

SERVICE SCHEDULE B-1

**North Carolina Housing Finance Agency's
Mortgage Payment Program (MPP-1)
Summary Guidelines**

1. Program Overview	<p>Because unemployed homeowners are not eligible for most loss mitigation programs, NCHFA proposes to use a majority of our first round HFA Hardest Hit Funds (HHF) to create the Mortgage Payment Program (MPP-1).</p> <p>This program will provide loans to unemployed homeowners and others who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure.</p> <p>Loan proceeds will be used to pay mortgage and mortgage-related expenses (i.e. property taxes, homeowner insurance, homeowner dues) for eligible homeowners.</p>
2. Program Goals	<p>To assist 10,372 homeowners. The following types of assistance will be provided:</p> <p><u>Job Search Assistance</u> To help homeowners while they look for a new job or have experienced a temporary reduction in income.</p> <p><u>Job Training Assistance</u> To help homeowners while they complete a job training/education program to help secure a new job including veterans who are honorably or medically discharged from the military.</p> <p><u>Reinstatement Only or One-time Assistance</u> To help homeowners who can resume future payments but need help to bring their mortgage current.</p>
3. Target Population/ Areas	<p>Homeowners who are unemployed, underemployed, suffered another temporary hardship, and/or are able to resume future payments but need help bringing their mortgage current.</p> <p>This Program will be available in all North Carolina counties.</p>
4. Program Allocation (Excluding	\$ 207,862,083

Administrative Expenses)	
5. Borrower Eligibility Criteria	<p>Homeowners who are unemployed, underemployed, or have suffered another eligible temporary hardship, who, through no fault of their own, are unable to make their mortgage payments and are at risk of a foreclosure. Homeowners will be required to provide a financial hardship affidavit with appropriate documentation on the cause of their hardship, per program guidelines.</p> <p>Homeowners who are delinquent because of a prior job loss or other program eligible hardship but who can resume future payments without additional assistance.</p> <p>Satisfactory mortgage payment history.</p> <p>All principal, interest, taxes, homeowner insurance, mortgage insurance, homeowner association dues, and the cost of utilities > 25% of household income after job loss/loss of income.</p> <p>Borrowers must meet program underwriting criteria.</p> <p>Eligibility for program assistance will be determined primarily by participating foreclosure prevention partners.</p> <p>Funds will be allocated on a first come/first ready, first served basis.</p>
6. Property/Loan Eligibility Criteria	<p>Existing single-family homes, duplexes or condominiums (attached or detached) including manufactured homes on foundations permanently affixed to real estate owned by the borrower.</p> <p>North Carolina owner-occupied, primary residences only.</p>
7. Program Exclusions	<p>Total Unpaid Principal Balances > \$300,000.</p> <p>Manufactured homes not considered real property.</p> <p>Non-legal U.S. resident.</p>
8. Structure of Assistance	<p>10 year, 0% interest, non-recourse, deferred-payment forgivable subordinate loan. A forgiveness clause will reduce the loan amount by 20% each year beginning on the six (6) year anniversary of the closing date. The balance of the loan</p>

	<p>will be forgiven 20% per year annually thereafter. At the end of the 10 years, the note will be considered satisfied, and NCHFA will release the lien securing the note.</p> <p>All or a portion of the unforgiven loan funds are due and payable to NCHFA if the home is sold, refinanced or no longer owner occupied (unless otherwise prohibited under applicable federal law). Proceeds from a sale or refinance will be used to pay off any liens recorded prior to NCHFA's lien, and usual and customary closing costs. Loans are repayable only from proceeds to the borrower from a sale or refinance. If the property is sold or refinanced and has not increased in equity to the degree necessary to repay the loan, all or a portion of the loan remaining unpaid after the proceeds are applied will be forgiven.</p> <p>NCHFA reserves the right to subordinate lien position in accordance with program guidelines. All deferred, subordinate mortgages will be evidenced by a promissory note and secured by a deed of trust on the property.</p> <p>Any funds returned according to established program guidelines will be recaptured and used to assist additional homeowners in accordance with the Agreement.</p>
9. Per Household Assistance	<p>The average loan amount will be \$20,000 per borrower.</p> <p>Effective for all loans closed after January 31, 2012: Maximum assistance up to \$36,000 and not to exceed 36 months per household.</p>
10. Duration of Assistance	<p>Effective for all applications submitted on or after August 1, 2018:</p> <ul style="list-style-type: none"> • Up to 18 months for those in job training/education program. • Up to 18 months for those in a job search. <p>Effective for all applications submitted prior to August 1, 2018:</p> <ul style="list-style-type: none"> • Up to 36 months for those in a job training/education program • Up to 18 months for those in a job search program.
11. Estimated Number of Participating Households	<p>10,394 homeowners.</p> <p>Estimated number served based on average loan amount of \$20,000 per homeowner.</p>

12. Program Inception/ Duration	Program began October 18, 2010. Recaptured funds shall be recycled and used in the program in accordance with the Agreement.
13. Program Interactions with Other Programs (e.g. other HFA programs)	<p>Borrowers can access more than one of our HHF programs, if needed and appropriate. For example, a borrower can receive MPP-1 assistance while they look for a new job and then receive Second Mortgage Refinance Program or Modification Enabling Pilot Program assistance once they can resume future payments without additional assistance. Homeowners who continue to struggle with unaffordable mortgage payments may be eligible to participate in the Principal Reduction Recast/Lien Extinguishment for Unaffordable Mortgages Program.</p> <p>Maximum total assistance amount per household is \$75,000 if participating in multiple HHF programs.</p>
14. Program Interactions with HAMP	Prior to the conclusion of Making Home Affordable programs, eligible homeowners could access Federal programs including HAMP and HAMP UP. Homeowners could utilize HAMP UP before or after the MPP-1 Program.
15. Program Leverage with Other Financial Resources	None

SERVICE SCHEDULE B-2

North Carolina Housing Finance Agency's Mortgage Payment Program (MPP-2) Summary Guidelines

1. Program Overview	<p>The North Carolina Housing Finance Agency (NCHFA) Mortgage Payment Program (MPP-2) will provide loans to unemployed or substantially underemployed homeowners who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure.</p> <p>Loan proceeds will be used to pay all mortgage and mortgage-related expenses (i.e. property taxes, homeowner insurance, mortgage insurance and homeowner association dues), including subordinate mortgage loans, until the homeowner secures employment or completes training for a new career.</p>
2. Program Goals	<p>To assist 13,869 homeowners. The following types of assistance will be provided:</p> <p><u>Job Search Assistance</u> To help homeowners while they look for a new job.</p> <p><u>Job Training Assistance</u> To help homeowners while they complete a job training/education program to help secure a new job.</p> <p><u>Reinstatement Only or One-time Assistance</u> To help homeowners who have found a new job but need help to bring their mortgage current due to arrearages accumulated during a period of unemployment.</p>
3. Target Population/Areas	<p>Homeowners who are unemployed, or substantially underemployed, and/or reemployed but need help bringing their mortgage current.</p> <p>This Program will be available in all North Carolina counties.</p>
4. Program Allocation (Excluding Administrative Expenses)	\$ 277,381,786
5. Borrower Eligibility Criteria	Unemployed or substantially underemployed homeowners who, through no fault of their own, are unable to make their mortgage

	<p>payments and are at risk of a foreclosure. Homeowners will be required to provide a financial hardship affidavit with appropriate documentation of unemployment, per program guidelines.</p> <p>Homeowners who are delinquent due to arrearages accumulated during a period of unemployment but who can resume future payments without additional assistance.</p> <p>Satisfactory mortgage payment history.</p> <p>All principal, interest, taxes, homeowner insurance, mortgage insurance, homeowner association dues, and the cost of utilities > 25% of household income after job loss/loss of income.</p> <p>Borrowers must meet program underwriting criteria. Eligibility for program assistance will be determined primarily by participating foreclosure prevention partners.</p> <p>Funds will be allocated on a first come/first ready, first served basis.</p>
6. Property/Loan Eligibility Criteria	<p>Existing single-family homes, duplexes or condominiums (attached or detached) including manufactured homes on foundations permanently affixed to real estate owned by the borrower.</p> <p>North Carolina owner-occupied, primary residences only.</p>
7. Program Exclusions	<p>Total Unpaid Principal Balances > \$300,000.</p> <p>Manufactured homes not considered real property.</p> <p>Non-legal U.S. resident.</p>
8. Structure of Assistance	<p>10 year, 0% interest, non-recourse, deferred-payment, forgivable, subordinate loan. A forgiveness clause will reduce the loan amount by 20% each year beginning on the six (6) year anniversary of the closing date. The balance of the loan will be forgiven 20% per year annually thereafter. The remainder of the loan will be forgiven 20% per year annually thereafter. At the end of the 10 years, the note will be considered satisfied, and NCHFA will release the lien securing the note.</p> <p>All or a portion of the unforgiven loan funds are due and payable to NCHFA if the home is sold, refinanced or no longer owner occupied (unless otherwise prohibited under applicable</p>

	<p>federal law). Proceeds from a sale or refinance will be used to pay off any liens recorded prior to NCHFA's lien, and usual and customary closing costs. Loans are repayable only from proceeds to the borrower from a sale or refinance. If the property is sold or refinanced and has not increased in equity to the degree necessary to repay the loan, all or a portion of the loan remaining unpaid after the proceeds are applied will be forgiven.</p> <p>NCHFA reserves the right to subordinate lien position in accordance with program guidelines. All deferred, subordinate mortgages will be evidenced by a promissory note and secured by a deed of trust on the property.</p> <p>Any funds returned according to established program guidelines will be recaptured and used to assist additional homeowners in accordance with the Agreement.</p>
9. Per Household Assistance	<p>The average loan amount is expected to be \$20,000 per borrower.</p> <p>Effective for all loans closed after January 31, 2012: Maximum assistance up to \$36,000 and not to exceed 36 months per household.</p>
10. Duration of Assistance	<p>Effective for all applications submitted on or after August 1, 2018: Up to 18 months for those in job training/education program. Up to 18 months for those in a job search.</p> <p>Effective for all applications submitted prior to August 1, 2018:</p> <ul style="list-style-type: none"> • Up to 36 months for those in a job training/education program • Up to 18 months for those in a job search program.
11. Estimated Number of Participating Households	<p>13,869 homeowners. Estimated number served based on average loan amount of \$20,000 per homeowner.</p>
12. Program Inception/Duration	<p>Program began November 7, 2011. Recaptured funds shall be recycled and used in the program in accordance with the Agreement.</p>
13. Program Interaction with Other HFA Programs	<p>Borrowers can access more than one of our HHF programs, if needed and appropriate. For example, a borrower can receive MPP-2 assistance while they look for a new job and then receive</p>

	<p>Second Mortgage Refinance Program or Modification Enabling Pilot Program assistance once they secure a new job. Homeowners who continue to struggle with unaffordable mortgage payments may be eligible to participate in the Principal Reduction Recast/Lien Extinguishment for Unaffordable Mortgages Program.</p> <p>Maximum total assistance amount per household is \$75,000 if participating in multiple HHF programs.</p>
14. Program Interaction with HAMP	<p>Prior to the conclusion of Making Home Affordable programs, eligible homeowners could access Federal programs including HAMP and HAMP UP. Homeowners could utilize HAMP UP before or after the MPP-2 Program.</p>
15. Program Leverage with Other Financial Resources	<p>None</p>

SERVICE SCHEDULE B-3
North Carolina Housing Finance Agency's
Second Mortgage Refinance Program (SMRP)
Summary Guidelines

1. Program Overview	<p>Government officials have estimated about 50% of troubled borrowers have a second mortgage. Homeowners are frequently unable to make their second mortgage payment and are in danger of losing their homes to foreclosure.</p> <p>The Second Mortgage Refinance Program (SMRP) will benefit homeowners with second mortgages who, through no fault of their own, are financially unable to make their mortgage payment because of a prior job loss, reduced income, or other program-eligible hardship.</p> <p>This program will provide a more affordable housing expense by refinancing the second mortgage to a 0%-interest, non-recourse, deferred-payment subordinate loan.</p>
2. Program Goals	<p>To assist 258 homeowners facing foreclosure in all 100 North Carolina counties.</p> <p>The goal of this program is to extinguish the existing second mortgage and replace it with a 0%-interest, non-recourse, deferred-payment subordinate loan. This will reduce the borrower's monthly mortgage payment and in some instances may expedite movement of a qualified applicant into a HAMP first mortgage modification process.</p>
3. Target Population/ Areas	<p>Our target population will be homeowners facing foreclosure in all 100 North Carolina counties who have a 1st and 2nd mortgage whereby the total mortgage payment is causing the home to be unaffordable under program guidelines.</p>
4. Program Allocation (Excluding Administrative Expenses)	<p>\$ 5,960,000</p>
5. Borrower Eligibility Criteria	<p>Eligible homeowners must be those facing foreclosure due to recent unemployment, loss of income, reduction in income, or other demonstrated financial hardships. Homeowners will be required to provide a financial hardship affidavit with appropriate documentation on the cause of the hardship.</p> <p>Satisfactory mortgage payment history.</p>

	<p>All principal, interest, taxes, homeowner insurance, mortgage insurance, homeowner association dues, and the cost of utilities > 25% of household income after job loss/loss of income.</p> <p>Extinguishment of second loan with SMRP will only occur if the first mortgage loan is current.</p> <p>Borrowers must meet program underwriting criteria.</p> <p>Funds will be allocated on a first come/first ready, first served basis.</p>
6. Property/Loan Eligibility Criteria	<p>Existing single-family homes, duplexes or condominiums (attached or detached) including manufactured homes on foundations permanently affixed to real estate owned by the borrower.</p> <p>North Carolina owner-occupied, primary residences only.</p>
7. Program Exclusions	<p>Total Unpaid Principal Balances > \$300,000.</p> <p>Manufactured homes not considered real property.</p> <p>Second Mortgage Refinance will not be available to a homeowner that is eligible or participating in 2MP.</p> <p>Non-legal U.S. resident.</p>
8. Structure of Assistance	<p>30 year, 0%-interest, non-recourse, deferred-payment subordinate loan.</p> <p>All loan funds are due and payable to NCHFA if the home is sold, refinanced or no longer owner occupied (unless otherwise prohibited under applicable federal law). Proceeds from a sale or refinance will be used to pay off any liens recorded prior to NCHFA's lien, and usual and customary closing costs. Loans are repayable only from proceeds to the borrower from a sale or refinance. If the property is sold or refinanced and has not increased in equity to the degree necessary to repay the loan, all or a portion of the loan remaining unpaid after the proceeds are applied will be forgiven.</p> <p>NCHFA reserves the right to subordinate lien position in accordance with program guidelines. All deferred, subordinate</p>

	<p>mortgages will be evidenced by a promissory note and secured by a deed of trust on the property.</p> <p>Any funds returned according to established program guidelines will be recaptured and used to assist additional homeowners in accordance with the Agreement.</p>
9. Per Household Assistance	<p>Under this program, eligible borrowers may receive up to \$50,000 plus all related fees as a subordinate loan.</p> <p>If \$50,000 is insufficient to extinguish the second mortgage, the Agency will only offer these funds if the second lien holder is willing to take the amount supplied to extinguish the debt without a deficiency judgment.</p> <p>The average loan amount is expected to be \$22,900 per borrower.</p>
10. Duration of Assistance	Assistance under SMRP is a one-time payment.
11. Estimated Number of Participating Households	258 homeowners.
12. Program Inception/Duration	The program began June 6, 2011. Recaptured funds shall be recycled and used in the program in accordance with the Agreement.
13. Program Interactions with Other Programs (e.g. other HFA programs)	<p>Homeowners who participate in the Mortgage Payment Program (MPP) may be eligible to participate in SMRP if the borrower has the ability to resume first mortgage payment yet second mortgage payment remains unaffordable. Eligible delinquent borrowers will be brought current with MPP One-Time Reinstatement if necessary and then are eligible for SMRP. Homeowners struggling with unaffordable mortgage payments may be eligible to participate in the Principal Reduction Recast/Lien Extinguishment for Unaffordable Mortgages Program and SMRP program to achieve an affordable mortgage payment.</p> <p>Maximum total assistance amount per household is \$75,000 if participating in multiple HHF programs.</p>
14. Program Interactions with HAMP	Extinguishing the second mortgage may expedite movement of qualified applicants into a HAMP first modification process.

15. Program Leverage with Other Financial Resources	<p>If \$50,000 is insufficient to extinguish the second mortgage, the Agency will only offer these funds if the second lien holder is willing to take the amount supplied to extinguish the debt without a deficiency judgment.</p>
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SERVICE SCHEDULE B-4

North Carolina Housing Finance Agency's Modification Enabling Pilot Program (MEP) Summary Guidelines

1. Program Overview	<p>The Modification Enabling Pilot Program (“MEP”) is being administered by the North Carolina Housing Finance Agency (“NCHFA”) in partnership with National Community Capital II LLC (“NCC”). Funding under this Pilot Program is designed to provide directed assistance to eligible borrowers under the NCC ReStart Program with the intent to permanently modify and reduce the borrower’s loan amount to an affordable level to achieve a monthly total housing payment that does not exceed 35% of the borrower’s monthly income. Borrowers meeting the eligibility requirements described in Section 5 below may be eligible for MEP assistance through the NCC ReStart Program.</p> <p>Eligible loan pools under this MEP Pilot Program include loans in North Carolina sold under the Department of Housing and Urban Development’s (“HUD”) Distressed Asset Stabilization Program (“DASP”) and other loan sales that are purchased by NCC.</p> <p>The NCHFA agreement with the NCC ReStart Program will be used to enable and facilitate permanent modifications by advancing a forgivable loan to eligible borrowers in an amount not to exceed \$36,000 to enable a loan modification to occur immediately. MEP funding may not be used to reduce the principal balance of an eligible borrower’s mortgage loan below 100% of the current market value of the property. However, the NCC ReStart Program may reduce the principal amount of an eligible borrower’s mortgage loan below 100% of the property’s current market value to achieve a permanently modified mortgage loan as long as it uses its own capital and not MEP funding. As the funding formula for the maximum amount MEP assistance expressly states a floor of 100% of the property’s current market value the MEP assures that its assistance is limited to funding principal reduction for eligible borrowers only down to 100% of the property’s current market value.</p>
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	<p>Consistent with the terms of MEP, the NCC ReStart Program may permanently modify and reduce the existing first mortgage loan to an amount whose net present value does not exceed the lesser of:</p> <ul style="list-style-type: none"> • A loan amount equal to 100% of the current market value of the property; or • A loan amount with a net present value (using a 30 year amortization at an interest rate equal to 300 basis points above the 30 year FHA rate as quoted by Wells Fargo Mortgage) that results in a monthly total housing payment that does not exceed 35% of the borrowers adjusted gross monthly income. <p>In order to make the mortgage payments affordable to the borrower, the MEP forgivable second mortgage loan will be made to eligible borrowers for up to \$36,000 to fund a modification of the mortgage loan amount to an amount equal to 100% of the current market value (or as close to 100% of the current market value as the \$36,000 in MEP assistance will permit and as long as the reduced mortgage loan amount results in a total housing payment not greater than 35% of the borrower's adjusted gross monthly income).</p> <p>There is a required dollar-for-dollar private capital match under the NCC Restart Program. As a result of this private capital match, the final amount of MEP assistance will be determined by subtracting the Current Market Value of the property from borrower's Unpaid Principal Balance (UPB) times 50% or \$36,000, whichever is less.</p> <p>The structure of the MEP assistance is described in Section 8.</p>
2. Program Goals	<p>The central goal of MEP is to help homeowners avoid foreclosure by permanently modifying a borrower's primary mortgage to achieve a monthly total housing payment that does not exceed 35% of the borrower's adjusted gross monthly income.</p>
3. Target Population/Areas	<p>The targeted populations are households whose loans NCC is able to acquire under the HUD DASP.</p>

4. Program Allocation (Excluding Administrative Expenses)	\$ 790,000
5. Borrower Eligibility Criteria	<p>Eligible Borrowers under MEP must meet the following criteria:</p> <ul style="list-style-type: none"> • Must be a legal U.S. Citizen or lawful permanent resident • Demonstrate an ability to maintain a financial obligation for the home based upon an affordable mortgage with a total monthly housing payment equal to or less than 35% of their gross monthly income. • Must meet the LTV requirements described in this Section. <p>Borrowers with current UPBs equal to or greater than 105% of the property's current market value are eligible for MEP assistance if they meet one of the following financial hardships and provide a financial hardship affidavit. Eligible financial hardships include reduced income due to:</p> <ul style="list-style-type: none"> • Changes in employment • Medical condition(s) • Divorce • Death <p>Borrowers who are unable to document any of these financial hardships may be eligible for MEP assistance if their current UPB is equal to or greater than 125% of the property's current market value.</p>
6. Property/Loan Eligibility Criteria	<ul style="list-style-type: none"> • Property must be the borrowers principal residence, located in North Carolina and may not be abandoned, vacant or condemned. • The property must be a single family home, duplex, a condominium, a townhome, a manufactured or mobile home on foundation permanently affixed to real estate owned by the mortgagor, or a 2-4 family dwelling unit of which one unit is occupied by the mortgagor as their principal residence that is owner-occupied with a UPB equal to or less than \$300,000.

	<ul style="list-style-type: none"> • Mortgage must be a distressed loan with a UPB that equals or exceeds the required percentages described in Section 5 above. Market value will be established by a FIRREA-compliant appraisal completed by an appraiser licensed and in good standing under the North Carolina statutes for NCC at the time the appraisal is performed.
7. Program Exclusions	<p>Borrowers whose current loan-to-value is less than 105% of the property's current market value.</p> <p>Borrowers who are in an active Chapter 7 bankruptcy.</p>
8. Structure of Assistance	<p>10 year, 0% interest, non-recourse, deferred-payment forgivable subordinate loan. A forgiveness clause will reduce the loan amount by 20% each year beginning on the six (6) year anniversary of the closing date. The balance of the loan will be forgiven 20% per year annually thereafter. At the end of the 10 years the note will be considered satisfied and NCHFA will release the lien securing the note.</p> <p>All or a portion of the unforgiven loan funds are due and payable to NCHFA if the home is sold, refinanced or no longer owner occupied (unless otherwise prohibited under applicable federal law). Proceeds from a sale or refinance will be used to pay off any liens recorded prior to NCHFA's lien, and usual and customary closing costs. Loans are repayable only from proceeds to the borrower from a sale or refinance. If the property is sold or refinanced and has not increased in equity to the degree necessary to repay the loan, all or a portion of the loan remaining unpaid after the proceeds are applied will be forgiven.</p> <p>NCHFA reserves the right to subordinate lien position in accordance with program guidelines. All deferred, subordinate mortgages will be evidenced by a promissory note and secured by a deed of trust on the property.</p> <p>Any funds returned according to established program guidelines will be recaptured and used to assist additional homeowners in accordance with the Agreement.</p>

9. Per Household Assistance	Under this program, eligible borrowers may receive up to \$36,000. The estimated Median Amount of Assistance is \$18,500.
10. Duration of Assistance	Assistance under MEP is a one-time payment on behalf of qualified applicants of NCC ReStart Program.
11. Estimated Number of Participating Households	It is anticipated that the MEP will assist 49 households in avoiding imminent foreclosures.
12. Program Inception/Duration	The program will be available approximately in January 2014 and is anticipated to run for a two-year period of time. Recaptured funds shall be recycled and used in the program in accordance with the Agreement.
13. Program Interactions with Other Programs (e.g. other HFA programs)	<p>MEP will interact with NCHFA's MPP-1, MPP-2, and SMRP in the following manner. At the time NCC assesses the borrower for eligibility under MEP, if it finds that the borrower is not eligible for MEP it will then assess whether the borrower is eligible for MPP-1, MPP-2 and/or SMRP assistance. If the borrower is eligible for MPP-1, MPP-2 and/or SMRP, the application and approval process will be completed in the manner prescribed by NCHFA.</p> <p>Homeowners who have participated in the Mortgage Payment Programs may be eligible to participate in MEP if the borrower has become reemployed or secured other source(s) of fixed income and has demonstrated a qualifying hardship.</p> <p>Maximum total assistance amount per household is \$75,000 if participating in multiple HHF programs.</p>
14. Program Interactions with HAMP	None.

15. Program Leverage with Other Financial Resources	<p>As the NCC ReStart Program will reduce the existing first mortgage loan in accordance with the MEP there will be a minimum 1:1 private capital leveraged match. However, as the NCC ReStart Program will likely fund with private capital additional principal reductions for eligible borrowers below 100% of the property's current market value in order to achieve a principal reduction it is expected that the leveraged match of private funds to MEP will be closer to 3 to 1. Lender match amounts shall be documented at the time of closing of the modification.</p>
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SERVICE SCHEDULE B-5

**North Carolina Housing Finance Agency's
Principal Reduction Recast/Lien Extinguishment for Unaffordable Mortgages (PRRLE)
Program
Summary Guidelines**

1. Program Overview	<p>The Principal Reduction Recast/Lien Extinguishment for Unaffordable Mortgages (PRRLE) will provide eligible homeowners a principal reduction and re-amortization (recast) of the remaining principal balance or a full lien extinguishment. As applicable, PRRLE will also be used to pay all delinquent first mortgage and mortgage-related expenses (i.e. property taxes, homeowner insurance, homeowner dues) in conjunction with the principal reduction and recast or full lien extinguishment. Eligible homeowners may receive no more than \$50,000 to be applied toward principal reduction and recast or to a lien extinguishment. Eligible homeowners with a delinquent first mortgage may be brought current up to \$36,000 with PRRLE funds not to exceed total assistance of \$75,000. The program will provide the homeowner an affordable and long term sustainable monthly mortgage expense payment. The PRRLE program is available to North Carolina homeowners who are financially unable to make their mortgage payments due to a qualifying hardship event.</p>
2. Program Goals	<p>To assist 1,200 homeowners facing foreclosure.</p> <p>The goal of the program is to decrease the number of homeowners losing their homes to foreclosure by providing long-term housing payment sustainability. Secondary goals include stabilization of neighborhoods and protecting home values of surrounding properties.</p> <p>This program will provide immediate mortgage payment relief and stable long term mortgage or mortgage expense payments for the homeowner.</p>
3. Target Population/ Areas	<p>Homeowners suffering a program eligible financial hardship, as defined in the program guidelines, related to reduction of income or other demonstrated financial hardship.</p> <p>This Program will be available in all North Carolina counties.</p>
4. Program Allocation (Excluding Administrative Expenses)	<p>\$ 59,136,765</p>

<p>5. Borrower Eligibility Criteria</p>	<p>Eligible homeowners must be those with program eligible financial hardship due to unemployment, loss of income, reduction of income, or other demonstrated financial hardships through no fault of their own. Homeowners will be required to provide a financial hardship affidavit with appropriate documentation on the cause of the hardship.</p> <p>All eligible homeowners must meet the following criteria:</p> <ul style="list-style-type: none"> • Satisfactory mortgage payments prior to job loss, loss of income, reduction in income or other program eligible hardship. • Homeowner has become re-employed or secured a fixed income source. • Current housing debt-to income ratio > 25%. • Post assistance monthly housing related expenses including principal and interest on all liens attached to the property, property taxes, homeowners insurance and homeowners association dues ≤ 36% of gross monthly household income. <p>Homeowners eligible to receive a full lien extinguishment must meet these additional following criteria:</p> <ul style="list-style-type: none"> • Primary income source for household is from a fixed income source as defined in the program guidelines. • Gross household income is equal to or lesser than 125% of the state median income limit in North Carolina. • Post assistance monthly housing related expenses including principal and interest on all liens attached to the property, property taxes, homeowners insurance and homeowners association dues ≤ 36% of gross monthly household income. <p>Homeowners eligible to receive a principal reduction and recast and receiving a fixed income source as primary income must meet these additional following criteria:</p> <ul style="list-style-type: none"> • Primary income source for household is from a fixed income source as defined in the program guidelines. • Gross household income is equal to or lesser than 125% of the state median income limit in North Carolina. • Post assistance monthly housing related expenses including principal and interest on all liens attached to
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	<p>the property, property taxes, homeowners insurance and homeowners association dues \leq 36% of gross monthly household income.</p> <p>Homeowners eligible to receive a principal reduction and recast and not receiving a fixed income source as primary income must meet these additional following criteria:</p> <ul style="list-style-type: none"> • Pre-assistance LTV $>80\%$. • Post assistance LTV $>80\%$. • Post assistance LTV may go below 80% only if no more than \$10,000 is provided toward a principal reduction in order to achieve a post assistance housing debt-to-income ratio between 25% and 36%. • Post assistance monthly housing ratio target is 25% but may not exceed 36%. • Post assistance monthly housing related expenses including principal and interest on all liens attached to the property, property taxes, homeowners insurance and homeowners association dues $> 25\%$ of gross monthly household income. <p>Homeowners must meet program underwriting criteria. Funds will be allocated on a first come/approved, first served basis.</p>
6. Property/Loan Eligibility Criteria	<ul style="list-style-type: none"> • Existing single-family homes duplexes, or condominiums (attached or detached) including manufactured homes on foundations permanently affixed to real estate owned by the borrower. • North Carolina owner-occupied, primary residences only. • Homeowners with a fixed rate or adjustable rate mortgage. • Homeowners with interest-only or negative amortization mortgage can qualify if the recast results in a fully amortizing loan.
7. Program Exclusions	<p>Total Unpaid Principal Balances $> \\$300,000$.</p> <p>Manufactured homes not considered real property.</p> <p>Non-legal U.S. resident.</p>
8. Structure of Assistance	<p>10 year, 0% interest, non-recourse, deferred-payment forgivable subordinate loan. A forgiveness clause will reduce the loan amount by 20%. A forgiveness clause will reduce the loan amount by 20% each year beginning on the six (6) year anniversary of the closing date. The balance of the loan will</p>

	<p>be forgiven 20% per year annually thereafter. At the end of the 10 years the note will be considered satisfied and NCHFA will release the lien securing the note.</p> <p>All or a portion of the unforgiven loan funds are due and payable to NCHFA if the home is sold, refinanced or no longer owner occupied (unless otherwise prohibited under applicable federal law). Proceeds from a sale or refinance will be used to pay off any liens recorded prior to NCHFA's lien, and usual and customary closing costs. Loans are repayable only from proceeds to the borrower from a sale or refinance. If the property is sold or refinanced and has not increased in equity to the degree necessary to repay the loan, all or a portion of the loan remaining unpaid after the proceeds are applied will be forgiven. NCHFA reserves the right to subordinate lien position in accordance with program guidelines. All deferred, subordinate mortgages will be evidenced by a promissory note and secured by a deed of trust on the property.</p> <p>Any funds returned according to established program guidelines will be recaptured and used to assist additional homeowners in accordance with the Agreement.</p>
9. Per Household Assistance	<p>Under this program, each eligible borrower may receive no more than \$75,000 structured as a subordinate loan.</p> <p>Eligible homeowners that have recovered with a fixed income may receive no more than \$50,000 to be applied toward a principal reduction and recast or to a lien extinguishment. In addition, a delinquent first mortgage may be brought current with up to \$36,000 in PRRLE funds.</p> <p>Eligible homeowners that have recovered through full time reemployment may receive no more than \$50,000 to be applied toward a principal reduction and recast. The principal reduction can be no more than \$10,000 when the post assistance LTV is less than 80%. In addition, a delinquent first mortgage may be brought current with up to \$36,000 in PRRLE funds.</p> <p>The average loan amount is expected to be \$50,000 per borrower.</p>
10. Duration of Assistance	<p>Assistance under PRRLE is a one-time payment to the servicer.</p>

11. Estimated Number of Participating Households	<p>We anticipate approximately 1,200 homeowners will be helped.</p> <p>Program will be piloted with select servicers, NCHFA portfolio and existing HHF portfolio. Program may be expanded to other servicers if pilot is successful and funds are available.</p>
12. Program Inception/Duration	<p>The program will be available in July 2015. Recaptured funds shall be recycled and used in the program in accordance with the Agreement.</p>
13. Program Interactions with Other Programs (e.g. other HFA programs)	<p>Homeowners who have participated in the Mortgage Payment Program (MPP) or the Second Mortgage Refinance Program (SMRP) may be eligible to participate in PRRLE if the borrower has become reemployed or secured other source(s) of fixed income and has demonstrated a qualifying hardship.</p> <p>Maximum total assistance amount per household is \$75,000 if participating in multiple HHF programs.</p>
14. Program Interactions with HAMP	<p>Lien Extinguishment:</p> <ul style="list-style-type: none"> • No HAMP interaction <p>Principal Reduction and Recast:</p> <ul style="list-style-type: none"> • Prior to the conclusion of Making Home Affordable programs, eligible homeowners could access Federal programs including HAMP and HAMP UP. Homeowners could have utilized HAMP before PRRLE.
15. Program Leverage with Other Financial Resources	<p>We will not require investors to match the contributions that are made with the Hardest Hit Funds for the Principal Reduction Recast/Lien Extinguishment Program.</p>

SERVICE SCHEDULE B-6

North Carolina Housing Finance Agency's Down Payment Assistance (DPA) Program Summary Guidelines

1. Program Overview	The Down Payment Assistance (DPA) Program will provide an incentive to qualified homebuyers to purchase a primary residence in targeted areas in North Carolina. Providing incentives to qualified homebuyers in housing markets that have been hardest hit by serious delinquency, negative equity, distressed sales, and foreclosures will strengthen demand in those areas, stabilize housing prices and prevent future foreclosures. This program will initially be offered as a pilot that includes five North Carolina counties.
2. Program Goals	The goal of the DPA Program is to prevent future foreclosures by assisting with the stabilization of housing prices in targeted areas. NCHFA will identify meaningful indicators that will enable them to track and quantify the DPA Program's impact in the targeted areas.
3. Target Population/Areas	Targeted areas are the following counties: Johnston, Mecklenburg, Guilford, Cumberland, Cabarrus ("Targeted Area"). For these five counties, NCHFA evaluated five housing market distress indicators across all 100 North Carolina counties—seriously delinquent mortgage loans, negative equity, short sales, REO sales, and foreclosures—as well as loan origination volume for the NCHFA's N.C. Home Advantage Mortgage program. Each Targeted Area county contains at least four zip codes that exceeded the statewide rate in at least four out of the five distressed housing market indicators, and a minimum threshold origination volume was achieved in these counties from January 1, 2014 through March 31, 2015.
4. Program Allocation (Excluding Administrative Expenses)	\$ 60,000,000

<p>5. Borrower Eligibility Criteria</p>	<p>Eligible borrowers must qualify for and meet all requirements of a N.C. Home Advantage Mortgage, with an additional requirement of meeting the Mortgage Credit Certificate income and sales price limits. Allowable first mortgage loans are 30-year, fixed-rate loans from the Federal Housing Administration (FHA), U.S. Department of Veterans Affairs (VA), U.S. Department of Agriculture – Rural Development (RD), Fannie Mae and Freddie Mac. Eligible borrowers must also meet the following criteria:</p> <ul style="list-style-type: none"> • Must meet income and sales price limits in the Mortgage Credit Certificate program, which reflect income limits under IRC Section 143(f)(1). The area median income (AMI) for borrowers varies depending on county and family size, but in no instance do the limits exceed 140% of AMI. • Must be First-Time Homebuyers. For purposes of the DPA Program, a First-Time Homebuyer is someone who has not had an ownership interest in their primary residence in the past three years, unless qualifying under a Veteran's Exception or purchasing a home in a Federally Designated Targeted Area as specified in the DPA Program Guide. • Must complete a pre-purchase homebuyer education course. • Must be legal U.S. citizens or lawful permanent residents or otherwise meet the applicable Agency (FHA, VA, USDA-RD) or GSE (Fannie Mae or Freddie Mac) requirements. • Borrowers must be able to provide a Dodd-Frank affidavit as specified in the DPA Program Guide. • Borrowers must be credit-worthy and meet minimum FICO scores, and have a maximum debt-to-income (DTI) ratio no greater than 45%, as specified in the DPA Program Guide.
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6. Property/Loan Eligibility Criteria	<ul style="list-style-type: none"> • The property must be a single-family home, a condominium unit, a townhome, or a two-four family dwelling unit of which one unit is to be occupied by the mortgagor as his or her principal residence. • Must be the borrower's primary residence. • Property must be located in a Targeted Area. • Meet all applicable DPA Program, Ginnie Mae (FHA, VA, USDA-RD) or GSE (Fannie Mae & Freddie Mac) underwriting guidelines. • Property must be existing construction, not new construction. • Property must meet the MCC Program purchase price limits as established in the DPA Program Guide.
7. Program Exclusions	<ul style="list-style-type: none"> • Borrowers, properties and loans not meeting N.C. Home Advantage Mortgage program eligibility requirements as specified in the DPA Program Guide or GSE underwriting criteria. • Dodd-Frank exclusion for having been convicted of a mortgage-related felony in the past ten years.

8. Structure of Assistance	<p>5 year, 0% interest, non-recourse, deferred-payment forgivable subordinate loan. A forgiveness clause will reduce the loan amount by 20% a year for every year the borrower stays in the home. At the end of the 5 years, the note will be considered satisfied and NCHFA will release the lien securing the note.</p> <p>All or a portion of the unforgiven loan funds are due and payable to NCHFA if home is sold, refinanced or no longer owner occupied (unless otherwise prohibited under applicable federal law). Loans are repayable only from proceeds to the borrower from a sale or refinance. If the property is sold or refinanced and has not increased in equity to the degree necessary to repay the loan, all or a portion of the loan remaining unpaid after the proceeds are applied will be forgiven.</p> <p>NCHFA reserves the right to subordinate lien position in accordance with program guidelines. All deferred, subordinate mortgages will be evidenced by a promissory note and secured by a deed of trust on the property.</p> <p>Any funds returned according to established program guidelines will be recaptured and used to assist additional homeowners in</p>
9. Per Household Assistance	\$15,000.00
10. Duration of Assistance	DPA Program funds will be used to reimburse participating lenders who table fund the loan at closing once it is determined that all DPA program requirements have been met.
11. Estimated Number of Participating Households	It is anticipated that the DPA Program will assist approximately 3,978 households.
12. Program Inception/Duration	The DPA Program will begin in September 2015 and it is projected that assistance will be expended through as late as 2021.

13. Program Interactions with Other Programs (e.g. other HFA programs)	<p>The DPA Program will take advantage of an existing infrastructure of participating lenders who are already actively originating N.C. Home Advantage Mortgage loans. If the borrower has received HHF assistance under any other HHF program, the maximum amount of all assistance may not exceed \$75,000.</p> <p>Any borrower receiving funds from the DPA Program will not be eligible for other down payment assistance programs offered by NCHFA.</p>
14. Program Interactions with HAMP	<p>None.</p>
15. Program Leverage with Other Financial Resources	<p>A borrower who obtains the \$15,000 DPA may also be evaluated for the Mortgage Credit Certificate Program (MCC) unless the first mortgage associated with the DPA is financed with tax-exempt bond proceeds. However, they will not be eligible for any other down payment assistance offered by NCHFA.</p>

Schedule C

Permitted Administrative Expenses

	North Carolina
<i>One-time / Start-Up Expenses:</i>	
Initial Personnel	\$216,523.00
Building, Equipment, Technology	\$101,651.00
Professional Services	\$3,551.00
Supplies / Miscellaneous	\$4,764.00
Marketing /Communications	
Travel	\$1,757.00
Website development /Translation	
Contingency	\$0.00
Subtotal	\$328,246.00
<i>Operating / Administrative Expenses:</i>	
Salaries	\$36,518,180.00
Professional Services (Legal, Compliance, Audit, Monitoring)	\$1,159,050.00
Travel	\$159,612.00
Buildings, Leases & Equipment	\$5,423,672.00
Information Technology & Communications	\$10,724,781.00
Office Supplies/Postage and Delivery/Subscriptions	\$1,339,710.00
Risk Management/ Insurance	\$212,486.00
Training	\$811,466.00
Marketing/PR	\$3,701,031.00
Miscellaneous	\$348,403.00
Subtotal	\$60,398,391.00
<i>Transaction Related Expenses:</i>	
Recording Fees	\$430,718.00
Wire Transfer Fees	\$411,096.00
<i>Counseling Expenses</i>	
File Intake	
Decision Costs	

Successful File	\$31,209,811.00
Key Business Partners On-Going	\$3,029,986.00
Subtotal	\$35,081,611.00
Grand Total	\$95,808,248.00
% of Total Award	13.55%
Award Amount	\$706,938,882.00