



## **LENDERS MEMORANDUM OF UNDERSTANDING**

### **Fiscal Year 2024/2025**

Participation in the City of Concord's Down Payment Assistance Program the undersigned Lending Institution must comply with the following terms:

1. Lending Institution's (hereinafter "Lender") underwriting guidelines must comply with the terms and conditions set forth in The City of Concord (hereinafter "City") Home Ownership Assistance Program Procedure Guidelines (hereinafter "Guidelines") as attached hereto and incorporated herein by reference as "Exhibit A" upon City's Approval. All lender approval documents will require a verified electronic signature.
2. Lender is required to be approved with the US Department of Housing and Urban Development (HUD) FHA Program and/or North Carolina Housing Finance Agency (NCHFA) Program as verified by online list search at the time of request.
3. The lender should refer the borrower to HUD Certified Housing Counseling Agency to verify eligibility and assess their readiness for becoming a homeowner **BEFORE** the borrower enters into a sales contract for a home and **BEFORE** the lender locks in the first mortgage rate for the borrower. In addition, the one-on-one Financial Analysis counseling and education session(s), by a HUD Certified Housing Counseling Agency/Counselor (a minimum of a 2-hour session) is completed and a certificate is obtained prior to borrower executing an Offer To Purchase and Contract or lenders pre-approval letter, as further described in Exhibit "A", item #22. The additional 2-hour required education can be completed prior to final program eligibility approval by way of commitment letter.
4. Lenders must allow enough time for the HUD Certified Housing Counseling Agency to evaluate the homebuyer's readiness to purchase a home, provide home buyer education, required counseling, collect appropriate documents to underwrite the loan, and review applicable home inspections.
5. Lender shall immediately notify The City regarding any change(s) in an active loan application which relates to income, the number of persons per household, and/or the Borrower(s) marital status prior to closing.
6. Upon Lender underwriting procedures, if the loan is moved to a product which does not comply with the Guidelines, the Lender shall immediately inform The City for approval prior applicant acceptance.
7. Applicant(s) will have access to a list of Approved Lenders, as published on the City's website and the online application service (Neighborly Software) that

have completed the City's Memo Of Understanding. All applicant(s) are deemed ready on a first-come first- qualified, right of first refusal basis.

8. Upon review of the Lender loan package, should the Lender fail to comply with the Guidelines, The City shall notify the Lender of such non-compliance, and reserves the right to notify Borrower(s) to select another sponsoring Lender from the list.
9. The City reserves the right to make changes in the Guidelines, including alterations, therein or additions thereto. Upon receipt by the Lender of The City's notification of a contemplated change, the Lender shall in writing within ten (10) business days advise the City if the contemplated change will affect the Lender's ability to meet the terms. If the City instructs in writing the Lender shall suspend their actions pending the City's decision to proceed with the change.
10. Upon Lender underwriter approval a loan package must be submitted to The City within ten (10) business days and must include the following items:
  - ✓ Lender Pre & Conditional Approval Letter
  - ✓ Mortgage application - 1003
  - ✓ Good Faith Estimate or Loan Estimate
  - ✓ Property appraisal (including photographs)
  - ✓ Lender Approval letter
  - ✓ Underwriting Guidelines Approval Report & Affordable Housing Affidavit
  - ✓ Closing date and time (approximate)
  - ✓ Closing Agent or Title company – including wire instructions
  - ✓ Mortgagee clause
  - ✓ Proof of hazard, flood, and windstorm insurance (if applicable) with City Listed
11. The City of Concord will not subordinate to a lender requested privately held lien. In cases where additional government superior liens apply, upon notification, the city will reserve the right to subordinate to the maximum of fourth position.
12. The City requires a minimum of 45 business days to process Down Payment Assistance funds from the initial receipt of application either by date and time stamp or date submitted through the online system. In addition, City also requires a minimum of 5 business days to obtain funds to close from the day the loan Borrower(s) signs the Down Payment Assistance Program Income Certification, Inspection Agreement, HOME Agreement required mortgage documents and final commitment is executed by the Community Development Manager.
13. All documents listed within the Closing Agent Instruction Letter must be received within 15 business days after final closing. Failure to comply with this request will place the lender on a one-year probation and will be taken off the approved lender list.
14. The City will adopt and require as a recommended strategy in the One Year Action plan and further identified in the current Analysis of Impediments report,

the Fair Housing Action Plan for Fair and Equal Lending Disparities, to require all partnering lending institutions to submit to The City a copy of their annual Home Mortgage Disclosure Act (HMDA) Report that compares FHA and sub-prime loan decisions sorted by race/ethnicity in order to participate in all City Housing programs.

The parties hereto have made and executed this Memorandum of Understanding on the respective dates below. The Lender signature and submission of to The City's Department of Planning and Neighborhood Development hereby indicates the Lender commitment to comply with terms and conditions contained herein. Lender shall be considered a Partnering Lender to The City's Department of Planning and Neighborhood Development Down Payment Assistance Program.

AS TO LENDING INSTITUTION:

\_\_\_\_\_  
Name of Lending Institution

\_\_\_\_\_  
Signature of Authorized Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

AS TO THE CITY OF Concord:

\_\_\_\_\_  
Mary Powell-Carr,  
Community Development Manager

\_\_\_\_\_  
Date



## **EXHIBIT "A"**

### **HOME DOWN PAYMENT ASSISTANCE PROGRAM 2024/2025 PROCEDURE GUIDELINES**

1. The City of Concord's Loan is a 0% deferred second mortgage, subordinate to the Lender's first mortgage position (unless additional government subsidy requires a second position). Loan balance and affordability period will satisfy at a rate of 20% per year for 5 years. If additional subsidy has been secured and is needed to approve the loan which requires a position higher than the City of Concord's lien, the Lender must notify the City of Concord prior to closing.
2. The City of Concord provides subsidy based on a calculation of need up to the following maximum limits; for existing and new construction single family properties, approved Borrower(s) with income that falls at or below 80% of the Charlotte-Concord-Gastonia, NC SC HUD Metro FMR area median household income, as revised annually and verified through the income certification process by City staff, can receive a maximum of \$10,000.00 subsidy.
3. All commitments are subject to funding availability and are based on a "first come, first serve" basis. It is the intent of the City to expend available funds within 90 days after commitment.
4. The maximum FY-2024-2025 purchase price shall not exceed \$332,000.00 for existing properties and for new construction the maximum purchase price of \$350,000.00, as established by the HOME and Housing Trust Fund Homeownership Sales Price Limits updated annually. Appraised values prices must be at sales price or higher,
5. Borrower(s) must qualify based on their household gross monthly income and debt for a minimum loan amount of \$50,000 to be considered for the homebuyer program as identified by a pre-qualification with conditions from a City of Concord Approved Lender or a Mortgage Ready Certificate from a HUD Certified Housing Counseling Agency.
6. The approved Borrower(s) must contribute a minimum of \$1,000.00 towards the purchase price, of personal funds, towards the purchase. Proof of Funds within an acceptable account includes savings, CD, money markets and retirement accounts. Checking accounts are not an acceptable source of funds towards savings. Savings Clubs sources (Partner Funds) are acceptable when sufficient documentation is present (i.e., Treasurer or Banker provides bank information as it is related to funds).

7. Restriction: Liquid Assets – Borrower(s) with liquid assets in excess of \$20,000, are not eligible for down payment assistance. IRAs, pensions, 401ks and other non-liquid retirement accounts will not be included in restricted asset calculation. Borrower(s) who have fixed income (social security, disability) as their only source(s) towards the lender's income qualifications may, upon written request be considered for exemption.
8. Private Lenders will lend up to 97% LTV of the purchase or appraised value, whichever is less with a CLTV of 105%.
9. The first mortgage shall be for a term not to exceed 30 years, fixed rates and no prepayment penalties will be assessed. Adjustable-Rate mortgages are not eligible.
10. The first mortgage shall be at a uniform fixed interest rate and may not exceed the NCHFA published rates. Loan products that are not FHA or NCHFA restricted will be considered on a case-by-case basis and will need to be approved prior to loan commitment.
11. Loan origination fees cannot exceed 1% of the loan amount, and all loan fees should be normal and not excessive.
12. Total “Administrative” fees (underwriting, funding, loan processing, document preparation, loan review, etc.) may not exceed 1% of the loan amount. These fees may be identified as the origination fee, if the lender provides a description of the total origination fee prior to closing. At no time will the origination fee include costs for yield spread fees.
13. Mortgage insurance will not be charged except in limited circumstances. \* (see below)
14. The recommended income/debt ratios shall be 32/45. Larger ratios will be accepted using the compensating factors for borrowers (FHA guidelines) by the City of Concord, as stated on the Underwriting Approval Report. All loans which have estimated mortgage payments to include PITI that exceeds 30% of the total household income, Lender and Borrower(s) must execute an Affordable Housing Affidavit. See attached Down Payment Assistance Program Underwriting Guideline Approval Report.
15. Assistance will not be provided if the front-end debt ratio falls below 22% of the Borrower(s) gross monthly household compliance income.
16. Property hazard insurance, flood insurance, windstorm insurance (if applicable), and property taxes must be escrowed and are required for all loans in amounts sufficient to cover the Lender's interest as well as the City's interest. Preliminary insurance declaration page must be received prior to closing with the City of Concord's name listed as a mortgagee.
17. Structures must pass all inspections, including but not limited to the following: termite, roof (where applicable), electrical, plumbing, hot water heater, heating/cooling system, structural (where applicable), windows and doors, prior to purchase and must be submitted at the time of application for assistance. Escrows for repairs are

not permitted. A City of Concord Minimum Housing Inspection report (copy provided) will be required on all existing homes. All existing Code Enforcement violations must be complied/repaired by seller prior to closing. All executed Offer To Purchase and Contracts submitted must either state the City's inspection requirements or allow time (5 business days) for the City's Minimum Housing Inspection report to include required repairs during the due diligence period. In the case of new construction, a certificate of occupancy must be delivered at the time of application and is issued within one year of the closing to be accepted.

18. Prior to completion of the due diligence period, Borrower(s) are required to purchase lead base paint inspection through a certified EPA and HUD approved full lead base paint inspection report for existing properties built prior to 1978. A current North Carolina Risk Assessor list is available through the following link, <https://schs.dph.ncdhhs.gov/lead/accruited.cfm>. If buyers pay the direct cost of said inspection (proof required), this may be used towards the minimum \$1,000 approved applicant's contribution requirement. The lenders lead based paint report or a seller's clearance lead based paint report are acceptable if the report is completed by a certified EPA and HUD approved organization.
19. Non-Resident Borrower(s) pending receipt of a green card are allowed as long as they have a work permit, two years of employment, two years residing in the United States, and two years of established credit. Also, Borrower(s) with political asylum (depending on the type of visa) may be eligible.
20. Borrower(s) should have a credit history covering a minimum of 2 years. An alternative credit history established through payments for a minimum of 1 year for rent, telephone, utilities, etc. would be acceptable if Borrower(s) has limited reported credit.
21. Seller concessions of up to 6% of the sales price are permitted for closing costs and prepaids.
22. Borrower(s) must receive all of the basic services outlined in 24 CFR §214.300 (6)(b) and Items A-E to include Housing Counseling, Discussions of Alternatives, Action Plan, Financial Analysis, Referrals. Housing Counseling must provide at least one of the following topics and is further described in the chapter indicated above; Pre-Purchasing/Home Buying, Resolving or Preventing Mortgage Delinquency or Default, Non-Delinquency Post-Purchase (including Improving Mortgage Terms and Home Improvement), Locating, Securing or Maintaining Residence in Rental Housing, Reverse Mortgage and Homeless Assistance. The following education will be required;
  - Approved dated 8-hour HUD Approved Homebuyer workshop certificates are required prior to processing a lender pre-approval letter. All workshop certificates are valid for a maximum of one year and must be within one year of the fully executed Offer to Purchase and Contract date. Online courses are acceptable from a HUD Certified Agency, but an additional 4-hour educational session must be completed.
  - In addition, a minimum of a 2-hour one-on-one Financial Analysis session with a HUD Certified Counselor for Financial Analysis is also required prior to the pre-approval letter and execution of the Offer to Purchase and Contract.

- Any additional eligible virtual/online certified courses that complete the remaining 2 hours, by evidence of dated certificates for all may be completed prior to the final program eligibility approval by way of the City's Commitment.
23. Borrower(s) cannot have had ownership of any kind, in a principal residence for a minimum of 3 years prior to application as defined by HUD to what constitutes a first-time homebuyer and verified as evidenced by 3 years signed federal tax returns. If Borrower utilized the standard income tax deduction, a notarized affidavit will be required. Mobile homes not legally affixed to parcel and non-buildable vacant lot ownerships are excluded. As per HUD 24 CFR Part 5, Inherited property that is not the primary residence of the borrower will be calculated as an asset towards the income certification (in whole or in part based on inheritance terms) and/or if the property is being rented, the total rent or projected market rent (whichever is higher) will be included in the total income for borrower's household.
  24. Borrower(s) must be contacted within 48 hours after receipt of City of Concord's Down Payment Assistance Program Application Package
  25. Pursuant to underwriting procedures if the loan is moved to a lending product that does not comply with the guidelines of the City of Concord, the Lender must notify the City of Concord Department of Planning and Neighborhood Development for approval prior to Borrower(s) acceptance. All loans that are non-compliant will not be eligible for purchase assistance funds.
  26. All City documents that require a lender representative signature through an electronic signature system must be a verified signature stamp only.

\* Points, origination, processing & underwriting fees and mortgage insurance may be charged in the following instances ONLY:

- a. If the Borrower(s) requests a rate buy down, points may be charged upon approval by City of Concord Department of Planning and Community Development.
- b. If the Borrower(s) requests special financing, such as Bond or FHA loans, applicable points and fees may be charged per program guidelines. All other loan products that carry mortgage insurance will be approved on a case-by-case basis.
- c. If Lender participates in the North Carolina Housing Finance Agency Loan Program and the Borrower(s) requests this financing to reduce their interest rate, increase ratios, etc. all applicable fees may be charged pursuant to the guidelines of the North Carolina Housing Finance Agency Loan Program.