

## What to Do When Your Affiliate Has a Foreclosure

The Federal HOME funds the Agency uses to fund the Self-Help Loan Pool require a few things that require action in the case of a foreclosure:

- **Principal occupancy**, which means that for the funding to stay with the unit, the original homebuyer the Agency assisted must occupy the unit (or a new buyer that is qualified by the Agency in the case of an assumption). For this reason, it is not possible for previously funded SHLP units to be converted into rental units, transferred to other buyers without disclosure, or left vacant.
- **Affordability**, which means that based on the amount of money put into the unit, for the money to stay in the unit, it must stay in the hands of a buyer at or below 80% of the Area's Median Income for a specified period of time (normally 10 years). For this reason, subsequent buyer households must be income documented and approved by the Agency.

HUD has granted a window of time between buyers for the Agency to work with Affiliates to place a new, qualified buyer in the unit. There are a few key things to keep in mind on RECYCLING a unit.

- There is a **6 month timeframe** from the time the Affiliate transfers the deed out of the original buyer's name to close with a new buyer.
- The new buyer household must be **at or below 80% AMI** (*total household income*).
- In most cases, it is simpler for the old SHLP loan to be paid off and new funds issued for the buyer at the closing for the new buyer. The new funds will come out of your cap for the current program year. An assumption is allowed, but it requires that the new buyer household be income qualified and approved by NCHFA, and that they assume the current debt on the unit.
- **Existing housing requires new inspections** (we cannot use the previous CO). There are two types of inspections currently required: Health and Safety (HQS – Housing Quality Standards Form 52580-A [http://portal.hud.gov/hudportal/documents/huddoc?id=DOC\\_11742.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_11742.pdf) or local minimum housing code) and Property Condition (a NC Home Inspection by a licensed NC home inspector – see <http://www.nclhia.com/content/home-inspectors-north-carolina-nclhia-members>). Should deficiencies be found in the unit, a work write up should also be supplied addressing what work is being done to correct the deficiencies. All repairs must be completed and a final inspection will be necessary to remove any closing conditions related to deficiencies found in the inspections.
- **After an affiliate has taken an unit back in foreclosure**, the pro-rata share of the payment should continue to be made to NCHFA. Valid fire/hazard insurance must be endorsed immediately and maintained until resale and occupancy. Should the property be damaged or vandalized, please notify NCHFA immediately.

## Questions to Ask

### Question #1: Was this unit previously funded by NCHFA?

- If YES, please alert Hal Wright ([hewright@nchfa.com](mailto:hewright@nchfa.com) / 919-877-5690) and your case manager about the pending foreclosure.
- If NO, please alert your case manager if you intend to use SHLP funding for the new buyer. A new reservation should be submitted for the new buyer.

### Question # 2: Will the unit require rehabilitation / significant repairs to make it ready for the new buyer? *(for units previously funded by NCHFA)*

- If YES, please alert your case manager and Hal Wright what the timeline for the future closing would be. If the rehabilitation is likely to extend beyond 180 days of the date the transfer of deed to the affiliate, then the original funding should be paid off immediately. Contact Mary Moss in servicing for payoff amount and timing ([mgmoss@nchfa.com](mailto:mgmoss@nchfa.com) / 919-877-5697). If at all possible, within 60 days of the transfer of foreclosure, affiliates should obtain a sales agreement from the new buyer. A work-write up, home inspection, and property standard inspection (HQS or Local Minimum Property Standard) must be submitted with the underwriting package for the new buyer.
- If NO, a home inspection and property standard inspection (not normally required for new construction) must be submitted with the underwriting package for the new buyer. Should one of the inspections uncover a major deficiency within the property the affiliate should provide a work write up addressing the deficiency.

### Question # 3: Will you be using SHLP funding for the new buyer household? *(for units previously funded by NCHFA)*

- If YES, please submit a reservation request and underwriting package. A work-write up (if applicable), home inspection, and property standard inspection (HQS or Local Minimum Property Standard) must be submitted with the underwriting package for the new buyer. If at all possible, within 60 days of the transfer of foreclosure, affiliates should obtain a sales agreement from the new buyer. Contact Mary Moss in servicing to coordinate payoff as part of the new closing ([mgmoss@nchfa.com](mailto:mgmoss@nchfa.com) / 919-877-5697) if the new closing will be within 180 days of transfer of deed.
- If NO, contact Mary Moss in servicing for the payoff amount and the process for sending a payoff on the old loan ([mgmoss@nchfa.com](mailto:mgmoss@nchfa.com) / 919-877-5697).

## **Checklist for Foreclosed Units Previously Funded by the Agency and Intended for New Funds from SHLP**

- \_\_\_ Notify Hal Wright and your case manager when it appears a foreclosure is likely
- \_\_\_ Notify Hal Wright when the foreclosure takes place and send a copy of the deed to NCHFA if possible
- \_\_\_ Make sure to have fire/hazard insurance in place while property is vacant
- \_\_\_ Begin to identify and prepare a new buyer household for the home
- \_\_\_ Sign a sales contract with new buyer household within 60 days of foreclosure
- \_\_\_ Submit a reservation request for the new buyer household to Deborah Hamilton
- \_\_\_ Schedule a local minimum housing code inspection (if available in your area) or a Housing Quality Standards inspection (in no local minimum housing code exists)
- \_\_\_ Schedule a home inspection with a licensed NC home inspector
- \_\_\_ Review any noted deficiencies in the inspections and establish a work write-up for the property to address deficiencies
- \_\_\_ Arrange for repairs to be performed on property (if applicable)
- \_\_\_ Request a final inspection (if needed to demonstrate the deficiencies have been addressed)
- \_\_\_ Submit the underwriting package for the new buyer household
- \_\_\_ Include the inspections, work write up, and either final inspection or invoices to demonstrate repairs were completed (can be conditioned)
- \_\_\_ Receive Underwriting Approval from NCHFA
- \_\_\_ Contact Mary Moss for the current payoff amount and notify her of payoff at future closing
- \_\_\_ Submit requisition form to Deborah Hamilton (notify Deborah of closing date – can be submitted as part of underwriting package)
- \_\_\_ Schedule closing within 6 months of foreclosure
- \_\_\_ Close new loan, and the old loan will be paid off as part of new closing
- \_\_\_ Celebrate

## Who to Contact

Foreclosure Notification of Previously Funded Units:

- Hal Wright ([hewright@nchfa.com](mailto:hewright@nchfa.com) / 919-877-5690)
- Your Case Manager

Scheduling Payoff of an Old SHLP Loan (after foreclosure or as part of a future closing with a new buyer):

- Mary Moss ([mgmoss@nchfa.com](mailto:mgmoss@nchfa.com) / 919-877-5697)

Reservations for New Buyer Household:

- Deborah Hamilton ([dmhamilton@nchfa.com](mailto:dmhamilton@nchfa.com) / 919-877-5709)

Underwriting for New Buyer Household:

- Kim Hargrove ([kchargrove@nchfa.com](mailto:kchargrove@nchfa.com) / 919-877-5682)

## When Should I Contact NCHFA

Case Manager:

- Any time you have questions or just want to share what your affiliate is currently working on
- When foreclosure appears likely
- When a new buyer household is identified and date of closing
- If your plan changes drastically (i.e. buyer withdraws, major delays to rehab/re-occupancy, etc.)

Servicing:

### **Foreclosure**

- Date of referral to attorney
- Date Sale is scheduled to occur
- Confirmation after foreclosure sale is held
- Date trustee deed is recorded at the register of deeds office and a copy for the Agency if possible

### **Deed in Lieu**

- Date the deed in lieu is executed
- Date title is taken and a copy for the Agency if possible

### **Bankruptcy**

- Date and Chapter Filed
- Chapter 13: Date Plan confirmed and Date of Dismissal
- Chapter 7: Date of Discharge