

**TITLE 100: NORTHERN MARIANAS HOUSING CORPORATION**

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**SUBCHAPTER 100-100.3  
CDBG-DR POLICIES AND PROCEDURES FOR  
HOMEBUYER ACTIVITIES**

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Subchapter Authority: 2 CMC § 4433(i); Executive Order 94-3 § 407.

Subchapter History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**Part 001 - General Provisions**

**§ 100-100.3-001 Introduction**

(a) As a result of the 2018 storms, namely Typhoon Mangkhut and Super Typhoon Yutu, the Commonwealth of the Northern Mariana Islands (CNMI) received an allocation of Community Development Block Grant Disaster Recovery (CDBG-DR) funds which will be administered by the Northern Marianas Housing Corporation (NMHC). NMHC has developed the Homebuyer Program patterned after HUD’s HOME program to cover the eligible costs to construct a new home, acquire a home, or to acquire and renovate a home. The governor of the CNMI has placed housing as the highest recovery priority. The total allocation amount under this Program is \$44,407,033.

(b) At the time of Typhoon Mangkhut and Super Typhoon Yutu, the CNMI was still and most recently recovering from Typhoon Soudelor that hit the islands in 2015. The Soudelor event received only FEMA assistance and did not receive HUD CDBG-DR funds so recovery efforts have been slow and on-going.

(c) A shortage of available homes for sale or vacant house lots was in existence prior to the typhoons mentioned above. Overall damage to the housing stock compounded the shortage of affordable housing stock. Further, in July of 2017, there were still 2,614 homestead applicants on the waiting list per the Department of Public Lands.

(d) The CDBG-DR Homebuyer Program provides an opportunity for first-time homebuyers to build resilient homes in lower risk areas and to add to the housing stock of typhoon-proof homes.

(e) Funds will be made available for eligible projects and to eligible beneficiaries through the following forms of financial assistance or subsidy:

- (1) Interest bearing loans (not applicable at this time);
- (2) Non-interest-bearing loans;
- (3) No-interest subsidies
- (4) Forgivable Deferred loans

(f) Due to the limited availability of CDBG-DR funds allocated to the Commonwealth of the Northern Mariana Islands (CNMI) from the U.S. Department of Housing and Urban Development (HUD), financial assistance will be limited to qualified extremely low, very low-, low-, and moderate-income homebuyers. No less than eighty percent (80%) of CDBG-DR funds will be used to assist families with income levels at or below 80 percent of the area median income while the remaining twenty percent (20%) of the funds will be used to assist families with income levels at or below 120 percent of the area median income. Eligible households over 80% AMI will meet the national objective of urgent need. These families' income eligibility is based on their annual income. Annual income for this purpose is the gross amount of income anticipated by all adults in a family during the 12 months following the effective date of the determination. The determination of income and allowances as a criterion to qualify these homebuyers shall be guided by 24 CFR Part 5 (Part 5 annual income).

(g) NMHC, on behalf of the CNMI, has been tasked with the responsibility and administration of the CDBG-DR Homebuyer Program. In the interim, NMHC's Mortgage and Credit Division (MCD) will be assisting in the day-to-day administration of the program. Support services will also be provided by NMHC's Fiscal Division (FD) with respect to CDBG-DR related disbursement of funds and collection of payments, accounting, and maintenance of financial records. NMHC's AMD Property Manager will provide technical assistance and work with the CDBG-DR Project Manager, in-house engineer/architect, and hired A&E firms with respect to reasonableness of cost estimates, dwelling unit inspections, and other related matters. Overall, the NMHC Corporate Director will assume ultimate responsibility for the efficient and proper administration of the CDBG-DR Homebuyer Program in accordance with federal and local statutory and regulatory requirements.

(h) With these policies and procedures, NMHC will strive to accomplish the following objectives:

(1) Provide for the efficient and effective administration of the CDBG-DR Program wherein eligible beneficiaries can avail the financial assistance provided for the construction of their principal residence, acquisition of their principal residence, or acquisition and repair of their principal residence;

(2) Foster positive working relationships among NMHC, homebuyers assisted with CDBG-DR monies, and Minority and Women-Owned Businesses (MBE/WBE); as well as, prospective developers;

(3) Enforce the 2018 International Building Code (IBC) enacted by law and any updates approved by regulations by the CNMI Department of Public Works; and HUD-prescribed residential building standards; and

(4) Preserve and improve the general housing stock of the CNMI. There was an existing housing shortage prior to the storms and the housing/homebuyer market has been stressed and exacerbated by the storms.

(i) These policies and procedures shall govern; however, in situations in which these policies and procedures are silent, the HOME Program federal regulations shall apply followed by NMHC's general standard loans policies/procedures to address these situations in the administration of the CDBG-DR Homebuyer Program.

Modified: 1 CMC § 3806(a).

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-005      Public Announcement**

(a)      Publicity.

Upon notification from HUD of the approval of the grant agreement, NMHC shall publish such approval within thirty calendar days from the date of the approval. General information of the CDBG-DR Homebuyer Program shall be published in the print media of the widest local circulation and other suitable means available (social media, CDBG-DR website, etc). CDBG-DR Homebuyer Program information shall also be posted in public and private bulletin boards where announcements are commonly posted. Loan applications may be submitted on or after a specified date to be stated in the public notice.

(1)      Note: When it is determined that CDBG-DR funds have been exhausted, the application intake may be closed until funding is once again available. Those applicants who did not submit their loan applications when funds were available may do so once NMHC is notified by HUD of the availability of funds and after such notice is published.

(b)      Contents. Program announcements shall inform interested applicants on how and where they may obtain an application and additional information on the type of CDBG-DR Homebuyer Program activity being administered in the CNMI. Such announcements shall further contain the following information:

- (1)      Brief overview of the Homebuyer program;
- (2)      General list of eligible activities available;
- (3)      Amount of funds available;
- (4)      General eligibility requirements to qualify for financial assistance;
- (5)      Homebuyer selection process;
- (6)      Fair Housing logo and Equal Opportunity language;
- (7)      Opening date for acceptance of applications;

(c)      Affirmative Marketing. To ensure that all persons are effectively and adequately informed about the CDBG-DR Homebuyer Program and the availability of funds, brochures or program information notices shall be provided and distributed or posted in the following locations and shall contain the information described in subsection (b). Brochures and/or program information notices shall be made available at the following public and private areas:

- (1)      U.S. Post Offices;
- (2)      Major shopping centers;
- (3)      Public health centers;
- (4)      Places of worship;
- (5)      Government office buildings;
- (6)      The Nutrition Assistance Program (Food Stamp) office(s); and
- (7)      U.S. Social Security Administration office(s).

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**Part 100 - Application**

**§ 100-100.3-101      Formal Application**

Upon initial determination of eligibility after completion of the pre-qualification process, applicants may obtain a Uniform Residential Loan Application form along with a checklist of required documents in order to complete the application submission. Such application form shall be in accordance with loan applications widely used by financial lending institutions. Those applicants who are initially determined eligible shall be notified to provide additional documents to further process their applications. Proper completion of the formal application and submission of supplemental information shall be in accordance with CDBG-DR Homebuyer Program and NMHC loan processing procedures. Loan applications shall be completed and signed by applicant(s) requesting assistance and such signature(s) shall certify to the truth of all statements contained therein.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-105      Supplemental Information**

(a) Completed applications shall be submitted together with the following supporting information which shall be used solely for the purpose of determining applicant eligibility for financial assistance:

- (1) Prior year's income tax return and/or W-2 Tax Form;
- (2) Recent check stubs for the past two months prior to applying for CDBG-DR program financial assistance of all household members that are 18 years old or older;
- (3) Other forms of documentation of income (i.e., Social Security payments, SSI, retirement income, etc.), if any;
- (4) If property has been identified, proof of land ownership or lease agreement for principal residence to be used as collateral for the loan;
- (5) If no land ownership or lease agreement is available, lot number and lot description;
- (6) Property map for principal residence;
- (7) Preliminary Title Report (PTR) showing clear title to property;
- (8) Savings and checking account(s) information, if any; and
- (9) Private life insurance policies, if any.

(b) A checklist of the above-described supplemental information shall be provided with each formal application obtained. Additional information may be requested if deemed necessary by NMHC to ensure the eligibility of each applicant. NMHC must complete the Borrower's income eligibility within six months before the homebuyer(s) acquires the property.

(c) To substantiate eligibility, supplemental information submitted with each loan application shall be verified in writing, from a reliable third party and such verification shall be considered

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valid for a period of one hundred eighty calendar days from the date the verification was completed. Prior to verifying any applicant information, NMHC shall obtain written authorization from the applicants.

(d) If a written third party verification is not used, notarized statements or signed affidavits by the applicants shall be an acceptable form of verification, but only in situations where a more acceptable form of verification cannot be obtained.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**Part 200 - Eligibility**

**§ 100-100.3-201 Eligibility Requirements**

(a) Must be a U.S. Citizen or green card holder.

(b) Must be a first-time homebuyer. A first-time homebuyer is an individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property or new home construction completion. This includes a spouse (if either meets the above test, they are considered first-time homebuyers).

(c) Must be a resident of the CNMI at the time of application or have been a resident of the CNMI at the time of the qualifying event.

(d) Household Income.

(1) Homebuyer(s) must qualify as a low-income household as defined in the HOME program. Income eligibility is determined based on annual income. Combined anticipated gross household income of adults 18 years old or older, must not exceed 80% of the median income for the area (adjusted for family size), as prescribed by HUD (see § 100-100.3201(a)(2)). However, household income of adults 18 years old or older exceeding 80% of the median income for the area but not greater than 120% will also be eligible for assistance.

The Area Median Income for the Northern Mariana Islands as established by the U.S. Department of Housing and Urban Development for the HOME program as periodically revised is provided below and referenced below. NMHC shall comply with any revisions that the U.S. Congress enacts.

<b>NORTHERN MARIANA ISLANDS HOME INCOME LIMITS 2020</b>								
<b>Person Household</b>	<b>1 Person</b>	<b>2 Person</b>	<b>3 Person</b>	<b>4 Person</b>	<b>5 Person</b>	<b>6 Person</b>	<b>7 Person</b>	<b>8 Person</b>
<b>15% of Median Income</b>	\$5,055	\$5,775	\$6,495	\$7,215	\$7,800	\$8,370	\$8,955	\$9,525
<b>30% of Median Income</b>	\$10,150	\$11,600	\$13,050	\$14,450	\$15,650	\$16,800	\$17,950	\$19,100
<b>50% of Median Income</b>	\$16,850	\$19,250	\$21,650	\$24,050	\$26,000	\$27,900	\$29,850	\$31,750

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<b>80% of Median Income</b>	\$26,950	\$30,800	\$34,650	\$38,500	\$41,600	\$44,700	\$47,750	\$50,850
<b>120% of Median Income</b>	\$40,400	\$46,200	\$51,950	\$57,700	\$62,350	\$66,950	\$71,550	\$76,200

For most current HOME or CDBG-DR 120% program income limits published by U.S. Department of Housing and Urban Development, please go to <https://www.hudexchange.info/programs/home/home-income-limits/> or <https://www.hudexchange.info/incomecalculator/>

(2) NMHC shall use HUD's Section 8 of Part 5 Technical Guidelines as the basis in calculating annual gross household income. NMHC will verify their income using at least two months of source documentation such as wage statements, interest statements, and SSI documents to determine if program applicants are income-eligible.

(3) CDBG-DR Homebuyer Program Underwriting Guidelines and Subsidy Layering is further outlined herein under Part 1200, § 100-100.3-1201.

(e) Determination of Repayment Ability

(1) NMHC shall use forty-five percent (45%) (or most current ratio) of the gross monthly income of both applicant and co-applicant (homebuyers) combined, to determine the amount of available debt-service or repayment ability. Any remaining debt-service or repayment ability after existing monthly obligations (long- and short-term combined) is/are subtracted from the total available debt-service (not to exceed thirty-five percent (35%) of gross monthly income for loan mortgage payment (principal and insurance), shall be used to determine if homebuyers/applicants can afford to repay the entire loan amount needed.

(2) On a case-by-case basis, NMHC may provide an exception to exceed the 45% debt-to-income ratio, but not more than 55%, upon NMHC's determination that the applicant(s) can meet repayment responsibilities. This provision is also applicable in determining and providing financial hardship assistance.

(f) Property Ownership. Interested applicants must provide proof of ownership such as fee simple title to the property. Ownership also includes leases of 40 years or more provided that the applicant must have at least a minimum of thirty (30) years leasehold interest remaining on the property to be improved.

(g) Principal Residence and Annual Recertification.

(1) Homebuyers/Applicants approved to receive financial assistance must occupy the property as their principal/primary residence immediately upon completion of all CDBG-DR Homebuyer funded activities. An annual recertification for principal residency notice and form shall be sent to homebuyers/borrowers to complete, sign, and submit to NMHC in order to confirm and have on file that they are continually occupying the mortgaged property and housing. The following stipulations apply for a principal residence:

(i) A deed restriction or covenant running with the land shall incorporate this requirement;

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- (ii) The loan documents between the homeowner and NMHC shall also incorporate this requirement;
- (iii) Temporary subleases are not allowed.
- (2) Annual recertifications shall be required for all CDBG-DR homebuyer-assisted borrowers. This is conducted in order for homeowners to maintain compliance with the affordability restrictions.
- (3) Annual recertifications through field visits may be conducted if the required completed form has not been provided, or if the account status is pending probate, or the account has been accelerated to the collection attorney for foreclosure proceedings. The Loan Specialist shall verify the borrower(s) principal residence and, as necessary, to take photos and document the status of the residential unit.
  
- (h) Loan Cancellation. NMHC reserves the right to cancel any loan if in its opinion the homebuyer(s)/applicant(s) have not substantially complied with all the terms and conditions herein.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**Part 300 - Affordability Restrictions**

**§ 100-100.3-301 Long Term Affordability**

- (a) HOME rules require that assisted properties remain affordable for a specific period of time, depending on the level of HOME funds invested in the property and the nature of the activity funded. The CDBG-DR Homebuyer program will abide by these rules.
  
- (b) For interest bearing loans, non-interest bearing loans, and repayable deferred loans, the affordability schedule is as follows;

CDBG-DR Funds Invested per Unit	Minimum Length of the Affordability Period
Less than \$15,000	5 years
\$15,000-\$40,000	10 years
More than \$40,000	15 years

- (c) For forgivable deferred loans, which are CDBG-DR-funded loans that fall within the 35% loan payment ratio or payment-to-income (PTI) ratio, the affordability schedule is as follows:

CDBG-DR Funds Invested per Unit	Minimum Length of the Affordability Period
Less than \$15,000	10 years
\$15,000-\$30,000	15 years
More than \$30,000 to Maximum Loan Limit	20 years



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(d) Additional subsidies used to supplement excess costs associated with the construction, purchase, or the acquisition and repair of a principal residence shall incur additional years/time to the affordability period as indicated by the following schedule:

Supplemental Subsidies	CDBG-DR	Additional Years Added to the Affordability Period
\$1.00 - \$50,000		5 years
More than \$50,000		10 years

(e) The affordability requirements are to be imposed by deed restrictions, covenants running with the land, or other mechanisms approved by HUD, except that the affordability restrictions may terminate upon transfer in lieu of foreclosure. NMHC may use its right of first refusal, as set forth in the loan documents, to purchase the housing before the transfer in lieu of foreclosure to preserve affordability.

(f) The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the termination event, or any entity that includes the former owner or those whom, the former owner has or had family or business ties, obtains an ownership interest in the project or property. If a home purchased with CDBG-DR assistance is sold during the affordability period, recapture provisions apply to ensure the continued provision of affordable homeownership. Loan payoffs do not end the affordability period.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-305 Right of First Refusal**

During the affordability period, the homeowner(s) agrees not to sell or assign the residence hereby built or purchased to any persons or persons unless and until homeowner(s) proposes to sell same to NMHC, its successors or assigns, on terms consistent with preserving affordability and allows then sixty (60) days time within which to purchase said residence.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-310 Resale**

[Reserved]

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-315 Recapture**

(a) Recapture. NMHC will ensure that it recoups all or a portion of the CDBG-DR loan assistance provided to the homebuyer(s), if the housing unit ceases to be the principal residence of

the homebuyer(s) for the duration of the period of affordability. All subsidy amounts (in the form of loans) that directly benefited the property owner (i.e., through down payment and/or closing cost assistance, deferred payment loans, interest rate buydowns, property discount, etc.) are also subject to recapture. Recapture is capped at what is available out of net proceeds for agreements after November 2004. Net proceeds are defined as the sales price less superior non CDBG-DR debt (if any) less closing costs. NMHC will utilize the following recapture options:

(1) Recapture entire amount. NMHC may recapture the entire amount of the loan and/or subsidy from the homebuyer(s) if the sale of the property occurs within halfway into the given affordability period. For example, a homebuyer was approved for a \$50,000 CDBG-DR loan to construct a home. The affordability period is therefore, fifteen years. On the seventh year, the borrower sells the house for \$60,000. Since the borrower failed to comply with the minimum seven and one half (7 ½) years of the fifteen-year affordability period, the recaptured amount is \$50,000.

(2) Forgiveness. NMHC may reduce the loan amount and/or subsidy to be recaptured on a pro rata basis for the period the homebuyer(s) has/have owned and occupied the housing unit measured against the required affordability period; however, homebuyer(s) must occupy the housing unit at a minimum of ten years or at least halfway into the affordability period, whichever is greater, in order to qualify for this recapture option. For example, if the CDBG-DR subsidy is \$60,000 with 15-year affordability and the owner sells the property in the 12th year of ownership the recapture amount will equal \$12,000. ( $\$60,000/15$  years affordability period x 3 years remaining = \$12,000 recapture.)

(3) Buyer's recovery of initial investment. The homebuyer(s) investment (down payment and capital improvements made by the owner since purchase) may be repaid in full before any CDBG-DR funds are recaptured, provided that the homebuyer(s) occupied the housing unit at a minimum of ten years before the sale of the property and the homebuyer's household income level is at or below 50% of the area median income in order to qualify for this recapture option.

(4) Shared appreciation. In the case where net proceeds exceed the amount necessary to repay both the homebuyer(s)' investment and the CDBG-DR assistance, the excess proceeds may be shared proportionately (i.e., percentage of investment provided) by both parties.

(b) When the recapture requirement is triggered due to a voluntary or involuntary sale during the period of affordability and there are no net proceeds or the net proceeds are insufficient to repay the HOME investment due, NMHC may recapture an amount less than or equal to the net proceeds available.

(c) Circumstances Under Which Recapture Will Apply. Recapture restrictions must be used in cases where interest bearing loans or advances, non-interest bearing loans or advances, deferred loans (repayable), interest subsidies, or loan guarantees were provided to the homebuyer(s) in order to subsidize the purchase of the property to cover the down payment or closing costs.

(d) Legal Instrument to Enforce Recapture. NMHC must use deed restrictions, land covenants, or other similar legal documents to enforce these recapture restrictions.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

#### **Part 400 - Homebuyer Costs**

**§ 100-100.3-401 Eligible Costs**

- (a) Hard costs include:
  - (1) Acquisition of land and existing structures;
  - (2) Site preparation or improvement, including demolition;
  - (3) Securing buildings; and
  - (4) Construction materials and labor.
  
- (b) Soft costs include:
  - (1) Credit reports;
  - (2) Title binders and insurance;
  - (3) Recordation fees;
  - (4) Legal & accounting fees;
  - (5) Appraisals;
  - (6) Architectural/engineering fees, including specifications and job progress inspections;
  - (7) Environmental investigations, which shall be addressed in the commitment letter as a condition before any Homebuyer activity is to be committed or funded;
  - (8) Builders' or developers' fees;
  - (9) Affirmative marketing and marketing costs where applicable and as indicated in NMHC's impending affirmative marketing plan; absent of this affirmative marketing plan, NMHC shall defer to its Section 8 Administrative Plan where applicable;
  - (10) Homebuyer counseling provided to purchasers of CDBG-DR-assisted housing;
  - (11) Management fees; and
  - (12) Direct project costs incurred by the PJ.
  
- (c) Relocation costs include:
  - (1) Replacement housing, moving costs, and out-of-pocket expenses;
  - (2) Advisory services; and
  - (3) Staff and overhead related to relocation assistance and services.
  
- (d) Loan closing fees and related costs:  
NMHC shall charge \$3,914.00 (more or less, depending on current costs) to the borrower(s) for certain loan closing fees and other related costs such as but not limited to the following:
  - (1) \$14.00 ---- Credit Report
  - (2) \$200.00 ---- Preliminary Title Report (PTR)
  - (3) \$600.00 ---- Appraisal Report
  - (4) \$150.00 ---- Recordation of Mortgage Documents
  - (5) \$1,050.00 ---- First Annual Premium for Hazard Insurance
  - (6) \$500.00 ---- Initial Utility Connection
  - (7) \$1,400.00 ---- Title Policy

**\$3,914.00 Total**

Loan closing fees and associated hard and soft costs may be bundled into the total approved loan amount. In essence, a borrower who is approved for a \$120,000 loan may use a portion of the loan

to pay for the loan closing costs and soft costs. In this case, the \$3,914.00 incurred closing costs shall be subtracted from the total approved loan of \$120,000 and the resulting net amount of \$116,086.00 shall then be used for the construction, purchase and/or rehabilitation of their principal residence.

CUC utility connection: Borrower(s) are responsible for ensuring that there are no outstanding issues with CUC and resolving any such issues. Any costs not related to initially connecting to CUC utilities are not loan closing fees and related costs and none of the approved loan amount will be used to resolve such issues.

(e) If the homebuyer(s) opt to have a private inspector perform unit inspection, the first/initial unit inspection fee may be covered by NMHC, subject to any conditions set by NMHC. Any cost associated with any subsequent inspection shall be the responsibility of the homebuyer client(s).

Modified: 1 CMC § 3806(g).

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

### **Part 500 - Notification to Applicants**

#### **§ 100-100.3-501 Notification of Eligibility or Ineligibility**

(a) Eligible Applicants. NMHC shall send written notifications to all applicants determined eligible for financial assistance. Such notification shall be mailed no later than five working days after the determination, and shall contain a listing of additional information to be submitted for completion of loan file. Eligible applicant(s) shall be given thirty calendar days to submit the additional information requested. Applicant(s) that do not submit all pending information before the thirty (30) calendar day deadline, shall have their applications file placed in the inactive files. Extensions may be granted.

(b) Ineligible Homebuyers/Applicants. All ineligible applicants shall be notified in writing of their ineligibility. Such notification shall be mailed no later than five working days after the determination of ineligibility and shall include a description/reason of such determination.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

### **Part 600 - Loan Processing**

#### **§ 100-100.3-601 Selection**

(a) Financial assistance shall be based on available CDBG-DR Program funds and such assistance shall be awarded to eligible applicants on a first-come, first-serve basis. The application will have the date and time stamped when received; however, to be considered received, the application must be completely filled-out and the applicant has submitted all additional information requested by NMHC to perform an eligibility review.

(b) Potential homebuyers displaced by the storms and can show that they are mortgage ready (completed application form along with all necessary documents) and their incomes do not exceed 80% of AMI will be prioritized. No less than 80% of the funding will be reserved for those applicants at or below 80% AMI.

(c) The elderly and/or the disabled applicants who were displaced by the storms are prioritized over non-elderly and non-disabled applicants. However, eligible applicants that are mortgage ready will also be prioritized on a first come, first serve basis over the elderly and/or disabled applicants who are not mortgage ready.

(d) In the event that there are more applicants than available funds, NMHC shall establish and maintain an applicant waiting list. Applicants placed on the waiting list shall be assisted in the event that funds available are not entirely used up or committed by the homebuyers/applicants initially awarded financial assistance. Those applicants unable to be assisted with remaining funds shall be given first priority if and when additional funds are available.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-605 Administration; Approval; Appeals Process**

(a) Program Administration.

(1) The CDBG-DR Housing Administrator with the assistance of NMHC's MCD Manager shall be responsible for the CDBG-DR Homebuyer program implementation and management of related asks. The CDBG-DR Housing Administrator shall supervise division staff in loan and grant origination, underwriting and closings under the CDBG-DR Homebuyer program. However, the duplication of benefits analysis must be conducted by the CDBG-DR Compliance Manager to determine net financial assistance to be provided to the homebuyer applicant.

(2) The CDBG-DR Housing Administrator and MCD Manager shall review each submitted application, ensure all supporting documentation is in place and make any necessary recommendations to the Corporate Director prior to the Corporate Director making the final decision on the loan or grant application.

(b) Loan Review and Approval

(1) Under the direction of the CDBG-DR Housing Administrator, a CDBG-DR Loan Supervisor and/or a Loan Specialist shall review and verify all applicants' credit, income, assets, liabilities, title reports, and any other requested reports and documentation. Upon completion of the review process, the Loan Specialist shall prepare a loan write-up containing his/her recommendations.

(2) In the interim, after the CDBG-DR Housing Administrator review, the MCD Manager shall review the loan write-up for concurrence before submitting the same to the Corporate Director for a final decision. Final approval or denial of any CDBG-DR loan or grant shall be made by the Corporate Director except as follows:

(i) If the Corporate Director is off-island or on extended leave at the time the loan or grant is submitted to him/her for a final decision, then the Deputy Corporate Director may make the final decision to approve or deny the HOME loan or grant; or

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- (ii) If the Corporate Director and Deputy Corporate Director are both simultaneously off-island or on extended leave at the time the loan or grant is submitted for a final decision, then the Acting Corporate Director may make the final decision to approve or deny the CDBG-DR loan or grant.
  - (3) For purpose of these policies, off-island or extended leave shall be defined as an absence or leave that extends for more than three working days after the loan or grant is submitted to the Corporate Director for his or her final decision.
  - (4) A written notice of the final decision shall be provided to the applicant.
- (c) Loan Grant/Denial Appeals Process.
- (1) Applicants denied assistance under the CDBG-DR Homebuyer program may appeal the final decision to the NMHC Board of Directors by submitting their appeal in writing to the Corporate Director within ten (10) working days of the written notice of the final decision.
  - (2) Any appeal submitted must indicate the basis for the appeal and include any supporting documents. Upon receipt of an appeal, the Corporate Director shall submit the same to the Board of Directors for review and action at the next scheduled Board meeting. A decision must be rendered within thirty (30) days from the date of receipt of the appeal letter.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

### **§ 100-100.3-610 Homebuyer/New Construction Counseling Session**

- (a) All applicants for loan assistance must attend a Homebuyer/New Construction Education and Counseling Session that will be provided by NMHC. On or before August 1, 2021, NMHC employees providing housing counseling will be HUD certified housing counselors, and NMHC will have applied directly to HUD and received approval, or NMHC will have applied to a HUD-approved intermediary and received approval by the entity to be its affiliate. NMHC shall notify the applicant(s) of the date, time, and location of the session. The education and counseling session shall be scheduled after the loan has been preliminarily approved and may be conducted before or on the day that NMHC issues the commitment letter to the applicant(s). The counseling session shall include a discussion of the terms and conditions of the loan, educate the new homeowner(s) of their financial responsibilities, the importance of budgeting, making timely payments, foreclosure prevention, as well as, home maintenance and repair measures. Acceptable delivery method for housing counseling may be in-person, phone, or internet. Duration of the housing counseling is eight (8) hours. Upon completion of the housing counseling, the borrower(s) will receive a counseling certificate and this counseling certificate is valid for 2 years. Funding for housing counseling will come from project-related soft costs.
- (b) NMHC shall inform applicant(s) at the time of their submission of their application of the required homebuyer/new construction counseling session and again in written form when NMHC notifies the applicant(s) of NMHC's preliminary approval of their loan request. Failure to attend the required Homebuyer/New Construction Education and Counseling Session may be grounds for denial or cancellation of assistance.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

### **Part 700 - Terms and Conditions of Loan**

**§ 100-100.3-701 Maximum Homebuyer Programs Loan Amount**

(a) The amount of CDBG-DR Homebuyer loan funds that may be used for a new construction, purchase, or for an acquisition and repair shall be based on the borrower(s) ability to repay the loan as determined by the program underwriting standards, for which, not to exceed the debt-to-income (DTI) ratio of forty-five percent (45%); as well as, not to exceed the payment-to-income (PTI) ratio of thirty-five percent (35%) as per *Section 100-100.3-201 (b), Determination of Repayment Ability*.

Notwithstanding the borrower(s) ability to repay the loan, the maximum CDBG-DR assistance as per HOME regulations is capped at the HOME maximum per unit subsidy limit.

Moreover, the value of a CDBG-DR-assisted housing cannot exceed the most current 95% Area Median Sales Price Limits or the HOME maximum value limits for existing or new homes as published annually by HUD.

(b) For NMHC-owned properties, NMHC may sell the property directly to the CDBG-DR Homebuyer-approved applicant(s) but only after the property has been publicly auctioned at least once and resulted in an unsuccessful bid.

Modified: 1 CMC § 3806(g).

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-705 Minimum and Maximum CDBG-DR Homebuyer Program Loan/Deferred Loan Amount**

The minimum loan/deferred loan amount shall not be less than \$1,000.00.

The maximum loan/deferred loan amount shall not exceed \$250,000.00.

Provided that circumstances, where additional costs may be incurred, will be reviewed against cost reasonableness guidelines and to meet reasonable accommodations and accessibility requirements. However, the sales price must not exceed HUD's existing or new homes HOME purchase price limits (§ 92.254(a)(2)(iii)).

Modified: 1 CMC § 3806(g).

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-710 Non-Interest Bearing Loans**

These loans are zero percent interest loans. Repayment is expected on a regular basis, usually monthly, so that over a fixed period of time, all of the principal is repaid:

(a) If the applicant(s)' annual household income is between 80.01% and 120% of the HUD income Limits, 75% of the loan at zero percent interest (0%) shall apply throughout the term of the loan. If there are no missed payments during the affordability period, any remaining principal balance may be forgiven.

(b) If the applicant(s)' annual household income is between 50.01% and 80% of the HUD income Limits, 50% of the loan at zero percent interest (0%) shall apply throughout the term of the loan. If there are no missed payments during the affordability period, any remaining principal balance may be forgiven.

(c) If the applicant(s)' annual household income is between 30.01% and 50% of the HUD Income Limits, 25% of the loan at zero percent interest (0%) shall apply throughout the term of the loan. If there are no missed payments during the affordability period, any remaining principal balance may be forgiven.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-715      Deferred Loans: Forgivable or Repayable**

(a) These loans are not fully amortized. Instead, some, or even all of the principal payments are deferred to some point in the future. Deferred payment loans can be forgivable or repayable.

(b) The forgiveness may be forgiven incrementally based on the affordability period. In order to qualify for deferred forgivable loans, the applicant(s)' annual household income must be at or below 30% of the HUD Income Limits. Priority in processing applications are given to homebuyer(s)/applicant(s) who are 62 years of age or older or, disabled and unable to be gainfully employed. A disabled family is a family whose head of household, spouse, or sole member is a person with a disability.

(c) Persons with a disability:

(1) Means a person who:

(i) Has a disability, as defined in 42 U.S.C. § 423;

(ii) Is determined, pursuant to HUD regulations, to have a physical, mental, or emotional impairment that:

(A) Is expected to be of long-continued and indefinite duration;

(B) Substantially impedes his or her ability to live independently, and

(C) Is of such a nature that the ability to live independently could be improved by more suitable housing conditions; or

(iii) Has a developmental disability as defined in 42 U.S.C. § 6001.

(2) Does not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome; and

(3) Does not include a person whose disability is based solely on any drug or alcohol dependence.

(d) The applicant's physician must complete the Homebuyer/Homeowner Program Disability Eligibility Verification to certify the borrower's disability. As appropriate, NMHC shall require a court legal guardianship in cases where the physician certification indicates that the applicant is incapacitated or incompetent to enter into a legal and binding agreement such as a mortgage. The legal guardian shall be included as a co-borrower in the mortgage or the CDBG-DR-assistance that is provided.



**Table 2**

<u>CDBG-DR Program</u> Income <u>Limits for the CNMI</u>	Interest Rate	Type of Assistance
0% - <u>30%</u>	0%	Deferred Loan <sup>†</sup>
30.01% - 50%	0%	75% Deferred Loan and 25% Non-Interest Bearing Loan
50.01% - 80%	0%	50% Deferred Loan and 50% Non-Interest Bearing Loan
80.01% - 120%	0%	25% Deferred Loan and 75% Non-Interest Bearing Loan

<sup>†</sup>—Priority given to qualified elderly or disabled household applicants.

(e) Full repayment will be required at the sale, transfer, or the property being no longer the principal residence less than halfway into the affordability period. The deferred loan will be structured to begin incremental forgiveness when the homebuyer is more than halfway into the affordability period.

(f) For example, a homebuyer acquires a CDBG-DR assisted property that has a HOME subsidy of \$50,000. The affordability period is therefore 20 years. The homebuyer would have to live in the CDBG-DR assisted property for ten years before forgiveness will begin. Beginning with the 121st month of the affordability period, NMHC will forgive principal and interest for each month thereafter on a pro-rata basis that homebuyer principally resides in the CDBG-DR-assisted property.

Modified: 1 CMC § 3806(g).

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-720 Interest Subsidies**

[Reserved]

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-725 Loan Guarantees**

[Reserved]

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-730 Repayment Period**

The maximum repayment term shall not exceed 360 months or the affordability period, whichever is greater, unless the repayment term is amended or revised and approved by the Corporate Director to accommodate requests for relief from borrowers who have been determined not able to repay their obligations, with the amended or revised repayment terms not to exceed an additional 60 months.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-735 After-Construction Property Value, After-Rehabilitation Property Value, or Property Value at Initial Purchase (if Acquisition Only).**

The projected after-construction value, after-rehabilitation value, or property value at initial purchase (if acquisition only) of each homebuyer property to be assisted with CDBG-DR funds must not exceed the most current 95 percent of the area median purchase price for single family housing, as determined by HUD. NMHC will request for a real estate appraisal from a licensed real estate appraiser, prior to loan closing to determine such value.

Modified: 1 CMC § 3806(g)

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-740 Security**

(a) To insure borrowed CDBG-DR funds, NMHC shall secure a mortgage on the property. The mortgage shall be maintained for no less than the term of each approved loan or the affordability period, whichever is greater.

(b) NMHC will execute a written agreement with the homebuyer that will specify the use of CDBG-DR funds, description of the project, roles and responsibilities, compliance with affordability period requirements, qualifications for affordable homeowner housing, monitoring, the purchase price, date by which housing must be acquired, address or legal description of the property, and duration of the agreement. Additionally, the purchase price, date by which housing must be acquired, address or legal description of the property must be indicated in the applicable written agreement.

(c) During the term of the loan, homebuyer shall also be required to maintain, at their expense, property insurance on the mortgaged property for fire, earthquake, typhoon, and flood damage (if applicable) covering the replacement value of all properties at a minimum equal to the loan amount. Financial hardships will be reviewed on a case-by-case basis.

(d) NMHC will require the homebuyer to execute and file for record a deed or deeds of restriction, land covenant or similar legal documents approved by HUD that will assure compliance with the principal residency and affordability period requirements and enforce CDBG-DR restrictions.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-745 Late Charge**

For interest-bearing loans, a fixed one percent late installment charge of the missed monthly principal and interest (P & I) payment shall be assessed for every monthly payment that is over fifteen calendar days late or past due.

For non-interest-bearing loans, a fixed one percent late installment charge of the missed monthly principal payment shall be assessed for every monthly payment that is over fifteen calendar days late or past due.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-750      Prepayment of Loan**

There shall be no prepayment penalties for loans that are paid-off prior to the completion of the term of the loan. The affordability period provision is still applicable to loans that are paid-off.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**Part 800 - Distressed Homebuyer(s)**

**§ 100-100.3-801      Distressed Homebuyer(s)**

Distressed homebuyer(s) are those who are having a difficult time meeting their monthly loan payments due to external circumstances beyond their control. These circumstances include:

- (a) Reduction-in-force;
- (b) Reduction in pay;
- (c) Family medical emergency (including death of an immediate family member: parents, siblings, child(ren), spouse, and in-laws);
- (d) Medical condition (including career-ending injury) that causes homebuyer to discontinue employment. The borrower's physician must complete the Homebuyer/Homeowner Program Disability Eligibility Verification to certify the borrower's medical condition; and
- (e) Natural disaster.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**Part 900 – Assistance**

**§ 100-100.3-901      Types of Assistance**

(a) NMHC may offer the following types of assistance depending on the circumstances mentioned above:

- (1) Reduction-in-force. Monthly loan payments may be deferred for a period of up to twelve months. Late charges would not accrue. If this approach is still deemed unaffordable, the current term may be extended and reamortized with an additional sixty (60) months.

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- (2) Reduction in pay. Monthly loan payments may be deferred for a period of up to twelve months. If this approach is still deemed unaffordable, the current term may be extended and reamortized with an additional sixty (60) months.
  - (3) Family medical emergency. Monthly loan payments may be deferred for a period of up to twenty-four (24) months. Late charges would not accrue. The current term may be extended and reamortized with an additional sixty (60) months.
  - (4) Medical condition that causes borrower to discontinue employment – Principal amount may be forgiven incrementally (based on term).
  - (5) Natural Disaster. Monthly loan payments may be deferred for a period of up to six (6) months in the event of a natural disaster, such as fire, typhoon, earthquake, flood, and local or pandemic spread of disease. Final decisions regarding requested deferments shall be made by the Corporate Director. Late charges shall not accrue during deferment. Borrowers may be eligible for a deferment upon written request accompanied by acceptable evidence of negative impact caused by the natural disaster. Further, in order to qualify for a deferment, the Borrower's loan and hazard insurance must be up to date.
  - (6) Other Hardships. Any other claimed financial hardship outside of the aforementioned five listed hardships shall be brought to the Corporate Director for review and decision.
  - (7) Denial of assistance may be appealed to the NMHC Board.
- (b) In addition, NMHC may offer the following types of assistance:
- (1) Penalty Waiver. Accrued penalty fees for delinquent borrowers may be waived to assist them in making their accounts current.
  - (2) Loan Assumption
    - (i) Death of a homebuyer/borrower: Upon the death of the borrower which occurs within the affordability period, the entire unpaid balance of the loan shall be immediately due and payable. Title transfer without sale triggers the CDBG-DR recapture agreement enforceable through the restrictive deed or land covenant. The Corporate Director may allow assumption of the loan by the heirs of the borrower if a final decree in the probate of the borrower identifies the heirs and approves distribution to them of the improved property and the loan, and if the heirs themselves would qualify as a new applicant for the loan.
    - (ii) At the sole discretion of the NMHC Board, the loan may be assumed by a legal heir of a deceased borrower(s) of the CDBG-DR-assisted unit. This assumption exception is permitted where transfer of title is through the laws of descent provided that the heir is of legal age, meets all CDBG-DR Program eligibility requirements and has a full, undivided interest in the real property. The heir will be required to fill out an application and will be subject to credit, income, and asset verification.
- (5) Foreclosure Prevention. In situations where a foreclosure is imminent, the Corporate Director may allow a borrower to have a CDBG-DR eligible immediate relative (i.e., mother, father, brother, sister, son, daughter) assume the loan, all for the purpose of preserving the affordability period. The total outstanding balance thereof shall be fully amortized at the original interest rate and terms to produce equal monthly payments. If, however, the CDBG-DR eligible immediate relative assuming the loan cannot afford the repayment of the loan at its original rate and terms, the NMHC Board may extend the term up to a period of sixty months. Should this accommodation still prove unaffordable, the property will go through the foreclosure process.

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(6) Foreclosure. NMHC may use its right of first refusal, as set forth in the loan documents, written agreement with homebuyer, and restrictive deed or land covenant, to purchase the housing before foreclosure or deed in lieu of foreclosure to preserve affordability. Foreclosure triggers the CDBG-DR recapture agreement enforceable through the restrictive deed or land covenant.

(7) Foreclosure and Recapture. If the CDBG-DR assisted property is subject to recapture terms, NMHC has two options:

(i) Recapture Option 1: NMHC will recapture and pay to the CNMI CDBGCR account the net proceeds from the foreclosure sale of the property in accordance with the recapture terms; or

(ii) Recapture Option 2: NMHC may purchase the CDBG-DR assisted property at foreclosure sale and additional CDBG-DR funds may be spent. However, the total amount of the original and additional CDBG-DR funds spent may not exceed the maximum per unit subsidy amount.

(c) If NMHC forecloses on its own loan, NMHC cannot spend any additional CDBG-DR funds to acquire the property.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

### **Part 1000 - Mitigation to Foreclosure**

#### **§ 100-100.3-1001 Items Needed to Cancel Foreclosure and Reinstate Account**

##### **To cancel foreclosure and reinstate account, the Borrower shall:**

(a) In accordance with 2 CMC § 4536(a), pay the entire amount then due under the terms of the mortgage other than such portion of principal as would not then be due had no default occurred, and reasonable attorney's fees actually incurred.

(b) Pay delinquent account current inclusive of one month advance payment.

(c) Have the homebuyer(s) submit a written proposal on how he/she will maintain the account in good standing.

(d) Submit paid in full receipt of homebuyer(s)' insurance coverage for fire and earthquake.

(e) Submit 2-3 recent check stubs and/or verification of benefits

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

### **Part 1100 - Performing New Construction Work**

#### **§ 100-100.3-1101 Performing New Construction Work**

(a) Contractor Cost Estimates: The homebuyer(s)/applicant(s) shall be responsible in obtaining a minimum of three written construction cost estimates from at least three NMHC approved contractors, and each cost estimate submitted must include, at a minimum, the

following information: bid price, cost breakdown of materials and labor charges, and schedule for completion of work. If for any reason that a construction cost estimate is unattainable, then a justification letter from the borrower and/or contractor may be accepted in lieu of this requirement.

(b) Selection of Contractor/Contract Award: The homebuyer(s) shall have the right to select whichever contractor to perform the construction work, provided that NMHC has assessed the sources and uses of funds and determined that the costs are reasonable, provided that the contractor's quotation and the appraiser's after-construction estimated value does not exceed the approved loan amount and the most current HUD-approved value limits, and provided that the contractor is an NMHC-approved contractor. Should it exceed the loan amount, the homeowner shall choose to either deposit the difference or negotiate with contractor in reducing the contract amount. Should the borrower not be able to deposit the difference or the contractor unwilling to lower the contract amount, then the borrower shall select his/her/their next choice. The homebuyer(s) shall submit a contractor selection notice notifying NMHC of his/her/their selection. NMHC may, at its own discretion, select the appropriate contractor for the applicant if the homebuyer project is deeply subsidized using additional CDBG-DR funds. Deeply subsidized means additional funding assistance on top of the underwritten funding assistance.

(c) Construction Contract: The construction contract is a binding agreement strictly between the homebuyer(s) and the contractor whereby the contractor will provide the construction or repair work for a specified and agreed upon price. As NMHC's role is to finance the construction of the project, it is not a party to the construction contract. However, at any time the contractual provisions are not followed, NMHC shall have the right to withhold any progress payment until the contractor has complied with such provisions. The construction contract shall include, but is not limited to, the following provisions:

- (1) Contractor's name and mailing address;
- (2) Homeowner(s) name and mailing address;
- (3) Date of the contract, the contract amount, and payment schedule for each incremental billing;
- (4) Calendar days to complete the work (includes Saturdays, Sundays, and holidays);
- (5) Contractor will provide the performance bond, and labor and material payment bond up to the contract amount, as well as a builder's risk policy for the project;
- (6) The contractor will provide all the construction plans and permits necessary to comply with applicable local and federal laws;
- (7) Issuance of the notice to proceed or the commencement of the project;
- (8) Contractor will provide a one-year warranty on all work completed;
- (9) NMHC's right to inspect the progress of the project and right to withhold progress payments;
- (10) Change order procedures, if any; and
- (11) A provision for liquidated damages must be included in the construction contract which shall be negotiated between the borrower(s)/homebuyer(s) and the contractor.
- (12) Description of the work to be performed so that inspections can be conducted and, for rehabilitation, so that housing will meet NMHC's rehabilitation standards.

(d) Contractor Notification and Pre-Construction Requirements: Once NMHC is in receipt of the borrower(s)/homebuyer(s) contractor selection notice, NMHC shall notify the contractor of the borrower(s) selection of their company. NMHC shall inform the contractor of the scheduled pre-construction conference and shall likewise inform the contractor of the required construction documents for submission as listed below:

- (1) Building permit (if applicable)
- (2) Earthmoving and erosion control permit (if applicable)
- (3) Construction contract
- (4) Performance and payment bonds
- (5) Plans and specification approved by DPW
- (6) Private inspector's contract (if applicable)
- (7) Notice that an environmental review and clearance has been conducted.

(e) Project Duration: Construction must start within 12 months of NMHC's execution of the CDBG-DR written agreement with the homebuyer(s).

(1) Progress payment requests shall be submitted to NMHC by the contractor incrementally as specified in the payment schedule. NMHC shall ensure that all work description indicated on the payment schedule is completed prior to releasing contractor's payment. An original and a copy of the requests must be submitted to NMHC. The contractor shall freely use his/her/their company's billing form when submitting a payment request. The payment request shall be accompanied with the following whenever applicable: inspection reports (DPW and/or private inspector), geotesting results, termite treatment certification and/or warranty, builder's warranty, and borrower/homebuyer's acceptance of the project. In addition, each billing submitted must include pictures of the progress of the project and a copy of the payment schedule.

(2) Payment schedule shall be as follows:

(i) Payment request number 1 shall not be more than 10% of the contract amount. This shall include the installation of the project sign board accompanied with a picture, the delivery of materials to the construction site, and commencement of the project.

(ii) Payment request number 2 shall not be more than 25% of the contract amount.

(iii) Payment request number 3 shall not be more than 25% of the contract amount.

(iv) Payment request number 4 shall not be more than 25% of the contract amount.

(v) Payment request number 5 shall be the 15% retainage request when all work is completed. The final payment request shall be accompanied with the certificate of occupancy from the Commonwealth Building Safety Office, builder's warranty, window warranty if subcontracted, termite treatment warranty, final inspection report from the DPW and if applicable, the private inspector's, certificate of acceptance from the homeowners, geotesting results if applicable, pictures of project interior and exterior, and DEQ certificate of use (sewage disposal system), if applicable.

(3) Change Order Procedures. From time to time, the homebuyer(s) may request for changes in the plans and specifications. In the event that this should occur, the following steps must be taken to address such request:

(i) The borrower/homebuyer must notify contractor in written form of the proposed changes and provide NMHC a copy of the notification.

(ii) Upon receipt of the notification, the contractor must cease work at the project site and obtain NMHC's approval of the change order request. Upon approval the contractor shall then provide NMHC a revised plan and specifications, including a revised payment schedule (if

scheduled payments will be altered by the proposed changes). The contractor must obtain NMHC's approval of the change order request.

(iii) Once the change order request is approved, the homeowner will be required to deposit the additional money needed to NMHC (if applicable) to carry out the change order. The contractor will be required to submit the revised plans and specifications to DPW for approval.

(iv) Should the change order request be denied, then the contractor shall resume work to ensure timely completion of the project. The contractor may not be able to complete the project on time because of the delays the change order request may have caused. Therefore, the homebuyer(s) shall give the contractor additional days equal to the time the work was ceased up until the time the change order request was denied to complete the project. The homebuyer shall not charge the contractor liquidated damages during this period.

(4) Once the contractor has obtained the DPW's approval of the plans and specifications, then it shall provide NMHC with the same copy. The contractor shall proceed in carrying out the change order and completing the project.

(f) Inspections: NMHC shall have the right, during the construction or improvement of the building, to inspect the same and to reject and to require to be replaced, any material or workmanship that does not comply with the plans and specifications, without any liability on the part of NMHC, as to workmanship or materials therein. Such inspection is solely for financing purposes and for the disbursement of funds, and any inspection or approval of any construction phase or increments of said dwelling shall not be deemed as a warranty by NMHC of the workmanship and material therein.

(g) Inspector: Upon completion, the building is subject to inspection by the Building Safety Office of the Department of Public Works (DPW) prior to the issuance of an occupancy permit or other permits as provided in the Building Safety Code codified in 3 CMC § 7101 et seq. Applicant(s) may have a private inspector, (i.e., a qualified licensed engineer or a qualified licensed architect), conduct inspection with the costs with such inspection to be handled in accordance with § 100-100.2-240.

(h) Minimum Property Standards (MPS): For new construction of housing and acquisition rehabilitation of housing, the 2018 International Building Code enacted by law and any updates approved by regulation by the Department of Public Works Building Safety Office and zoning laws (if applicable for Tinian and Rota), International Energy Conservation Code, NMHC written design standards for single family housing new/rehabilitation, and accessibility requirements (where applicable) must be adhered to.

(1) Further adherence to CDBG-DR acquisition and repair standards, which details the methods, materials, and other requirements that the housing must meet upon completion, including each of the following:

(i) Health and Safety [24 CFR 92.251(b)(1)(i)]

(ii) Major systems that were rehabilitated or replaced as part of the rehabilitation [24 CFR 92.251(b)(1)(ii)]

(iii) Lead-based paint [24 CFR 92.251(b)(1)(iii)]

(iv) Disaster mitigation, if applicable [24 CFR 92.251(b)(1)(vi)]

(v) State and local codes, ordinances and zoning requirements [24 CFR 92.251(b)(1)(vii)]



(vi) Minimum deficiencies that must be corrected based on inspectable items and areas in HUD's Uniform Physical Condition Standards [24 CFR 92.251(b)(1)(viii)]

(i) Homebuyer(s), through their contractors, must ensure that they are familiar with these requirements. PJs using MPS may rely on inspections performed by a qualified person. If using CDBG-DR funds solely for acquisition, the property must also meet the minimum property standards mentioned above or HUD's Uniform Physical Condition Standards (UPCS). The contractor will provide all the construction plans and permits necessary to comply with applicable local and federal laws.

(j) Project Completion:

(1) Project shall be completed within 4 years of the date of the CDBG-DR written agreement (the date the CDBG-DR funds were committed to the project). [24 CFR 92.205(e)(2)]

(2) Project completion information shall be entered in the Disaster Recovery Grant Reporting (DRGR) System within 120 days of the final project draw.

(k) Record Retention:

(1) NMHC shall retain CDBG-DR homebuyer project records for five years after project completion. [24 CFR 92.508(c)(2)]

(2) NMHC shall retain documents imposing recapture provisions for five years after the period of affordability terminates. [24 CFR 92.508(c)(2)]

(3) NMHC shall retain CDBG-DR homebuyer project written agreement records for five years after the agreement terminates. [24 CFR 92.508(c)(4)]

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

## **Part 1200 – Homebuyer Underwriting**

### **§ 100-100.3-1201 Guidelines and Referenced Sections**

In order to determine the specific amount of CDBG-DR assistance needed to ensure that the unit is affordable and sustainable over the long-term, NMHC's CDBG-DR Homebuyer Program design reflects and incorporates underwriting standards that the HOME regulations at § 92.254(f) has set forth; and further examines the following for each homebuyer:

- (a) Program Eligibility and income;
- (b) Housing and overall debt;
- (c) Monthly expenses;
- (d) Assets or cash reserve, as applicable; and
- (e) Appropriateness of the amount of assistance

In addition to the underwriting provisions of these regulations, the following applies to Homebuyer activities:

(a) Determining how much of a loan an applicant would be eligible for or if a loan can be extended is determined by the applicant(s) gross annual income, repayment ability, and credit worthiness. These could be found in § 100-100.3-201.

(1) The NMHC CDBG-DR Homebuyer Program methodology for determining income-eligibility, income as a component of underwriting, income verification and required source documentations, treatment and the calculation of assets are derived from the HUD Part 5 Technical Guidelines as herein stated

(i) To receive CDBG-DR assistance, households must have incomes at or below 80 percent of the area median household income, adjusted for household size, and determined annually by HUD. Households with incomes at or below 120 percent of the area median household income, adjusted for household size, are also eligible for assistance.

(ii) CDBG-DR Homebuyer Program regulations require that income of all family members be included in the determination of income for the purpose of eligibility. The HOME regulations at 24 CFR 92.203 (d) require that a PJ must project a household's income for the next 12 months. Chapter Two of the Part 5 Technical Guide reviews this in detail. The NMHC CDBG-DR Homebuyer Program shall also use the same methodology of projecting income for the purpose of underwriting.

(iii) The Part 5 definition of annual income provides specific guidance pertaining to whose income in a household must be included in that calculation. Chapter Three reviews this in detail.

(iv) Gross amount. NMHC uses the monthly gross amounts, before any deductions have been taken, for those types of income counted. Adjusted income is not required for CDBG-DR-funded homebuyer or for owner-occupied rehabilitation as per the Part 5 Technical Guide.

(v) For the purpose of underwriting and in determining loan repayment ability, the ratios loan payment-to-income (PTI) and the debt-to-income (DTI), NMHC shall use income and debt obligations from the loan applicant(s)/borrower(s). Any household member to be included in the mortgage must be underwritten accordingly by examining and factoring-in their income, debt, assets, credit information/analysis and any other information that is deemed applicable in the underwriting process.

(vi) The HOME regulations at 24 CFR 92.203(a) require that PJs determine income eligibility of HOME (and adopted for CDBG-DR) applicants by examining source documents, such as wage statements or interest statements, as evidence of annual income. NMHC requires additional supporting information to confirm eligibility and for purposes of underwriting. This is specified in §100-100.3-105, Supplemental Information. Review of documents and third-party verification is further reviewed in detail in Chapter Two of the Part 5 Technical Guide.

(vii) What to include as an Asset. There is no asset limitation for participation in the CDBG-DR Homebuyer Program. In essence, eligible families are not required to "spend down" assets before they can participate in the Program. Income from assets is, however, recognized as part of annual income under the Part 5 definition.

(viii) In general terms, an asset is a cash or non-cash item that can be converted to cash. Income that is earned, such as interest on a savings or checking account, is counted or factored into annual income. Chapter Three of the Part 5 Technical Guide explains in detail the treatment of assets and considers what is to be included as an asset, as well as, explains actual income from assets.

(2) Assessment of a homebuyer's debt is made by calculating two key ratios:

(i) The loan Payment-to-Income Ratio is determined by taking the expected monthly payment of the loan, which is the principal and interest, and dividing it by the total combined monthly gross

income. For the NMHC CDBG-DR Homebuyer Program, this ratio should not exceed thirty-five percent of the homebuyer's gross monthly income.

Note on Insurance Premiums: Estimated monthly premium shall be factored into the ratio calculation and must not exceed the ratio threshold of thirty-five percent for approval.

(ii) The Debt-to-Income Ratio, or DTI, is determined by factoring all related debts, including the monthly loan payment and estimated insurance premium; plus, all recurring consumer debt, such as auto loan, credit card, student loan payments, and other installment and revolving debt that appears on the credit report. For the NMHC CDBG-DR Homebuyer Program, a homebuyer's DTI ratio should not exceed forty-five percent of their gross annual income. However, on a case-by-case basis, the debt ratio could be up to fifty-five percent provided that the applicant could still meet payment responsibilities.

(iii) Recurring monthly expenses, or those that are considered fixed monthly living expenses such as utilities and transportation costs are not factored in the DTI ratio but these type of expenses should be considered in the underwriting process and must be carefully budgeted and monitored by the homebuyer. The housing counseling shall address these types of essential expenses so that it does not decrease residual income and affect the homebuyer's ability to sustain the mortgage. A careful analysis of the overall debt obligations, housing costs, and recurring monthly living expenses shall be performed in determining the appropriate amount of CDBG-DR assistance to provide.

(b) The minimum and maximum loan assistance including the type to be extended to an applicant(s) are further explained in Part 700.

(c) The affordability restrictions that will be imposed on the property, a loan will only be extended to applicant(s) who will make their home assisted unit their primary residence (see § 100-100.3-201(d)).

Modified: 1 CMC § 3806(g)

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

### **§ 100-100.3-1205 Subsidy Layering**

(a) NMHC may provide eligible homebuyers with additional locally-funded assistance to cover additional housing cost that is deemed to have exceeded the maximum CDBG-DR assistance limit.

(b) Homebuyer(s) that are approved for any additional, or supplemental assistance whether it be a CDBG-DR deferred loan or with NMHC's local funds, shall be required to choose from NMHC's house design and layouts. Such house layout and unit size is dependent on the household size, the original approved CDBG-DR assistance, as well as, the total estimated costs to construct a new principal residence. This requirement is also applicable to eligible-homeowners who are approved for a CDBG-DR Rehab assistance for the reconstruction of a principal residential unit.

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

**§ 100-100.3-1210 Acronyms Reference Section**

[For Rehab & Homebuyer Policies and Procedures]

- (a) AIA—American Institute of Architects
- (b) AMI—Area Median Income
- (c) CD—Corporate Director
- (d) CFR—Code of Federal Regulations
- (e) CNMI—Commonwealth of the Northern Mariana Islands
- (f) CPSC—Consumer Product Safety Commission
- (g) DCD—Deputy Corporate Director
- (h) DEQ—Department of Environmental Quality
- (i) DPW—Department of Public Works
- (j) DTI—Debt-to-Income Ratio
- (k) EA—Environmental Assessment
- (l) GFE—Good Faith Estimate
- (m) HOME Program—U.S. HUD Homeownership Investment Partnerships Program
- (n) HQS—Housing Quality Standards
- (o) MCD—Mortgage Credit Division
- (p) MPS—Minimum Property Standards
- (q) MPV—Maximum Property Value
- (r) NAHA—National Affordable Housing Act
- (s) NEPA—National Environmental Policy Act

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- (t) NMHC—Northern Marianas Housing Corporation
- (u) NTP—Notice to Proceed
- (v) PITI—Principal, Interest, Taxes, and Insurance
- (w) PJ—Participating Jurisdiction
- (x) PTI—Payment-to-Income Ratio
- (y) PTR—Preliminary Title Report
- (z) RER—Rehab Environmental Review
- (aa) RESPA—Real Estate Settlement Procedures Act
- (bb) SCRA—Service members Civil Relief Act
- (cc) SSI—Supplemental Security Income [Social Security]
- (dd) TCD—Time Certificates of Deposits
- (ee) TILA—Truth in Lending Act
- (ff) U.S. HUD—United States Department of Housing and Urban Development
- (gg) USDA RD—United States Department of Agriculture Rural Development
- (hh) USPAP—Uniform Standard of Professional Appraisal Practice
- (ii) VOE—Verification of Employment

Modified: 1 CMC § 3806(g)

History: Amdts Adopted 43 Com. Reg. 45935 (May 28, 2021); Amdts Proposed 43 Com. Reg. 45071 (Feb. 28, 2021).

## **APPENDIX A.1: Crosscutting Requirements**

### **1.1 Crosscutting Requirements**

#### **1.2 Fair Housing**

The Fair Housing Act requires all grantees, subrecipients, and/or developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability or marital status. The Program complies with and enforces the Civil Rights requirements of Title I of the Housing and Community Development Act (HCDA) and the Fair Housing Law.

Projects must also assess how planning decisions may affect members of protected classes, racially and ethnically concentrated areas, as well as concentrated areas of poverty; will promote the availability of affordable housing in low-poverty, non-minority areas where appropriate; and will respond to natural hazard-related impacts. Program staff will use demographic, geographic, and social vulnerability analyses to determine any positive or negative impacts to protected classes. Should a project present negative impacts, project scope or design will be re-assessed to mitigate such impacts.

#### **1.3 Environmental Review**

Early environmental coordination must be completed to ensure effective implementation of all CDBG-DR Programs. CDBG-DR funding is contingent upon compliance with both local and federal environmental regulations. This includes compliance with NEPA and related environmental and historic preservation legislation and executive orders. In general, NMHC serves as the lead agency for purposes of NEPA.

HUD's Environmental Review process allows grantees to serve as the "Responsible Entity" to assume environmental review responsibilities under NEPA. As the grantee, NMHC serves as the Responsible Entity (through authorization from the Governor) as it relates to environmental review responsibilities under NEPA. Within NMHC, Environmental Review Staff will be responsible for performing environmental reviews and compiling the Environmental Review Records (ERR). Reviews are conducted either directly or using qualified environmental service contractors. NMHC's Corporate Director, as the Certifying Officer, is ultimately responsible with certifying that NMHC's environmental reviews follow NEPA and HUD environmental regulations.

Federal Register Notice FR-6182-N-01 authorizes recipients of CDBG-DR funds under the Appropriations Act to adopt any environmental review, approval, or permit performed by a Federal agency for the same project to satisfy responsibilities with respect to environmental review, approval, or permit. NMHC will notify HUD in writing of its decision to adopt another agency's environmental review. NMHC will also retain a copy of the review in its environmental records. Further information concerning the environmental review process is set forth in the Environmental Policies and Procedures. Further information concerning the specific HUD requirements for the

adoption of other Federal agency environmental reviews can be found in the HUD Memorandum dated March 4, 2013, *Adoption of FEMA and Other Federal Environmental Reviews Processing for Hurricane Sandy Supplemental Appropriation (H.R. 152) Activities*. Additional information on the environmental review process in general is set forth in Section § 100-100.4-335, Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities (24 C.F.R. Part 58).

#### **1.4 Labor Standards**

The Davis-Bacon and Related Acts (DBRA) applies to all federally-funded or assisted construction contracts in excess of \$2,000. This may apply to projects that are fully or partially funded with CDBG-DR, including FEMA or FHWA match programs. In matched projects, only the scope of the CDBG-DR portion of the project are subject to crosscutting requirements DBRA requires all workers employed by contractors or subcontractors on CDBG-DR programs, be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with DBRA, as amended. DBRA also requires that workers on federally-assisted projects are paid not less than weekly.

Wage information for labor under CDBG-DR programs will be tracked in detail by both NMHC and relevant Implementing Partners and subrecipients throughout the life of the Program. Compliance for this requirement may be tracked in the following ways:

- (1) Additional NMHC Program staff hired to track wages and verify contractor and agency compliance
- (2) External contractor hired by NMHC to track DBRA compliance
- (3) Enhanced TA provided to Implementing Partners to track DBRA compliance

Procedures for this process are currently under development and will be incorporated in a future update to this document. DBRA only applies on structures with 8 or more units. DBRA will not apply to single family homes projects.

For prime contracts in excess of \$100,000, contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay laborers and mechanics, including guards and watchmen, at least one and one-half times their regular pay for all hours worked over 40 in a work week. Additionally, NMHC must follow the reporting requirements per HUD and U.S. Department of Labor (DOL) regulations. This requirement also extends to NMHC subrecipients, Implementing Partners, and contractors.

The Fair Labor Standards Act of 1938 (FLSA), as amended, establishes the basic minimum wage levels for all work and requires the payment of overtime at the rate of at least one and one-half times the basic hourly rate of pay for hours worked in excess of 40 per week. These labor standards are applicable to the entire construction contract whether or not CDBG-DR funds finance only a portion of the project.

#### **1.5 Limited English Proficiency**

Federal Executive Order 13166 requires NMHC and all satellite offices, programs, subrecipients, contractors, subcontractors, and/or developers funded whole or in part with CDBG-DR financial assistance to ensure fair and meaningful access to programs and services for families and individuals with Limited English Proficiency (LEP) and/or deaf/hard of hearing. Compliance with this requirement is detailed in NMHC’s Language Action Plan (LAP) and will be coordinated and tracked by the Monitoring and Compliance division at VIHFA. Depending on the program, NMHC, Implementing Partners, sub-recipients, and subcontractors will share the following expectations to comply with this Executive Order:

- (1) Document Translation: All documents defined as “vital documents” will be translated into Chamorro or Carolinian by NMHC, Implementing Partners, and sub-recipients. A “vital document” is defined as a document that includes information regarding eligibility requirements, applications and instructions, program eligibility determinations, and appeals procedures. NMHC may aid to ensure this requirement is met.
- (2) Where required, seek feedback from the community the project serves (advocacy groups serve vital role).

Language maps provided in the Language Action Plan will be used to determine the project’s location and subsequent language context and if proactive LEP outreach will be required. These maps will be included as part of the Project Assessment Form used by NMHC to review the eligibility, priority level, and impacts of a potential project.

### **1.6 Minority and/or Women-Owned Business Enterprises**

The Federal Executive Order 12432 guidelines require selected federal agencies to promote and increase the utilization of Minority-Owned and Women-Owned Business Enterprises (M/WBEs). Following procurement guidelines under 2 CFR 200.321, NMHC must make efforts to ensure that all subrecipients, contractors, subcontractors, and/or developers funded in whole or in part with HUD CDBG-DR financial assistance encourage participation in contracts and other economic opportunities by small and minority firms, women-owned business enterprises (WBEs), and labor surplus area firms whenever possible. NMHC will accept a MWBE certification from another state, local or regional, DPW, SBA HUB Zone, SBA 8-A certification (economically disadvantaged and 51% locally-owned), and other eligible certification processes. Documentation and goals regarding M/WBE percentages and reporting will be determined in the contracting agreements.

### **1.7 Section 3 Economic Opportunities**

Section 3 is triggered when the award of CDBG-DR funds for new construction and rehabilitation projects creates the need for new employment, contracting, or training opportunities.

Section 3 of the Housing and Urban Development Act of 1968 is to “ensure that employment and other economic opportunities generated by certain U.S. Department of Housing and Urban Development (HUD) financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed to low and very low income individuals, especially



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recipients of government assistance for housing and to businesses which provide economic opportunities to low and very low income individuals.”

The Section 3 program requires that recipients of HUD CDBG-DR funds, to the greatest extent feasible, provide (a) employment and training, and (b) contracting opportunities for low- or very-low income residents in connection with construction projects in their neighborhoods.

It also specifically encourages economic opportunities for households who are recipients of government assistance for housing. NMHC and all administering entities will follow and require relevant contractors to follow Section 3 requirements in contracting.

Section 3 applies to the CNMI, as recipient of HUD funding, as well as to subrecipients or Implementing Partners/Sub-recipients receiving HUD funding exceeding \$200,000. Whenever any portion of HUD funding is invested into projects involving housing construction, demolition or rehabilitation, commercial/private improvements for economic development, or other public construction (e.g., roads, sewers, community centers, and public facilities), the requirements of Section 3 apply.

In conjunction with construction activity, Section 3 applies to projects that are fully or partially funded with CDBG-DR assistance, including projects that are financed in conjunction with territory, local, or private matching or leveraged funds, provided that the Section 3 monetary threshold requirements are met. In particular:

- In conjunction with construction activities, Section 3 applies to contractors or subcontractors that receive contracts more than \$100,000 for Section 3-covered projects/activities. Once it is determined that Section 3 applies to a project, the requirements apply to all contracts for construction work arising in connection with that project exceeding \$100,000, including those not funded with CDBG-DR assistance. Contractors or subcontractors are required to comply with the Section 3 regulations in the same manner as the Commonwealth; and
- “Section 3-covered contract” includes professional service contracts, provided that the work to be performed is generated by the expenditure of funds in furtherance of Section 3 covered work (e.g., housing construction, housing rehabilitation, and other public construction), arising relating to construction projects. Professional service contracts that may constitute Section 3-covered contracts include construction contract oversight, engineering, architectural, environmental and property evaluation, construction progress and draw inspections, and prevailing wage labor compliance.

The regulations pertain to new hires required to complete Section 3-covered projects and activities. If the expenditure of funding for an otherwise covered project and activity does not result in new employment, contracting, or training opportunities, Section 3 reporting will still be required.

When NMHC awards CDBG-DR funds to other governmental departments, nonprofit organizations, subrecipients or other funded entities, NMHC will require they document how reasonable attempts were made to reach numerical goals set forth at 24 CFR Part 135.30. NMHC will inform its Implementing Partners and other funded entities of the requirements of Section 3, including the language required to be inserted into all construction-related contracts, assist them

and their contractors with achieving compliance, and monitor their performance with respect to the Section 3 objectives and requirements.

Implementing Partners/Sub-recipients will receive training on this requirement and methods of compliance, technical assistance from Program staff, and continual monitoring from NMHC. Currently, a Section 3 Plan is under development, the details of which will be included in an update to this manual.

### **1.8 System for Award Management (SAMs)**

SAM is the federal System for Award Management and is a requirement for doing business with the U.S. government. All vendors are required to register in SAM in order to be awarded contracts under the CDBG-DR program. Vendors are required to complete a one-time registration to provide basic information relevant to procurement and financial transactions. Vendors must update or renew their registration annually to maintain an active status.

### **1.9 Uniform Relocation and Real Property Acquisition Act (49 CFR 24)**

The Uniform Relocation Assistance and Real Property Acquisition Act (URA), is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms. The URA's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects. The phrase "program or project" is defined in 49 CFR Part 24 as, "any activity or series of activities undertaken by a federal agency or with federal financial assistance received or anticipated in any phase of an undertaking in accordance with the federal funding agency guidelines."

The objectives of the URA are:

- To provide uniform, fair and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects;
- To ensure relocation assistance is provided to displaced persons to lessen the emotional and financial impact of displacement;
- To ensure that no individual or family is displaced unless decent, safe, and sanitary (DSS) housing is available within the displaced person's financial means;
- To help improve the housing conditions of displaced persons living in substandard housing; and,
- To encourage and expedite acquisition by agreement and without coercion.

49 CFR 24.101(c)(1) provides that the subpart B requirements also apply to the acquisition of permanent and/or temporary easements necessary for the project. However, 49 CFR 24.101(c)(2) provides an exception for the acquisition of temporary easements which exclusively benefit the property owner.

**Demonstrable Hardship** - A demonstrable hardship is a substantial change in an applicant's financial situation that will prohibit or severely affect their ability to provide a minimal standard of living or the basic necessities of life including food, housing, clothing and transportation without

causing economic distress well beyond mere inconvenience as shown by objective evidence. A demonstrable hardship must be occurring after the named storms. The demonstrable hardship must be of a severe, involuntary and unexpected nature. It must not be one that is generally shared by other applicants affected by the named storms. Examples of demonstrable hardships may include job loss, failure of a business, divorce, severe medical illness, injury, death of a family member or spouse, unexpected and extraordinary medical bills, disability, substantial income reduction, unusual and excessive amount of debt due to a natural disaster, etc. None of the listed examples above, individually or taken together, automatically establish a demonstrable hardship nor is the listing above exhaustive as there may be other factors relevant to the issue of demonstrable hardship in a particular case. If an applicant believes that they are in the state of demonstrable hardship and that the demonstrable hardship causes them to not comply with any of the program policies, they may present their existence of a demonstrable hardship to their case worker (housing or loan specialist) and the Program will evaluate on a case-by-case basis after review of all of the circumstances. Applicants claiming a Demonstrable Hardship shall be required to provide evidence of such claimed Demonstrable Hardship to the case worker.

***Not Suitable for Rehabilitation*** – properties where the cost of rehabilitation exceeds the after rehab appraisal and there is not a compelling historical or community justification to save the property.

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APPENDIX A.2: HOMEBUYER APPLICATION CHECKLIST



NORTHERN MARIANAS HOUSING CORPORATION
Community Development Block Grant – Disaster Recovery (CDBG-DR) Division
P.O. BOX 500514, Saipan, MP 96950-0514
Email: cnmi-cdbg-dr@nmhcgov.net
Website: http://www.cnmi-cdbgdr.com

Tels: (670) 233-9447
233-9448
233-9449
233-9450
Fax: (670) 233-9452

CDBG-DR PROGRAM LOAN APPLICATION CHECKLIST

Applicant(s): \_\_\_\_\_ Date: \_\_\_\_\_ Submission Date: \_\_\_\_\_

In order to complete your application for assistance, we need the following items as checked below:

- [] Uniform Residential Loan Application
>[] Eligibility Release Form (each adult member of the household must sign date and initial)
>[] Use of Funds Certification (both Applicant and Co-Applicant must sign)
>[] Duplication of Benefits Affidavit and Subrogation Agreement (both Applicant and Co-Applicant must sign)
>[] Verification of Employment (employee’s employer must complete this form)
>[] Statement of Unemployment (each adult member of the household who is unemployed must complete this form)
>[] Verification of Child Support Payments, if applicable
>[] Social Security -Consent to Release Information (must be completed by each household member)
>[] Check/Pay stubs (4 most current)
>[] 1040 Tax Form for previous two (2) years (20\_\_ and 20\_\_)
>[] Division of Tax & Revenue- Certificate of Compliance (for both Applicant and Co-Applicant)
>[] Loan Payment record(s), if any
>[] Checking Account Statement (6 most recent statements)
>[] Savings Account Statement (most recent statement)
>[] Assets – Retirement 401 (a)/(k), Supplemental Life, etc. (most recent statement with each cash value)
>[] Divorce Decree, Judgment(s), etc., if applicable
>[] Certificate of Title, Deed, or Residential Homestead Permit, etc. with Property Map (if applicable)
>[] FEMA Applicant Information Request form (both Applicant and Co-Applicant must sign)
>[] Photo I.D. -Driver’s License, MOS, Passport (for applicants only) and Birth Certificates (for each member of the household)
>[] Documentation for any Federal assistance such as WIC, MEDICAD, MEDICARE, LIHEAP, NAP, CHILDCARE ASSISTANCE, etc.
>[] Utility Bill (most current)
>[] If a bankruptcy has been filed, a copy of your discharge letter (WE CANNOT PROCEED WITHOUT THE LETTER)
>[] Affidavit

Due to the fact that many families are in the same position you are and the high demand for our services, we ask that you notify us one (1) day prior to your appointment if are unable to attend. If you are unable to submit ALL the necessary photocopied documents to your appointment, your eligibility assistance may be delayed.

Please read carefully:

As head of the household, I declare that members of my household have no ownership, in full or in part, of any assets other than those identified above, the value of which have been disclosed. Please sign below:

APPLICANT/DATE

CO-APPLICANT/DATE

DR LOAN SPECIALIST/DATE



Tinian Field Office
Tel: (670)433-9213
Fax: (670)433-3690

“NMHC is an equal employment and fair housing public agency”

CDBG-DR Office
Tel: (670)233-9447/9448/9449

Rota Field Office
Tel: (670)532-9410
Fax: (670)532-9441