

SECTION 5006 – NON-CONFORMING PROGRAMS (I AND II)

.01 NON-CONFORMING I

The Non-Conforming I program provides conventional financing on certain properties for which financing is not available through other private, state or federal mortgage programs. (Guidelines for the Non-Conforming II program begin at [5006.08.](#))

.02 ELIGIBLE BORROWERS

Alaska residents

.03 ELIGIBLE PROPERTIES

Owner occupied, single-family residences (including Type I manufactured housing) and duplexes.

Condominiums and Type II manufactured homes are not eligible for financing under this program.

.04 LOAN TERMS

A. Maximum Loan Amount

Single-Family	\$688,050
Duplex	\$800,775

B. Down Payment Requirement

Minimum 10%

C. Maximum Term

15-year or 30-year

D. Interest Rate

The interest rate is set daily and is available at http://www.ahfc.us/loans/interest_rates.cfm.

.05 CRITERIA

All loans submitted under the Non-Conforming I program are reviewed by AHFC to determine if they can be financed under any other AHFC program. If a lower loan-to-value ratio or reasonable repairs would make the property eligible for other financing, AHFC may make such a requirement.

Housing under this program must be structurally sound and pose no health or safety hazards to the occupants.

A. Features of housing under the Non-Conforming I program include, but are not limited to, the following:

1. An unconventional foundation system; AHFC will require an engineer's report that certifies the dwelling is structurally sound and the remaining economic life will meet or exceed the term of the loan.
2. Existing structures with living area ceilings lower than 7'6".
3. Unconventional utilities (e.g., outhouses, sewage haul systems) or off-grid electrical power (e.g., generators, solar panels, wind, etc.).

Under Non-Conforming I, DEC approval or an engineer's report is required on all water and wastewater disposal systems, as well as water quality testing, as applicable.

4. Total dependence on alternative heating (e.g., space heaters or wood stoves) if a back-up heating system cannot be installed.

B. Features of housing under Non-Conforming I do not include the following examples:

1. Properties with limited marketability.
2. Properties suffering from deferred maintenance.
3. Non-compliance with zoning.
4. Recreational properties.
5. Properties with excessive land value.

C. New Construction

Newly constructed non-conforming housing is permitted only in those cases where the construction of "conforming" housing is not possible and on property with agricultural rights as addressed in [Section 2001.05](#).

All newly constructed non-conforming housing must have public utilities and/or a private water and/or wastewater systems, properly engineered and installed. In addition, new construction is subject to contractor licensing and all property inspections, including compliance with BEES. (See [Sections 2001.06](#) and [2001.07](#).)

.06 UNDERWRITING

Standard underwriting and documentation procedures using the Taxable Program guidelines apply. In addition, the following is required:

A. Existing Properties

The Lender must state in the submission file what the non-conforming feature is and why it is not possible to repair the dwelling to “conforming” housing standards.

For certain properties built after June 30, 1992, that may not have evidence of compliance with construction inspections and/or properties built after December 31, 1991, that may not have evidence of compliance with thermal standards, the following is required:

- The home must be at least 5 years old.
- A home inspection report conducted by a licensed home inspector or evidence that a Certificate of Occupancy was issued or a valid [PUR-102](#) was previously recorded.
- A new or existing energy rating equal to at least 3 stars, or evidence that a valid [PUR-101](#) was previously recorded.
- Form [PUR-103](#).

Note: Once a valid [PUR-103](#) is recorded on a subject property, it will serve as evidence that certain inspection criteria is met for subsequent or future transactions for financing the subject property under the Non-Conforming I program.

B. New Construction

The Lender must state in the submission file what the non-conforming feature is and provide documentation addressing why it is not possible to construct or repair the dwelling to “conforming” housing standards.

Please note that property inspections and contractor licensing requirements apply to new construction. (See Sections [2001.06](#) and [2001.07](#).)

.07 PROGRAM DOCUMENTATION

In addition to the standard documentation outlined in [Section 8000](#) and [8001](#), the following documentation is required:

- For agricultural land, the appraiser's breakdown of value of the land and site improvements (water and/or wastewater system, driveway, etc.) if not specifically detailed in the appraisal report.
- For existing properties that did not meet required inspection, a [PUR-103](#) is required. (See [5006.06.A](#) above.)

.08 NON-CONFORMING II PROGRAM

The Non-Conforming II program provides financing for certain properties built after June 30, 1992, that may not have evidence of compliance with construction inspections and/or properties built after December 31, 1991, that may not have evidence of compliance with thermal standards.

Please note that property which exhibits any features of Non-Conforming I housing is not eligible for financing under the Non-Conforming II program.

.09 ELIGIBLE BORROWERS

Alaska residents

.10 ELIGIBLE PROPERTIES

Existing owner occupied single-family residences, condominium units and units within a Common Interest Community, duplexes, triplexes, fourplexes and Type I manufactured homes.

The property must be at least five years old at the time of submission for commitment.

.11 LOAN TERMS

A. Maximum Loan Amount

Financing	Single-Family	Duplex	Triplex	Fourplex
Conventional	\$688,050	\$800,775	\$967,950	\$1,202,925
VA	\$688,050	\$800,775	\$967,950	\$1,202,925
FHA/HUD/RD	As determined by FHA/HUD/RD			

B. Down Payment Requirements

Refer to [Section 1003.01](#) for down payment requirements on purchase renovation loans.

Financing	Single-Family	Duplex	Triplex	Fourplex
Conventional	5%	10%	20%	20%
VA	Up to 100% of the purchase price - (Guaranty and down payment, if required, must equal 25%) See Section 6001.03			
FHA/HUD/RD	Follow FHA/HUD/RD criteria			

C. Term

15-year or 30-year

D. Interest Rates

The interest rate is set daily and is available at http://www.ahfc.us/loans/interest_rates.cfm.

.12 UNDERWRITING

Standard underwriting and documentation procedures using the Taxable Program guidelines will apply.

.13 PROGRAM DOCUMENTATION

In addition to the standard documentation outlined in [Section 8000](#) and [8001](#), the following documentation is required:

- A home inspection report conducted by a licensed home inspector or evidence that a Certificate of Occupancy was previously issued or a valid [PUR-102](#) was previously recorded.
- A new or existing energy-rating equal to at least 3 stars, or evidence that a valid [PUR-101](#) was previously recorded.
- [Form PUR-103](#).

Note: Once a valid [PUR-103](#) is recorded on a subject property, it will serve as evidence that certain inspection criteria is met for subsequent or future transactions for financing the subject property under the Non-Conforming II program.