Homeowner Guide

Provided as a Courtesy to NDHFA Mortgage Customers

NORTH DAKOTA
housing
FINANCE AGENCY

ABOUT NORTH DAKOTA HOUSING FINANCE AGENCY

The North Dakota Housing Finance Agency is a self-supporting state agency that provides low-cost mortgages for low- to moderate-income households, finances the creation and rehabilitation of affordable housing, and monitors program compliance on low-income housing projects across North Dakota. The Agency is overseen by the Industrial Commission of North Dakota with input from a citizen Advisory Board.

ABOUT NDHFA MORTGAGE SERVICES

As the holder of your mortgage, NDHFA's servicing department staff is committed to providing you with information about your home loan. Representatives are available to answer questions Monday through Friday from 8 a.m. to 5 p.m. The office is closed during state holidays.

Directory:

Phone:	(701) 328-8080
Toll Free:	(800) 292-8621
Fax:	(701) 328-8090
TTY:	711
E-Mail:	hfaservicing@nd.gov
Website:	www.ndhfa.org

Written Correspondence:

NDHFA Loan Servicing
PO Box 1535
Bismarck, ND 58502-1535

When Contacting the Agency:

When contacting the Agency, be sure to provide your account number, full name and property address. Your questions will be directed to the appropriate staff member, and a response will be made as soon as possible.

DISCLAIMER: This guide should be utilized with the understanding that it may not address in detail every circumstance that may arise nor reflect current Agency policy. Contact NDHFA's Servicing Department whenever clarification is required. (Rev.01/24)

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MORTGAGE LOAN PAYMENTS

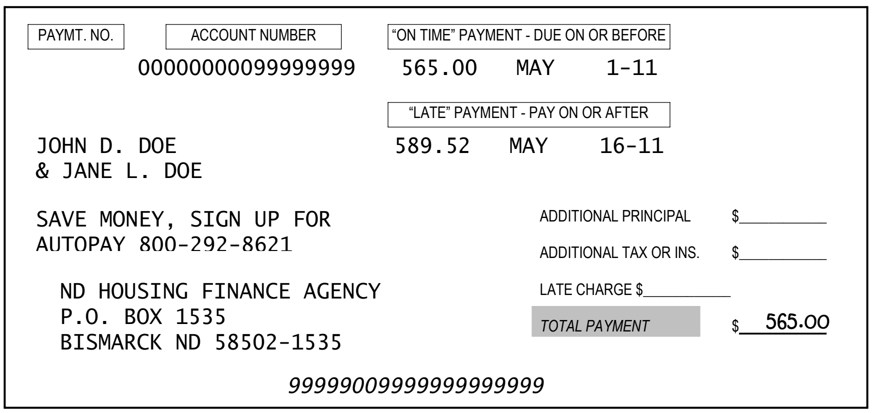
NDHFA offers a variety of methods for making your monthly loan payments. The use of payment coupons is the most common method. The Agency also offers recurring payment plans that can be set up manually or online, and an online one-time payment option.

If you wish to establish a payment method other than use of the payment coupons, please reference the instructions that follow. If you have questions, contact NDHFA's servicing department at (800) 292-8621, (701) 328-8080, (800) 366-6888 (TTY) or hfaservicing@nd.gov.

Payments are due on the first of each month. Payments received in NDHFA's office after the 16th of the month will be assessed a late fee. **Payment due dates cannot be changed.**

Payment Coupons:

Once NDHFA purchases your loan, you will be issued a temporary payment coupon that you should use to make your first payment. Your regular coupon book will arrive within 10 to 14 business days after the Agency receives your loan file from the originating lender.



PAYMT. NO.

ACCOUNT NUMBER

00000000099999999

"ON TIME" PAYMENT - DUE ON OR BEFORE

565.00 MAY 1-11

"LATE" PAYMENT - PAY ON OR AFTER

589.52 MAY 16-11

JOHN D. DOE
& JANE L. DOE

SAVE MONEY, SIGN UP FOR
AUTOPAY 800-292-8621

ADDITIONAL PRINCIPAL $________

ADDITIONAL TAX OR INS. $________

LATE CHARGE $________

TOTAL PAYMENT $ 565.00

ND HOUSING FINANCE AGENCY
P.O. BOX 1535
BISMARCK ND 58502-1535

99999009999999999999

Figure 1 - Coupon Sample (example above)

Return the appropriate monthly coupon with your payment to:

NDHFA Loan Servicing
PO Box 1535
Bismarck, ND 58502-1535

Write your account number on your check, money order or cashier's check to ensure proper handling of your payment.

If you have multiple loans, such as a first and second mortgage, you will receive **two coupon books.** You may **write one check** to cover both payments, but you must **enclose a coupon for each loan.**

Payments may be made on-site at NDHFA's office at 2624 Vermont Ave. in Bismarck, ND. A drop box is provided for your convenience. Payments received on-site after 3:00 p.m. are not processed until the next business day.

You will receive a new payment coupon book each year; there is no need to order a new coupon book. If you lose your coupon book, you can order a replacement by contacting the Agency. Refer to the fee schedule in the back of this book for the replacement cost.

Recurring Payments Set-up Using Authorization Form:

Recurring payments can be set up by filling out the Automatic Payment Authorization form found on our website or in your coupon book.

NDHFA's recurring payment option allows you to direct the Agency to withdraw your mortgage payment from a designated bank account from the 1st to the 15th of each month.

Allow 7 to 10 days to have a recurring payment service set-up. NDHFA will notify you by mail of the date payment will begin being withdrawn from your designated account. **Until you receive this notification, continue to make payments using your coupon book.**

To stop recurring payments that were set up manually, inform the Agency in writing indicating the effective date. Include your mortgage loan account number in your letter. You will receive a coupon book in 10 to 14 business days.

Recurring Payments Set-up Using NDHFA Website:

Recurring payments can also be set up using NDHFA's website. Before you are able to take advantage of any online payment options, you must first establish an online account with the Agency. To do so, go to www.ndhfa.org, click the orange user icon on the right side of NDHFA's homepage, from the new page, click on "Sign Up Now" and provide the enrollment information requested including your mortgage loan account number.

After you complete the enrollment process, a password will be emailed to you. Once you have received the password, you can access your account online and authorize recurring payments.

To stop recurring payments that were set up online, log into your account and cancel your auto recurring payment.

One-Time Payment Using NDHFA Website:

NDHFA offers an online option through our website to make the following one-time payments: on-time payments and/or additional payments to principal or escrow. Please note that a one-time payment occurs once and will have to be initiated each month.

Before you are able to take advantage of any online payment options, you must first establish an online account with the Agency. To do so, go to www.ndhfa.org, click on the orange user icon on the right side of NDHFA's homepage, from the new page, select the "Sign Up Now" link and provide the enrollment information requested including your mortgage loan account number.

After you complete the enrollment process, a password will be emailed to you. Once you have received the password, you can access your account online and begin authorizing one-time payments.

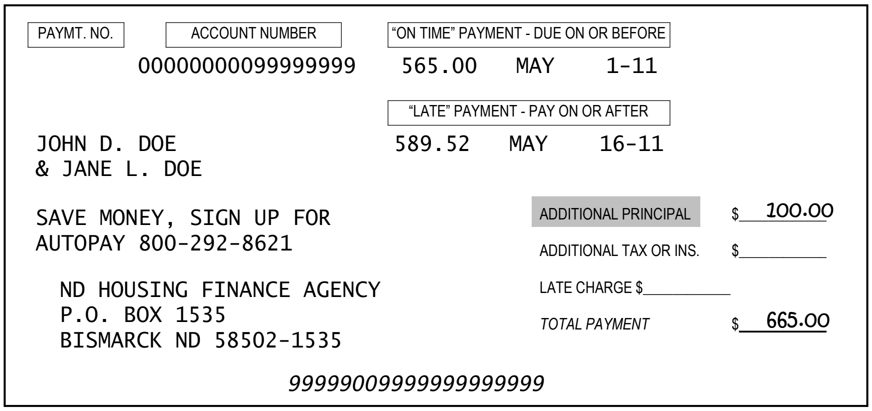
Payments received after the 16th of the month will automatically be assessed a late fee. Principal and escrow account payments can be made at no charge.

EXTRA OR ADDITIONAL PAYMENTS

Made to Principal:

By making additional payments to principal, you can reduce your mortgage balance. If your account is current, NDHFA will allow you to make prepayments of principal without penalty.

When making your regular payment, you can note on your payment coupon **any additional amount** to be applied toward principal.



PAYMT. NO. | ACCOUNT NUMBER | "ON TIME" PAYMENT - DUE ON OR BEFORE

0000000099999999 565.00 MAY 1-11

"LATE" PAYMENT - PAY ON OR AFTER

JOHN D. DOE 589.52 MAY 16-11
& JANE L. DOE

SAVE MONEY, SIGN UP FOR
AUTOPAY 800-292-8621

ADDITIONAL PRINCIPAL $ 100.00
ADDITIONAL TAX OR INS. $______
LATE CHARGE $______
TOTAL PAYMENT $ 665.00

ND HOUSING FINANCE AGENCY
P.O. BOX 1535
BISMARCK ND 58502-1535

99999009999999999999

Figure 2 - Additional Payments to Principal (example above)

You may also send a check without a payment coupon to the address where you send your monthly payment. Be sure to clearly print your loan number on that check and note that the check should be applied toward your principal balance.

You may also use NDHFA's website to make additional payments to principal. See the "One Time Payment Using NDHFA Website" instructions on page 5 of this guide. A one-time payment to principal cannot be scheduled until your payment for the current month has been posted. If you would like to pay off your loan, please contact NDHFA's servicing department at 1-800-292-8621 for the final payoff amount. Note that a certified check will be required to process the payoff.

Made to Escrow:

NDHFA allows additional payments to your escrow account without penalty. The additional payments to your escrow account will be used to pay for taxes, homeowner's insurance, and if applicable, mortgage insurance.

When making your regular payment, you can note on your payment coupon **any additional amount** to be applied toward escrow.

PAYMENT DISCREPANCIES

Late Payments:

Payments received in NDHFA's office after the 16th of the month will be assessed a late fee. Accounts are reported to the credit bureaus as delinquent if payment is not received by 3:00 p.m. on the 30th. If the 30th falls on a weekend, the payment must be received by the last business day of the month prior to the 30th. **Payment due dates CANNOT be changed.**

If you are unable to make your mortgage payment, contact NDHFA's Collections Department immediately. By promptly notifying the Agency, our staff has sufficient time to work with you to help you get through a short-term hardship. **Please do not ignore the situation.** We are here to help.

Insufficient Funds:

If NDHFA receives notification from your bank that you have insufficient funds in your account to process the payment, the Agency will charge a $15 NSF fee and you may incur late charges.

Undesignated Payments:

As of April 1, 2011, if undesignated excess funds are received with your payment, they will be **applied to unpaid late charges and then to escrow.**

Changes in Monthly Payment Amount:

Changes in your monthly mortgage payment amount can be caused by an increase in property taxes, insurance bills and/or a change in your interest rate per loan term. If this happens, NDHFA will notify you in advance with an escrow analysis statement and/or a letter of notification to inform you of a change in your interest rate.

RECORDS

It is very important to notify NDHFA immediately of any changes to your mortgage records. Send the information to the address below, be sure to include the required documentation:

NDHFA Loan Servicing
PO Box 1535
Bismarck, ND 58502-1535

- **Name Change -** If you have had a legal name change, provide NDHFA with a copy of the recorded filed document showing this change.
- **Military Deployment -** If you would like an individual that is not listed on your loan to have access to your mortgage information during your deployment, please contact the Agency and we will provide you with a Release of Mortgage Information form.
- **Death of Borrower -** If a borrower dies, provide NDHFA with a copy of the death certificate and filed documentation indicating executor of estate.
- **Moved and/or New Mailing Address -** Notify us immediately if you have moved or have a new mailing address. A change of address form is located in your coupon book.
- **Telephone Number/E-Mail Address -** Be sure to provide NDHFA with your current contact information including home, work and cell phone numbers, and e-mail addresses. This can be done by calling us at (800) 292-8621, (701) 328-8080 or (800) 366-6888 (TTY). You may also e-mail the information to hfaservicing@nd.gov.

ESCROW ACCOUNT

Your escrow payment is part of your total monthly mortgage payment. It is collected along with the principal and interest portion of your mortgage payment. The Agency uses escrow funds to pay your property taxes, hazard insurance, mortgage insurance, and other escrow-related items. NDHFA is obligated under the terms of your mortgage documents to collect and maintain this account. **The escrow provision CANNOT be waived.**

How does the escrow account work? Each mortgage payment you make includes an amount that is deposited into your escrow account. The amount deposited represents approximately one-twelfth of the annual disbursement for your property taxes, insurance premiums and any other escrow items. As these charges come due, NDHFA will disburse funds from your escrow account directly to the taxing authority of the locality in which you live or to the insurance company.

Analysis:

An escrow analysis is a review of your escrow account to ensure that we are collecting the necessary funds to pay your property taxes, hazard insurance, mortgage insurance, and escrow-related items. Escrow analysis is performed on an annual basis. Each year you will receive an updated Annual Escrow Account Disclosure statement. The statement provides a history of the activity in your escrow account for the past year and a projection of activity for the upcoming 12 months.

It also calculates your new monthly payment and indicates any surplus, shortage and/or deficiency in your account.

Account Cushions:

Your escrow account contains a two-month cushion to ensure that sufficient funds exist in the account to pay increases in your property taxes, hazard insurance and other escrow-related items. A cushion is allowed per the Real Estate Settlement Procedures Act (RESPA), Regulation X, revised on October 26, 1994. The minimum allowable balance in your escrow account is two times the monthly escrow collection, not including the FHA mortgage insurance premium.

Account Surpluses, Shortages and Deficiencies:

If an escrow account has a surplus of less than $50, RESPA allows a servicer to retain this surplus in the account and credit such amount against the next year's escrow payments. RESPA requires that any surplus of $50 or greater be returned automatically to the borrower if the account is current. If your account has a surplus of $50 or more, a refund check will be remitted to you as part of the analysis process.

When your escrow account is analyzed, if you do not have sufficient funds to maintain the cushion, your account will have a shortage. If your account also has a negative balance, this is called a deficiency. The shortage and deficiency will be collected over the next 12 months and your loan payment will increase accordingly.

PROPERTY TAXES

As a homeowner, you are required to pay taxes on your property. The taxes you pay are in proportion to the value of your property. The exact tax amount is determined by multiplying the taxing authority's valuation of the property by a percentage established by that taxing authority. **NDHFA has NO CONTROL over the amount of tax you are charged.**

Exemptions:

If you are eligible and choose to, you may file for a homeowner's tax exemption or any other tax exemption. Contact your tax assessor for assistance, as the Agency cannot apply on your behalf.

If you have a newly constructed home that was eligible for a new tax exemption by your city or county, be aware that at the end of the specified time period your real estate taxes may increase. Your current monthly escrow payment for taxes is based on what was disbursed by the Agency from your escrow account, not on what will be disbursed in the future.

Notify NDHFA of any increases in your taxes prior to escrow analysis so that your escrow payment can be adjusted accordingly.

Tax Bill Inquiries:

Payment:

We pay your regular taxes and any special assessments from your escrow account. If you receive a tax bill from the county, keep it for your records. If you receive a bill for unpaid taxes after taxes are scheduled to have been paid, please contact us immediately.

Discounts:

Per the Real Estate Settlement Procedures Act (RESPA), all tax bills must be paid in installments unless a discount is available for earlier or annual payment. Our policy is to pay according to discounts. You may choose whether to pay your taxes in December or February to take advantage of the discount.

Year-End Statements:

As required by federal law, NDHFA mails 1098 Interest Statements on or before January 31st. These annual statements include your unpaid principal balance and if applicable, PMI or FHA disclosures.

HOMEOWNER'S (HAZARD) INSURANCE

Requirements:

You are required to maintain homeowner's insurance, also known as hazard insurance, on your property at all times. The insurance limits must be at least equal to the higher of the unpaid principal balance of your mortgage or 80 percent of the full replacement cost.

To ensure that your home has adequate insurance, please contact the Agency before purchasing a new policy or changing your deductible.

Notification:

As your loan includes an escrow account for payment of insurance, we must receive a renewal billing before the due date. It is the customer's responsibility to ensure that we are provided with bills and evidence of insurance. Please contact your insurance agent to ensure they send us the required information.

Maximum Deductibles:

Standard policy deductible clause shall be the higher of $2,500 or 1 percent of the policy face amount.

A separate wind and hail deductible is allowed in an amount equal to the greater of $2,500 or 1 percent of the face amount of the policy.

Changing Companies or Coverage:

You may choose to change insurance companies at any time. If you do so, you must ensure that your property is not uninsured for any period. If you change to a different insurance company, notify us immediately. If you do not notify us of the change and we pay the premium due on the policy you wished to cancel, you will be required to pay the premium for the new policy until we receive a refund on the previous policy. If the Agency does not receive proof of adequate insurance coverage, we may apply forced coverage.

If you would like more information on homeowner's insurance, please visit the Consumer section of the ND Insurance Department's website, www.nd.gov/ndins.

INSURANCE CLAIMS

NDHFA has an insurable interest in all properties that are used as collateral for its loans; therefore insurance claim checks are made out to both the borrower and the Agency. NDHFA reserves the right to perform an inspection of mortgaged properties to verify the completion of repairs.

When a mortgaged property is damaged, the borrower should notify his/her insurance agent immediately. The agent will order an inspection of the damage, and the insurance company will issue a loss report and a claim check.

Loss of $2,500 or Less:

To have a claim check for $2,500 or less released, submit a copy of your loss claim report and the claim check to the Agency.

NDHFA Loan Servicing
PO Box 1535
Bismarck, ND 58502-1535

NDHFA will endorse the check and return it to you.

Loss Exceeding $2,500:

Endorse the insurance claim check and submit it and the loss claim report to NDHFA. If there is another loss payee listed on the claim check (ex: a second mortgage holder), that party must endorse the claim check before it is submitted to the Agency. NDHFA will deposit the claim check and release funds to the borrower as follows:

- If a borrower is doing the work or needs to buy materials for a contractor, NDHFA will release the greater of $2,500 or one-third of the total to the borrower to pay for start-up costs. For subsequent release of funds, provide proof of costs incurred to date and the Agency will reimburse the costs.
- If a contractor makes the repairs, NDHFA will issue a check made payable to the borrower and the contractor for the full amount of the contract. The borrower should endorse NDHFA's check and submit it to the other party as payment for the service provided.

If funds remain after completion of the required repairs and the loan account is current, the money will be released to the borrower. The borrower is welcome to apply the funds to the loan's principal balance or escrow account.

If Loan Payments ARE NOT Current:

Regardless of the size of a claim check, NDHFA requires that all loan payments be current before any insurance funds are released directly to a borrower. If an account is not current, the borrower must **endorse the claim check** and submit it with the loss report to NDHFA. The Agency will issue a check made payable to both the borrower and a contractor or place of business where supplies can be purchased. The borrower should endorse NDHFA's check and submit it as payment for the repair work or goods.

If funds remain after completion of the required repairs, an NDHFA staff member will contact the borrower to discuss the options for applying the remaining funds.

Processing of Items Brought to the NDHFA Office:

If a claim check, loss report or other items related to your insurance claim are hand carried to the NDHFA office, the borrower may be asked to leave the papers at the Agency. NDHFA staff will process these items according to the policies outlined above.

If the borrower is to receive a check and prefers to pick it up rather than having it mailed, make that notation when leaving these items at the Agency and provide a daytime phone number so that NDHFA staff can notify you that the check is ready.

Large Scale Disasters:

When NDHFA is handling loss claims from large-scale disasters, **allow at least 48 hours to have any insurance information processed**. To discuss a claim with a member of NDHFA's staff, it may be necessary to make an appointment. When leaving a message **include your name, property address and phone number**. A staff member will return the call within three business days.

CONDOMINIUM INSURANCE

Condo or co-op insurance safeguards your personal belongings and the parts of the building you own against most known disasters (ex: fire, lightning strikes, etc.). Unlike covering a house, condominium ownership requires two separate insurance policies: one of your own (personal) and one provided by the condo/co-op board (master).

Personal Condo Insurance Policies can cover:

- Third party injury liability.
- Property damage possibly caused by you.
- Loss of personal possessions.
- Loss of structural improvements.

- Additional living expenses incurred due to a displacement (detailed in your policy) from your condo that forces you to move out temporarily.

Master Policies can cover:

- Liability.
- Physical damage coverage for areas of the building that you share with neighbors, such as elevators, hallways and the laundry room. Be sure that you take the time to understand which structural parts of your home are covered by the condo/co-op association and which are not.

Other Insurance Available can cover:

- **Flood or Earthquake** - If you've chosen a location prone to these natural forces you'll probably be required to purchase these insurances separately. Flood insurance is available through FEMA's National Flood Insurance program.
- **Unit Assessment -** Reimburses your share of an assessment charged to unit owners for losses involving common areas of the building.
- **Water Backup** - Insures against damage caused by the backup of sewers or drains.
- **Floater or Endorsement** - If you have personal items of significant value (ex: expensive jewelry, antiques, etc.), you might consider adding this coverage because standard policies generally offer an insufficient theft limit.
- **Umbrella Policy** - A cost effective way to get broader liability coverage and higher compensation limits.

MORTGAGE INSURANCE

Mortgage insurance offsets lender losses in the case where a borrower is not able to repay a loan and the lender cannot recover its costs after the foreclosure and sale of the property. The type of mortgage insurance coverage you have (Private Mortgage Insurance or FHA Mortgage Insurance) is determined at loan origination according to your circumstance.

Private Mortgage Insurance (PMI):

The lender usually requires the borrower to purchase private mortgage insurance (PMI) if the amount of the down payment is less than 20 percent of the purchase price.

Federal law gives you the right to request, under certain circumstances, cancellation of PMI or requires that PMI automatically terminate. If the mortgage loan you received from the Agency required PMI, the information below describes the three circumstances in which it would be cancelled.

PMI Cancellation Policy:

1) Automatic Termination Based on Original Property Value

One Unit Dwelling:

If you are current on your loan payments, PMI will automatically terminate on the date the principal balance of your loan is first scheduled to reach 78 percent of the original value (the lesser of the sales price of the secured property, as reflected in the purchase contract, or the appraised value at the time of loan consummation) of a one-unit property based solely on the initial amortization schedule. If your loan payments are not current as of the termination date, PMI will automatically terminate as soon thereafter as your loan becomes current.

Two to Four Unit Dwelling:

- Same requirements as above except the loan-to-value ratio must be 70 percent or less.

2) Borrower Requested Based on Original Property Value

You can request that your PMI be cancelled on or after either of the following dates: the date the principal balance of a loan is first scheduled to reach 80 percent of the original value (the lesser of the sales price of the secured property, as reflected in the purchase contract, or the appraised value at the time of loan consummation) of the property or the date the principal balance actually reaches 80 percent of the original value of the property. The specific conditions for canceling PMI under these circumstances are:

One Unit Dwelling:

- Combined loan-to-value ratio (CLTV) of NDHFA loans must equal 80 percent or less.
- You must make a written request to cancel the PMI.
- You must have a good payment history and a minimum of 24 month's worth of premium paid.
- We will order an appraisal, Certificate of Value or Broker's Price Opinion showing value has not declined. An appraisal is based on an inspection of the interior and exterior of the property, and prepared in accordance with standards for new mortgage originations. You must pay for the cost of the service used. You are entitled to a copy of the results.

Two to Four Unit Dwelling:

- Same requirements as above, except CLTV ratio must equal 70 percent or less.

3) Borrower Initiated using Current Value

You can request that your PMI be cancelled based on the current value of your property. This method requires an NDHFA approved appraisal be conducted on your property at your expense. The age of your loan also has an effect on when your PMI can be cancelled and on the required loan-to-value ratio. Review the information below for the specific conditions you must meet to have PMI cancelled using current value.

One Unit Dwelling:

- CLTV of NDHFA loans must equal 75 percent or less if loan is two to five years old, or equal 80 percent or less if loan is greater than five years old.
- You must make a written request to cancel the PMI.
- You must have a good payment history and a minimum of 24 month's worth of premium paid.
- We will order an appraisal, based on an inspection of the interior and exterior of the property, and prepared in accordance with standards for new mortgage originations. You must pay for the cost of the appraisal and are entitled to a copy of the results.
- On loans less than two years old with a good payment history, we may consider waiving the PMI if significant improvements have been made that are clearly identified by comparing the original and new appraisals.

Two to Four Unit Dwelling:

- Same requirements as above, except CLTV ratio must equal 70 percent or less.

For More Information or to Request PMI Cancellation:

Contact us for specific information on your loan and the process to request a cancellation of your PMI. Cancellation or termination of PMI does not affect any obligation you may have to maintain other types of insurance, such as property insurance.

FHA Mortgage Insurance:

- A monthly mortgage insurance premium may be required for the life of the mortgage, if the loan closed prior to January 1, 2001.
- If an upfront mortgage insurance premium was paid on a FHA-insured loan closed after January 1, 2001, a monthly mortgage insurance premium will be charged until the loan-to-value of your mortgage reaches 78 percent of the initial sales price or original appraised value of the home, whichever was lower (provided that premiums are paid for at least 5 years).
- The 78 percent loan-to-value threshold can be reached in one of two ways: through normal

amortization as monthly payments are made or by paying additional principal on the mortgage.

- Once the threshold is met, a written request must be submitted to cancel mortgage insurance.
- Regardless of a closing date, if an upfront premium was not charged, you may pay the monthly mortgage insurance premium for the life of the mortgage.
- Mortgages with FHA case numbers assigned on or after June 3, 2013, will pay mortgage insurance premiums for the life of the loan.

USDA Rural Development Loans

If you have a USDA Rural Development loan with a conditional commitment dated on or after October 1, 2011, it is subject to an annual fee. This fee is based on your original loan amount and is payable for the life of the loan. NDHFA will establish an escrow account to collect the annual fee on a monthly basis. You cannot cancel this fee and making extra payments to principal will not lower the fee. More information on the annual fee and how it is calculated can be found on USDA Rural Development's website https://usdalinc.sc.egov.usda.gov/docs/rd/sfh/annualfee/Guaranteed_Annual_Fee_FAQ.pdf.

RECAPTURE TAX

The Federal Recapture Tax applies to households that purchase a home using mortgage revenue bond financed programs like the NDHFA's FirstHome™ program.

Loans Closed on or after October 1, 2006:

For borrowers with loans closed on or after October 1, 2006, NDHFA will reimburse the household for the actual amount of any recapture tax paid to the Internal Revenue Service (IRS).

For more information on recapture tax reimbursement, contact NDHFA's Servicing Department. To apply for reimbursement, complete a Recapture Tax Reimbursement form.

Loans Closed Before October 1, 2006:

NDHFA borrowers who purchased a home prior to October 1, 2006, are solely responsible for repayment of any recapture tax owed when their home is sold. They are not eligible for the reimbursement program.

How Does Recapture Tax Work:

The maximum amount of recapture increases during the first five years you own your home and decreases the next four years. During these nine years, several factors determine the actual amount of recapture, if any, that may apply to you. In fact, you will owe no recapture if you meet any of the following conditions:

- If your household income, at the time you sell your home, does not exceed the federal income limits there is no recapture. (The limits, provided to you at loan closing, increase five percent per year.)
- If you sell your home after nine years there is no recapture.
- If you sell your home within the first nine years, but do not have a capital gain, there is no recapture.

Calculating Recapture Tax:

If you determine that you owe a recapture tax, the amount you owe is based on when you sell your home and how much of a gain you realize on the sale. The amount you owe varies according to the number of years after the date you purchased the home that you are selling it. The amount is calculated as a percentage of your original loan amount. The percentages, which increase in years 1-5 and decrease in years 6-9, are:

Years after Purchase of Home	Percentage
First	1.25
Second	2.50
Third	3.75
Fourth	5.00
Fifth	6.25
Sixth	5.00
Seventh	3.75
Eighth	2.50
Ninth	1.25

Examples of Calculations

The examples below show the maximum recapture amount for certain years. The examples assume a $100,000 original loan amount, the home was sold for $110,000, household income for the year the home was sold exceeded the federal limit, and a capital gain was realized.

Home sold in year two, recapture is $2,500 = $100,000 X .0250

Home sold in year five, recapture is $6,250* = $100,000 X .0625

Home sold in year nine, recapture is $1,250 = $100,000 X .0125

*If the home is sold in year five, the recapture would be reduced so as not to exceed 50 percent of the capital gain realized. Recapture will never exceed the lesser of 6.25 percent of the original mortgage amount or 50 percent of the gain on the sale of your home.

The IRS tracks recapture through Social Security numbers as reported on 1099 forms issued by title companies in the sale year. If you are required to pay a recapture amount, file IRS Form 8828 with your federal tax return for the year in which you sold your home.

Questions Regarding Recapture:

If you have questions regarding the recapture tax, we urge you to consult either an attorney, a tax advisor, or the Taxpayer Assistance Department of the Internal Revenue Service, www.irs.gov.

HOUSEHOLD BUDGETING

If you don't already have a budget, it's time to start one. This is the best way to ensure that you are always in a position to pay essential bills. Here are some budget basics:

Know what bills are due and when. Compare the timing of your set expenses (such as your mortgage, utilities, car payments, etc.) with your pay schedule. If you get paid weekly, you need a different strategy than if you get paid monthly. In either case, a checking account will provide not only an easy way to pay your bills, but also a way to help you keep track of what you spend.

Ask electric and gas companies if you can get on their "budget" or "balanced billing" plan. Based on the history of gas and/or electric use in your home, the utility company arrives at an estimated annual cost then divides it by 12 months. Customers are then billed for the estimated cost. The utility company will continue to track actual usage, and may adjust your monthly payment up or down based on the actual use. This type of program can help tremendously with budgeting since you know in advance approximately how much your utility bill will be.

Know how you spend your money. Get in the habit of saving receipts. Jot down what they're for if they're not itemized. This is an easy way of keeping track of your cash expenditures. Then categorize all of your expenditures for an entire month. If money is tight, look for ways you can economize. You will have to do your own analysis, but most of us have items that we spend more for than we really need to.

Plan for large, periodic expenses such as life or car insurance. Make a "budget calendar" showing the approximate amount of these expenses and when they come due.

Budget for regular maintenance and unexpected repairs. Some experts suggest budgeting one percent of the purchase price of the house for annual maintenance and repairs.

Adhere to a regular savings plan. Many financial advisors suggest saving five percent of your take-home pay. You have to make this a top priority for it to work; you can't just save whatever you have left at the end of the pay period. That's a sure way to end up with no savings at all.

Always keep an emergency fund on hand. You need to have a "nest egg" so you can replace the water heater when it suddenly springs a leak. If you don't already have such a fund, start one. It's only a question of time before you'll need it.

Plan ahead for major purchases rather than making impulsive decisions. Whenever you purchase anything on credit, look carefully at the financing terms, including the APR. Often the retailers that offer the easiest terms (no payments due for three months) actually charge the highest interest rates. Shop around. Try to save for the things you need rather than charging them. You'll pay less, and you may decide that you'd rather use the money for something else.

MAINTAINING YOUR PROPERTY

Perform regular inspections and maintenance. Routine upkeep of your home can identify and correct small problems, reducing the chance of developing bigger issues later. Don't make the costly mistake of thinking, "Out of sight, out of mind." As a new homeowner, you should perform the following inspections annually (or more frequently, if needed).

Basement or crawl space: These areas can produce moisture problems. Look for signs of stained walls or a white powder on the lower section. This could indicate moisture penetration.

Doors and windows: Check doors and windows from both inside and outside. Make sure the weather stripping is present and in good condition to prevent moisture build-up. Also, check your locks to ensure that they are working properly.

Floors: Flooring takes a lot of wear and tear. Proper cleaning and placing area rugs inside every entrance will catch water and debris, keeping your floors in better condition.

Foundation: The most common foundation problem is water penetration. Improper grading is usually the cause of this problem. This condition should be corrected to prevent damage to the foundation. It is also important to check for cracks, which mean the house is settling and could allow water to penetrate.

Heating equipment: Inspect filters regularly, and change them if they are dirty. This will allow your heating unit to run properly and help reduce your heating bill.

Plumbing fixtures: To prevent a small problem from becoming a major one, check under sinks and around toilets for signs of leaking or damage from condensation.

Roof: Signs of problems with your roof could include curling, torn or missing shingles. It is best to get a professional inspection to determine the actual condition of your roof.

Siding: Metal and vinyl siding should be checked for sagging or buckling, which could be signs of water damage from leaky roofs or too much humidity in the home. Caulking around the windows and doors should be checked on each side of the house for areas where it might be peeling or cracking.

OCCUPANCY OF YOUR HOME

When you purchased your home using NDHFA's First Home™ Program you signed an Affidavit of Buyer. By signing the affidavit, you certified that you would occupy the home as your principal residence and that it would not be rented or leased to anyone. The Agency does not allow contract for deed agreements.

FORECLOSURE PREVENTION

NDHFA is committed to helping our homeowners who are experiencing financial difficulties remain in their home. When you first realize you are having financial difficulties or a hardship beyond your control that prevents you from making your payments, you should contact NDHFA immediately. The following is important information to consider.

If you are encountering financial difficulties beyond your control, such as lay-off, reduction in income, death/illness in the family or divorce that make it difficult to pay your mortgage, you should consider seeking financial counseling. U.S. Department of Housing and Urban Development (HUD) approved housing counseling agencies are valuable resources and they frequently have information on services and programs offered by government agencies as well as private and community organizations. The housing counseling agency also may offer credit counseling.

What happens when I miss my mortgage payments?

Foreclosure may occur. This is the legal means that NDHFA can use to repossess (take over) your home.

What should I do?

Do not ignore communications from NDHFA. If you are having problems making your payments, call or write the Agency's Loss Mitigation Department without delay. Explain your situation. Be prepared to provide us with financial information such as your monthly income and expenses. Without this information, we may not be able to help.

Stay in your home for now. You may not qualify for assistance if you abandon your property.

Contact a HUD-approved housing counseling agency.

What are my alternatives?

NDHFA will determine if you qualify for any of the following alternatives. A housing counseling agency can also help you determine which, if any, of these options may meet your needs and also assist you in interacting with NDHFA. A list of these counseling agencies is provided in this booklet.

You may qualify for these alternatives if you have recently experienced a reduction in income or an increase in living expenses. You must furnish information to NDHFA to show that you would be able to meet the requirements of the new payment plan. NDHFA will need to see two months of pay stubs, a copy of all monthly bills, a completed Request for Financial Information form, and your letter of explanation.

The following are alternatives for you to consider:

- **Financial Counseling/Credit Counseling** - contact a housing counseling agency, from the list that follows.
- **Special Forbearance** - NDHFA may be able to arrange a repayment plan based on your financial situation and may even provide for a temporary reduction or suspension of your payments.
- **Partial Claim -** NDHFA may be able to work with you to obtain a one-time payment from the Federal Housing Administration (FHA) insurance fund to bring your mortgage current.
- **Pre-Foreclosure Sale -** This will allow you to avoid foreclosure by selling your property for an amount less than the amount necessary to pay off your mortgage loan.
- **Deed-in-Lieu of Foreclosure -** As a last resort, you may be able to voluntarily "give back" your property to NDHFA. This won't save your house, but is not as damaging to your credit rating as a foreclosure.

HOUSING COUNSELING AGENCIES

HUD approved Housing Counseling Agencies listed below provide assistance to renters, homebuyers and homeowners in North Dakota. They are not HUD offices. Decisions about your mortgage can only be made by the HUD office. These agencies may not offer all types of counseling. This list is subject to change.

Community Action Partnership
2020 8th Ave SE
Minot, ND 58701
Phone: 701-839-7221 or Toll Free: 800-726-8645

GLOSSARY

Abstract of Title: A document that traces the legal history of a property, including transfers of title as well as all recorded liens and encumbrances and their current status.

Adjustable Rate Mortgage: A loan that adjusts on a regular schedule based on a national economic index and the lender's margin. Also called "variable rate mortgage."

Amortization: The process of paying off a loan with regular payments over a fixed time period.

Amortization Schedule: Timetables for payment of a mortgage showing the amounts of each payment that are applied to interest and principal, as well as the remaining balance.

Annual Percentage Rate (APR): The cost of borrowing money expressed as a yearly rate, which includes the interest, points and other fees charged by the lender.

Appraisal: A professional opinion of the market value of a property.

Assessed Value: The value placed on a house by a public tax assessor for the purpose of determining property taxes.

Broker Price Opinions (BPO): Completed by Licensed Agents, Brokers, and/or Appraisers to estimate the value of Real Property or Real Estate.

Clear Title: A title which is free of liens, defects, and other encumbrances.

Closing: The occasion where a real estate transaction is finalized. The seller delivers title to the buyer in exchange for payment of the purchase price.

Collection: The first step a creditor will take to collect an unpaid debt.

Condominium: A form of property ownership in which the homeowner holds title to an individual dwelling unit plus an interest in common areas of a multi-unit project.

Credit Report: A report that outlines a borrower's credit history and current credit status. There is a fee for this report when pulled by a lender. There are free credit reports online.

Deed: A legal document which conveys title to, or an interest in, a property.

Deductible: The dollar amount that the homeowner must pay for a loss before the homeowner's insurance company will provide payment for the remainder of the claim.

Default: A failure to make mortgage payments when due or to comply with other conditions of a mortgage.

Delinquency: A loan in which a payment is past due, but not yet in default.

Equity: The difference between the market value of a property and the amount still owed for the mortgage and other liens on the property. When the mortgage and other liens are fully paid off, the owner has 100% equity, or ownership, in the property.

Escrow Account: Funds held by your mortgage lender, or the lender's servicing agent, to provide for payment of property taxes and homeowner's insurance premiums when they are due. Earnest money provided by a homebuyer is also held in an escrow account until a sale is finalized or canceled.

Escrow Analysis: Once each year, your lender will perform an escrow analysis to make sure the company is collecting the correct amount of money for the anticipated expenditures.

Escrow Payment: The part of a borrower's monthly payment that does not pay principal or interest on the loan, but instead goes into the escrow account to build up funds for payment of the property taxes and property insurance premiums.

Foreclosure: The legal process that allows a lender to take possession of and sell a property because the borrower did not meet the terms of the loan.

Hazard Insurance: Insurance to protect the homeowner against physical damage to a property from fire, wind, vandalism and other hazards.

Homeowner's Insurance: See hazard insurance.

Housing and Urban Development (HUD): The department of the federal government which administers housing programs, including the Federal Housing Administration (FHA). Homes which have an FHA mortgage that go into foreclosure are advertised and sold by HUD.

Interest: A charge by the lender for the use of the lender's money. The cost of borrowing money.

Late charge: The penalty a borrower must pay when a payment is made after the due date.

Lien: A claim of money against a property, wherein the value of the property is used as security in repayment of a debt. A lien is a defect on the title and needs to be settled before transfer of ownership. A lien release, or satisfaction, is a written report of the settlement of a lien and is recorded in the public record as evidence of payment.

Loan: An agreement whereby one person or entity allows another person or entity to use its money, often for a fee called interest.

Mortgage Insurance Premium (MIP): The payments made by the borrower to the lender for FHA default insurance. The default insurance protects the lender from losses it might suffer if it must foreclose on the mortgage.

Mortgagee: The lender in a mortgage agreement.

Mortgagor: The borrower(s) in a mortgage agreement. As collateral for the loan, the borrowers give to the lender a right to claim the property if the borrowers default.

Partial Payment: A payment that is not sufficient to cover the scheduled monthly payment on a mortgage loan. It is very important to send your payment in full to avoid delinquency.

Predatory Lending: Abusive lending practices that include making a mortgage loan to an individual who does not have the income to repay; financing the highest possible loan amount without regard to the payment ability of the borrower; hiding or not explaining fees, costs or rates being charged; imposing excessive fees or packing extras into the loan such as credit life or disability insurance; falsifying information on the loan application; inflating real estate appraisals to get the loan approved; and lending in connection with home improvement scams.

Principal: The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the remaining balance of a mortgage.

Private Mortgage Insurance (PMI): Insurance that protects the lender in the event of default or foreclosure.

Title: A legal document that establishes the right of ownership.

FREQUENTLY ASKED QUESTIONS

When is my payment due and when is it considered late?

Payments are due on the first day of each month. Allowing for a 15-day grace period for mailing, the late fee is charged if we receive payment after 5:00 p.m. on the 16th of the month. Accounts are reported to the credit bureaus as delinquent if payment is not received by 3:00 p.m. on the 30th or the last business day of the month.

If I have a fixed interest rate, why does my monthly payment change each year?

Although the principal and interest portion of your payment is fixed, taxes and insurance are also paid with funds accumulated from the payment. Those premiums change each year and the changes are reflected in a payment adjustment through escrow analysis.

How do I find out how much equity I have in my home?

Your equity is the difference between what is owed on the home and what the home is worth. You can obtain current market values from your county tax office, a real estate agent, an appraiser or a comparable property sale in your area.

I've been married/divorced recently. How do I change the name on my loan for mailing purposes?

Sending us a copy of the document supporting a name change (marriage certificate, divorce decree, Quit Claim Deed) will allow us to change how your name appears on your account. This does not change the legal ownership of your property.

I've been married/divorced recently and need to add/remove a spouse from the loan. How do I do that?

We cannot add a spouse to a loan, but you can share interest on the property with a spouse by executing a deed. Contact an attorney for legal advice on property transfers.

In a divorce situation, removing an ex-spouse from having interest and liability on a mortgage can only be done through refinancing your loan, or a release of liability (depending on loan type). Contact NDHFA for more information.

What's the difference between the principal balance and the payoff on my loan?

The principal balance is the amount remaining on the original loan. The payoff amount includes the principal balance, daily interest since the last payment, less funds in escrow. In most cases when completing a loan application or credit information, the principal balance will work. If your loan is actually paying off, the title company handling the closing will contact us for a payoff statement.

What do I need to know about my insurance?

It is very important to understand the different types of insurance and the policies you may have. Please note that Private Mortgage Insurance is not the same as credit life insurance, and does not offer the same type of coverage in the event of a death. If you would like more information on other types of insurance, please contact an insurance agent, or you can view the consumer section of the North Dakota Insurance Department website at www.nd.gov/ndins.

What happens to my escrow account at payoff?

The refund of your escrow account is calculated in your payoff statement.

Can I pay my own taxes and insurances?

No, your escrow account is mandatory.

FEE SCHEDULE

Online payments, recurring or one-time.	Free
Extra payments to principal or escrow.	Free
Processing or reprocessing a mortgagor’s NSF check.	$15.00
Providing a copy of the Mortgage or Deed of Trust, if the copy is a duplicate of what has already been provided to the mortgagor.	$5.00
Providing replacement coupon book.	$5.00
Providing a copy of the Mortgage Note, if the copy is a duplicate of what has already been provided to the mortgagor.	$5.00
Providing a copy of the settlement statement, gift letters and other documents, other than those provided at closing.	$5.00
Providing a new amortization schedule, other than the schedule provided at closing.	$5.00
Providing a payment history to the mortgagor, other than the current year and one prior year.	$5.00
Providing duplicate year-end statements.	$5.00
Providing payoff statement by facsimile or email, upon request of mortgagor.	$5.00