive a loan of up to \$ 24,000 at zero interest. The funds will be used to pay your mortgage and related expenses, such as property insurance, homeowner dues, and property taxes for up to 24 months. No repayment is needed for 15 years, unless your home is sold, refinanced or is no longer your principal residence.

You can receive help in one of three ways:

- One-time assistance to bring your mortgage current;**
- Short-term assistance (up to 9 months) while you look for a job;**
- Long-term assistance (up to 24 months) while you participate in an approved retraining program.**

Chapter 4: Homeownership

When your completed HPP application is received, NCHFA will place a temporary stay of foreclosure for up to 120 days. The temporary stay prevents the company that owns your mortgage loan from foreclosing on your home or taking other legal actions while your loan application is under review.

Please note that the counseling agency's determination of eligibility for an HPP loan does not guarantee assistance; NCHFA approves or denies all loans.

If you receive an HPP loan, NCHFA will make your mortgage payments for you, and will pay other mortgage-related bills. These payments will be sent directly to the creditors. When all loan proceeds have been used to pay obligations on your behalf, you will resume regular mortgage payments on your own.

To be eligible for an HPP loan, you must

- Be a legal U.S. resident with a North Carolina home that is your principal place of residence;**
- Have lost your job due to changing economic conditions;**

Chapter 4: Homeownership

- **Have a mortgage that is secured by real property;**
- **Have satisfactory mortgage credit history prior to the job loss.**

Assistance is provided on a first-come, first-serve basis while funds are available.

For more information on HPP, please contact NCHFA at 919-877-5700 or www.nchfa.com.

**PREDATORY LENDING IS ILLEGAL
IN NORTH CAROLINA!**

Predatory lending is a term used to describe a variety of lending practices that strip wealth or income from borrowers. Predatory loans typically are much more expensive than justified by the risk associated with the loan. Characteristics of predatory loans may include, but are not limited to, excessive or hidden fees, charges for unnecessary products, high interest rates, terms designed to trap borrowers in debt, and refinances that do not provide any net benefit to the borrower. If you feel you have been a victim of predatory lending, you can contact the following agencies for assistance.

Center for Responsible Lending
www.responsiblelending.org or 919-313-8500

NC Justice Center
www.ncjustice.org or 919-856-2570

NC Attorney General's Office
www.ncdoj.com or 1-877-5-NOSCAM

NC Commissioner of Banks
www.ncforeclosurehelp.org/StateForeclosurePreventionProject.aspx or 919-733-3016

Rehabilitation, Modifications, and Energy Assistance Programs

■ **Displacement Prevention Partnership**

If your home needs accessibility modifications to enable you to continue living in it after an injury or illness, you may be eligible for assistance under the Displacement Prevention Partnership (DPP). NC Housing Finance Agency provides funding for this purpose through regional offices of the Independent Living Program. The Independent Living Program is a unit of the Division of Vocational Rehabilitation of the NC Department of Health and Human Services. The DPP also may help low-income homeowners with lead-poisoned children below the age of 6. Homeowners should contact their local public health department if their child has been affected by lead-based paint.



Displacement Prevention Partnership

For more information contact NCHFA at 919-877-5700 or visit www.nchfa.com.

■ **NCHFA Single-Family Rehabilitation Program**

If your home needs major repairs and your income is below 80% of area median income, you may be eligible for the NC Housing Finance Agency's Single-Family Rehabilitation (SFR) Program. NCHFA makes funds available to local governments and non-profit agencies to facilitate the comprehensive rehabilitation of single-family homes owned and occupied by low-income persons who are elderly or disabled. If you qualify, you could receive an interest-free deferred loan to pay for the necessary rehabilitation of your home. The local organization providing the loan will contract and supervise the work for you.



Single-Family Rehabilitation Program

Visit www.nchfa.com/Homebuyers/HOrepairs.aspx for more information or call NCHFA at 919-877-5700.

Chapter 4: Homeownership

■ **Urgent Repair Program**

If you need emergency repairs and your income is below 50% of area median income, you may be eligible for the NC Housing Finance Agency's Urgent Repair Program (URP) – which is funded through the NC Housing Trust Fund.

Local government and non-profit agencies administer the URP to help households correct housing conditions that threaten life or safety such as failing septic systems, dangerous heating systems, or rotten floors. The program also pays for accessibility modifications to enable people to continue living in their homes after an injury or illness. Homeowners may qualify for a grant through the URP program if you are elderly, disabled, a single parent, have a household of five or more, or have children in your household with elevated blood lead levels.



Urgent Repair Program

For more information contact NCHFA at 919-877-5700 or visit www.nchfa.com/Homebuyers/HOrepairs.aspx.

■ USDA Home Repair Loan and Grant Program

The US Department of Agriculture (USDA) has a Home Repair Loan and Grant Program – Section 504 – to help very low-income owner occupant of modest single family homes in rural areas repair those homes. Loan funds are available for repairs to improve or modernize a home, make it safer or more sanitary, or remove health and safety hazards. For homeowners 62 and over who cannot repay a loan, grant funds are available to remove health or safety hazards, or remodel dwellings to make them accessible to household members with disabilities. Individuals can apply for the program at a local USDA office.



USDA Home Repair Loan and Grant Program

For more information visit

www.rurdev.usda.gov/nc/do-list.htm.

■ **VA Home Improvements and Structural Alterations Program**

The Veterans Administration (VA) Home Improvements and Structural Alterations Program helps pay for home accessibility improvements. Veterans who have a disability rating of 50% or more or who are being treated for a service-connected disability may apply for this program at a local VA medical center.



VA Home Improvements and Structural Alterations Program

For more information visit

www.appc1.va.gov/directory/guide/region.asp?ID=1006 or www.nchousing.org, and click on Affordable Housing Primer.

■ **NC DAAS Housing and Home Improvement Services**

The NC Division of Aging and Adult Services (DAAS) provides supportive services –including Housing and Home Improvement Services – targeted to individuals 60 years of age and older with the greatest economic or social need. These services can make a vital difference in the lives of older individuals wishing to live independently in safe, affordable housing and are available through regional Area Agencies on Aging.

Housing Services support independent living by providing such things as reverse mortgage counseling, landlord-tenant relations information, and independent housing options and locations. Home Improvement Services help resolve health and safety issues affecting homes or areas adjacent to homes by providing:

- installation of security features;
- minor home repairs and improvements; or,
- modifications to the home to increase accessibility.



DAAS Housing & Home Improvement Services

Access Housing and Home Improvement Services through regional Area Agencies on Aging. To find your Area Agency on Aging visit www.ncdhhs.gov/aging. Click on Area Agencies on Aging in the listing on the left side of page, and choose the county where you live.

In certain instances, basic furnishings or household appliances that promote independent living can be provided.

■ Duke Home Energy Loan Pool

Duke Energy customers in certain areas may receive assistance from nearby housing rehabilitation service providers under the Duke Home Energy Loan Pool (HELP). Local and regional organizations, known as Loan Pool “members”, will use HELP funds – along with funds from other rehabilitation programs such as Community Development Block Grants (CDBG), HOME, and Single Family Rehabilitation (SFR)

loans – to comprehensively rehabilitate each qualifying home and make it more energy-efficient.



Duke Home Energy Loan Pool

For more information contact NCHFA at 919-877-5700 or visit www.nchfa.com/Nonprofits/HRRdukehome.aspx.

■ **Progress Energy – Energy Neighbor Fund**

The Energy Neighbor Fund, formerly known as Project Share, is Progress Energy’s program for providing assistance to customers in need. The fund helps cover home energy bills, whether the homes are all-electric or use gas, coal, oil, wood or kerosene for home heating. In North Carolina, the fund also helps support Operation Fan Relief, which provides fans during summer months to the elderly and other individuals with special needs.

Progress Energy – Energy Neighbor Fund

For more information contact the local Dept. of Social Services for the county in which you live (listed under government agencies in the phone book) or contact the CARELINE at 1-800-662-7030.

■ North Carolina Weatherization Assistance Program

The Weatherization Assistance Program is designed to help low-income citizens save energy and reduce through the installation of energy conservation materials, the implementation of energy efficiency measures in their homes, and energy education. Households with weatherized homes save approximately \$300 annually in energy costs. In addition to the goal of improving energy efficiency, the program strives to create a safe and comfortable home environment for families served.

Families with incomes below 150% of the poverty line or those receiving cash assistance payments under Temporary Assistance to Needy Families (TANF) or Supplemental Security Income (SSI) are eligible for weatherization services. (As of 2009, the Federal Poverty Line for an individual is \$10,830.) Priority is placed on providing assistance to the elderly, persons with disabilities, and families with children.

The Weatherization Assistance Program is implemented in all counties in the state through thirty-three sub recipients. Staff conduct energy audits and perform diagnostic testing to determine air infiltration, heat loss, and levels of carbon monoxide, and identify recommended energy conservation, safety, and health measures. Measures taken may include air sealing, insulation of attics, walls, and floors, duct sealing and insulation, water heater tank wrap, and other general heat waste measures.

■ **Heating and Air Repair and Replacement Program**

The Heating and Air Repair and Replacement Program works in concert with the Weatherization Assistance Program to repair and/or replace inefficient heating and air systems in the homes of low-income families, especially the elderly, persons with disabilities, and families with children. Program eligibility is the same as the Weatherization Assistance Program.

The heating and air systems in all weatherized homes are professionally evaluated to determine levels of carbon monoxide and to diagnose performance efficiency. Based on evaluation results, measures are taken to correct deficiencies.

Where to Apply for the NC Weatherization Assistance Program & the Heating and Air Repair and Replacement Program

Visit www.dhhs.state.nc.us/oeo/WAP/FY2008-09_WAPDirectory_121608.pdf or www.nchousing.org, and click on Research & Publications/Affordable Housing Primer to find a list of the 33 agencies that administer these programs in communities throughout the state.

Reverse Mortgages

Reverse mortgages have become very popular in recent years as a source of income for older Americans. A reverse mortgage is a loan secured by home equity that doesn't need to be repaid until the end of the loan term, which is usually when the homeowner no longer occupies the home as a principal residence, sells the home, or dies.

If you obtain a reverse mortgage, you remain responsible for maintenance, insurance and taxes for the home during the loan period. You can use the money from the reverse mortgage however you

Chapter 4: Homeownership

choose. You cannot be forced to sell or vacate the home if the money received from the loan exceeds the value of the home. In addition, should you die and your spouse is a co-borrower, he or she cannot be forced to sell the house as long as he or she occupies the home as a principal residence.

When the borrower (and any co-borrower) dies, the loan balance plus accrued interest becomes due and payable. Your heirs may repay the loan and keep the home, or sell the home, repay the loan, and keep the balance. If the loan exceeds the property value, your heirs will owe no more than the property value, and no additional financial claims can be made against them or the estate.

To qualify for a reverse mortgage you and any co-borrower must:

- be at least 62 years old;**
- own your home free and clear (or have a very low outstanding debt); and**
- occupy the home as your principal residence.**

According to federal regulations, if you apply for a reverse mortgage loan, you must receive counseling

from a state-certified housing counselor who will help you understand the implications of your choice. There is no charge for this service.



Find a Certified Reverse Mortgage Housing Counselor

NCHFA maintains a list of Certified Reverse Mortgage Housing Counselors at www.nchfa.com/Homebuyers/HOreversemortgage.aspx or call NCHFA at 919-877-5700.

Chapter 4: Homeownership
