24 NCAC 01D .0102 ELIGIBLE PERSONS AND FAMILIES

(a) For loans purchased with the proceeds of all bonds other than tax exempt bonds issued after January 1, 1987:

(1) The agency hereby finds and declares that income eligible persons and families, within the meaning of the act, are deemed to be those persons and families who satisfy the following criteria: insufficient total income, when size of family is considered, to obtain on the normal housing market without subsidy, from available housing supply in a given geographical area of residence in North Carolina, housing found to be decent, safe and sanitary. The agency has carefully considered all the factors which the General Assembly has specified in the statutory definition of "persons and families of lower income." A purpose of the act is to foster the new construction and substantial rehabilitation of residential housing in the state for persons and families of lower income by assisting in the permanent financing of such housing and that the income limits used by the agency in ascertaining who are "persons and families of lower income" must reflect, among other things, the costs of such newly constructed and substantially rehabilitated housing. The General Assembly intended, by means of the act, to assist not only those persons and families eligible for federal housing assistance predicated on a lower income basis, but also those persons and families whose incomes are too high to qualify them for such federal assistance but are too low to enable them to obtain, without governmental assistance, a mortgage loan to finance the purchase of a decent, safe and sanitary home. The agency can best effectuate the purposes of the act by establishing income limits for income eligible persons and families for specific areas of the state which represent the agency's determination of the maximum income level which persons and families in such area may have in order to qualify for assistance under the act. Income eligibility is defined as a function of median income by area, construction costs, and mortgage loan underwriting criteria. Each factor is applied as follows to achieve an equitable result:

(A) The agency used 150 percent of median income.

(B) Housing construction costs were determined for a prototype of a modest house in various areas of the state. The Marshall Swift Handbook was used to establish the base construction costs. Finally, minimum lot costs in rural and urban areas were added to the construction cost determinations to produce a finished housing cost for urban areas and for rural areas.

(C) Mortgage lending industry underwriting standards which establish the amount of loan for which a borrower may qualify will be used by the agency. The agency assumes that the borrower would seek 100 percent financing at the FHA/VA maximum rate on a 30 year amortization and that the borrower would be restricted to using 28 percent of his gross monthly income to make the monthly mortgage payment which would include principal interest, taxes and insurance.

(D) Composite figures for median income and for housing cost and mortgage loan underwriting were calculated upon the following premises:

(i) The median income factor relates to eligibility for other housing predicated upon a lower income basis.

(ii) The house cost/underwriting figure establishes minimum financial eligibility in the normal housing market.

The combination of the two figures at a 50:50 ratio establishes the maximum income limits for the agency.

(2) The agency has, in accordance with the act, considered the effect of family size on the sufficiency of income for housing needs and determined that the income limits computed in accordance with this Section must be increased by eight hundred dollars ($800.00) a year for the fifth family member and for each additional family member thereafter in a large lower income family in order to reflect the additional costs of providing housing for large families, and that the income limits for one person households shall be three-fourth of such limits, except when two or more persons in a non-dependent relationship are jointly purchasing a home, the income of any one person in this relationship cannot exceed the one-person household limit established by the agency, nor can the combined incomes of these persons exceed the income limits for families established by the agency.

(3) An applicant's income will be calculated by including all income in whatever form and from whatever source derived, including the following: compensation for services, including fees, commissions and similar items; gross income derived from business; gains derived from dealings in property; interest; rents royalties; dividends; alimony and separate maintenance payments;

annuities; income from life insurance and endowment contracts; pensions; income from discharge of indebtedness; distributive share of partnership income; income in respect of a descendant; income from an interest in an estate or trust; payments made by or on behalf of an employer by reason of death of an employee to the widow or heirs of the employee; recovery of bad debts; amounts received as reimbursement for losses; prizes and awards; amounts received or made available from individual retirement accounts, annuities and retirement bonds. In addition, the calculation of an applicant's income for this purpose will be increased by an amount equal to ten percent of the value of all the applicant's non-income producing tangible assets, excepting personal property and including real property, securities and stocks.

(b) For loans purchased with the proceeds of tax exempt bonds issued after January 1, 1987 income eligible persons and families is defined by the agency to be those persons and families with incomes not exceeding the income requirements for mortgage revenue bonds established in Section 143(f) of the Internal Revenue Code 1986.

(1) The sources used in calculating an applicant's income will be determined according to the rules established by the Internal Revenue Service in Revenue Ruling 86-124.

(c) In no instance will any person or family having net assets exceeding forty thousand dollars ($40,000) be considered eligible for assistance by the agency, except that for persons between the ages of 62 and 64, the net assets limit shall be fifty thousand dollars ($50,000), for persons 65 years of age and over, the net assets limits shall be sixty thousand dollars ($60,000), and for handicapped persons requiring a constant attendant the net assets limit shall be seventy five thousand dollars ($75,000). For the purposes of this Section, "net assets" shall mean the total assets of the borrower and excluding household goods, in the Home Improvement Loan Program, the structure to be improved and its site, any debts against the borrower and excluding also, any assets of a borrower determined by the executive director to be appropriate for exclusion, including, without limitation, assets which in the determination of the executive director the borrower is dependent upon for a livelihood. Any such determination that assets are appropriate for exclusion shall be evidenced by a certificate signed by the executive director and filed with the secretary of the agency.

(d) The agency deems that persons and families with annual incomes not in excess of the income limits established by application of the above definitions and with net assets not more than those set forth above, are persons and families which require such assistance as is made available by the act and such persons and families are hereby deemed, therefore, to be persons and families of lower income eligible to occupy residential housing financed by means of such assistance.

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