

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

NEXT STEP FHA PROGRAM GUIDE



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NEXT STEP FHA PROGRAM
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INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT STEP FHA PROGRAM
PREAMBLE

The Next Step FHA Program (the “Program”) is a program that allows a mortgagor to refinance an existing mortgage loan or loans with IHCDA. A Mortgagor who qualifies for the Next Step FHA Program can refinance the Mortgagor’s existing first and second mortgage with IHCDA. A Mortgagor may not participate in the Program more than once. The Mortgagor’s current first and second mortgages (if such second mortgage secures a down payment assistance loan from IHCDA (the “Prior Second Mortgage Loan”)) will be paid or otherwise satisfied in full. Subsequently, IHCDA will make a new mortgage loan or a new first and second mortgage loan, as applicable, evidenced by a new mortgage or a new first mortgage and a new second mortgage, as applicable. The new mortgage loan or mortgage loans will be made in an amount equal to the current outstanding amount secured by the prior mortgage loan or mortgage loans, as applicable. The new second mortgage loan, if any, will be a non-forgivable second lien, irrespective of the forgivable nature of the Prior Second Mortgage Loan.

The Mortgagor has the option to refinance its first lien and second lien by paying off the original first and second mortgages and delivering either (i) a new mortgage in an amount equal to the current outstanding amount of the original first and second mortgage or (ii) a new mortgage evidencing a new first lien and a new mortgage evidencing a new second lien. In either event, the new mortgage loan or mortgage loans shall not exceed the current outstanding amount of the existing mortgage or mortgages to be refinanced hereunder.

The new mortgage loan or first lien mortgage loan and second lien mortgage loan, as applicable, offered by IHCDA will be non-forgivable and evidenced by a Mortgage or a First Mortgage and Second Mortgage, as applicable. There are no monthly mortgage or interest payments associated with the Second Mortgage loan. Therefore, upon termination of the First Mortgage, the full amount of IHCDA’s second lien must be repaid in full.

The loans associated with the Program must meet the requirements set forth in this Program Guide along with the requirements of the Master Servicer and the United States Department of Housing and Urban Development including Ginnie Mae. This program may not be combined or coupled with any other IHCDA program.

Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed under the heading “Definitions”.

Additional information about the Program, including the eligibility requirements and application requirements, are contained in this Program Guide.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY NEXT STEP FHA PROGRAM DEFINITIONS

“AMI” is the Area Median Income and the program being utilized by the Mortgagors determines which AMI to review for compliance.

“Commitment Expiration Date” means the date on which IHCDA’s commitment under the Program expires.

“Co-Mortgagor” means any additional individual, in addition to the primary Mortgagor, meeting the qualifications of the Program, who is individually and jointly responsible for any primary and secondary liability associated with the Subject Property and who otherwise shares an ownership interest in the Subject Property.

“Co-Signer” means any individual who is individually and jointly responsible for any primary and secondary liability associated with the Subject Property who does not otherwise share any ownership in the Subject Property nor reside in the Subject Property as its primary residence.

“Date of Closing” is the closing date listed on the Closing Disclosure signed by the borrower(s) at closing.

“DTI” is the debt-to-income ratio of the Mortgagor or debt/income.

“Eligible Veteran” means a person that has served in the active military, naval or air service or the Indiana national guard that didn’t receive a dishonorable discharge or a person that is otherwise eligible for health benefits provided by the United States Department of Veteran Affairs as verified by form DD214.

“FHA Financing” means financing provided through the Federal Housing Administration of the United States Department of Housing and Urban Development (“FHA”) home loan program.

“First Mortgage” means the interest in the Subject Property creating a first lien thereon and providing security for the mortgage loan.

“GSE” means Government Sponsored Enterprise, there are three separate and distinct GSE’s, which are “Ginnie Mae”, “Fannie Mae” and “Freddie Mac”.

“IHCDA” means Indiana Housing and Community Development Authority.

“IHCDA Online” means the online system used by IHCDA and participating lenders to access, manage and verify the program being utilized.

“Master Servicer” means U.S. Bank National Association

“Mortgagor” means any individual(s) meeting the qualifications of the Program, who is responsible for any primary and secondary liability associated with the Subject Property and includes any Co-Mortgagors but does not include any Co-Signer.

“MOSA” means Mortgage Origination and Sale Agreement.

“Participating Lender” means a lender that has signed the MOSA.

“Program” means the Next Step FHA Program.

“Program Guide” means this IHEDA Next Step FHA Program Guide.

“Refinance” is a process Mortgagors undertake to discharge their existing mortgage or mortgages and become obligated under a new mortgage loan or loans that likely have different interest rates and/or terms in comparison to their current mortgage or mortgages.

“Second Mortgage” has the meaning set forth in Section 8 of this Program Guide.

“Single-Family Dwelling” is a structure designed for residential use by one family, or a unit so designed, whose owner owns, directly or through a non-profit cooperative housing organization, an undivided interest in the underlying real estate, including property owned in common with.

“Subject Property” is the real property, including a Single-Family Dwelling consisting of one (1) to four (4) units, to be purchased by a Mortgagor that will constitute the Mortgagor’s primary residence.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY NEXT STEP FHA PROGRAM EXECUTIVE SUMMARY

What a Participating Lender should know about a Mortgagor and their home:

1. Both IHCD and the Participating Lender reserve their rights to request any additional documentation needed to make an accurate determination on any given file.
2. IHCD cannot email, fax or mail any document, including any mortgage documents provided by the Participating Lender containing the Mortgagor's Social Security Number pursuant to I.C. 4-1-10 and certain other personally identifiable information.
3. Reservations for loans will only be taken Monday through Friday between the time the rates are set and published, which is generally 10:00 a.m. and 5:00 p.m. (EDT).
4. A rate sheet will appear in IHCD Online when a Participating Lender reserves a loan.
5. All reservations must be for FHA thirty (30) year fixed rate mortgages.
6. All loans must be underwritten to and meet FHA, IHCD and the Master Servicer guidelines.
7. The Mortgagor or Mortgagors may only Refinance an existing IHCD First Place, First Step, or Step Down loan.
8. Household size will be determined by the number of Mortgagor(s), along with dependents listed on the Uniform Residential Loan Application (URLA Form 1003) and any/all individuals expected to cohabitate in the residence.
9. The Mortgagor(s) must meet special income guidelines set forth in Section 1 of this Program Guide. Furthermore, income limits vary by county and are dependent on family size.
10. Household income will be determined for Mortgagor and Co-Mortgagor(s) only based off qualifying Gross Annual Income provided by the Participating Lender on the Uniform Residential Loan Application (URLA Form 1003) and the required supplement thereto, if any.
11. Participating Lender must disclose all forms of qualifying income for Mortgagor and Co-Mortgagor(s) on the Uniform Residential Loan Application (URLA Form 1003), including any required supplement, thereto and as described in Section 2 of this program guide.
12. The Subject Property must be a Single-Family Dwelling.
13. The Auxiliary Unit Affidavit is to be used when an in-law quarters or an additional living unit is included within the Subject Property.
14. The home must be used as the Mortgagor's principal residence.
15. An IHCD Mortgage Rider is required.
16. Mortgagor and Co-Mortgagor Federal tax transcripts or other documentation acceptable to IHCD including but not limited to a Mortgagor's credit report are required.
17. The new loan amount or amounts, as applicable, cannot exceed the lower of the fair market value (appraised value) and the outstanding loan amount of prior loan or loans.

18. The Mortgagors must have a minimum FICO credit score that meets the requirement set forth by IHCDCA and/or the Master Servicer. Verification of current FICO credit scores, for FHA financing, must be verified with the Master Servicer.
19. The maximum debt to income ratio (DTI) must meet the requirements set forth by the Master Servicer. Verification of the current DTI, for FHA financing, must be verified with the Master Servicer.
20. A Mortgagor may contribute additional cash resources for closing costs.
21. A Mortgagor is not eligible to receive any cash back at closing, except what can be documented as an investment made by the Mortgagor.
22. A Mortgagor will be required to execute a new First Mortgage and Second Mortgage, if applicable, and first promissory note and second promissory note, if applicable.
23. If applicable, the new second lien will be funded directly by IHCDCA once the loan has reached the stage of Committed "Approved". The Participating Lender is required to input the Title Insurance Company's ACH/routing information into IHCDCA Online when the loan has reached the Committed "Approved" stage. The funds will be ACH/wired to the Title Company closing the loan. Please allow forty-eight (48) business hours for wire disbursements (one (1) day for disbursement and an additional day to verify funds being received by the Title Company). Wires are processed once, daily.
24. If the loan related to the Program does not close within three (3) business days of the original closing date, the Participating Lender must return the funds to IHCDCA. In addition, if the Master Servicer is unable to purchase the loan related to the First Mortgage, the Participating Lender must return the funds associated with the loan secured by the Second Mortgage, if any, to IHCDCA within thirty (30) days after receiving notification from the Master Servicer that it is unable to purchase the loan.
25. The Participating Lender is not allowed to fund the new second lien at the time of closing. A refund from IHCDCA to the Participating Lender is not allowed. If the Participating Lender funds the second mortgage, the loan is out of compliance and the Participating Lender must return the funds to IHCDCA, if sent, and the Participating Lender will be assigned the Second Mortgage, and the loan will be terminated.
26. The First Mortgage may not be closed prior to the Committed "Approved" date shown in IHCDCA Online. If there is a violation of the foregoing, the originating Participating Lender shall retain the First Mortgage. If the First Mortgage is not purchased by the Master Servicer or sub-servicer, for any reason, the originating Participating Lender shall retain the First Mortgage.
27. The maximum amount that can be charged on each loan as an origination fee is limited to one percent (1%) irrespective of the party that is providing funds to pay such origination fee. In addition, the maximum amount a lender may charge in lender fees will be limited to sixteen hundred dollars (\$1,600), irrespective of the party that is providing funds to pay such origination fee.
28. If a Subject Property is sold or the loan secured by a First Mortgage related to a Subject Property is refinanced or foreclosed upon, the loan secured by the Second Mortgage is immediately due and payable in full unless the refinancing of such loan or loans is evidenced by a First Mortgage is refinanced through this Program or a future IHCDCA program that permits refinancing a loan. Notwithstanding anything contained herein to the contrary, if the second lien loan secured by a Second Mortgage was made on a forgivable basis under a prior program guide, then the loan secured by the Second Mortgage is not immediately due and payable so long as the sale, refinancing or foreclosure, that would otherwise trigger a full repayment of the loan secured by the Second Mortgage, occurs beyond the original Affordability Period.
29. The reservation fee (the "Reservation Fee") for reserving a loan through the Program is a flat fee of two hundred and fifty dollars \$(250.00).

30. A Co-signer or multiple Co-signers are allowed as long as GSE guidelines are met. IHCDA does not include Co-signer income in the calculation of total household income but will include the income of all Mortgagors including Co-Mortgagors. The Participating Lender should exclude the Co-signer's information from the IHCDA affidavit that is being submitted to IHCDA.
31. IHCDA documentation can only be signed by the IHCDA Mortgagors.
32. Repair escrows are allowed (must follow guidelines issued by the Master Servicer).
33. An FHA case number must be assigned to the First Mortgage loan.
34. Final Approval from IHCDA must occur by the Commitment Expiration Date (sixty (60) days for all Subject Properties).
35. If there are any conflicts between the FHA guidelines and the Program guidelines, please contact IHCDA. IHCDA will also address all questions regarding tax compliance prior to the closing date. All other questions should be directed to the Master Servicer.
36. Any employee, agent, or associate of the Participating Lender caught forging or altering documentation or otherwise misrepresenting information will be suspended from this Program and all other IHCDA programs and the pertinent information will be turned over to the proper state and local authorities.
37. IHCDA reserves the right to perform Post-Closing verifications of residency by the Mortgagor.
38. IHCDA strongly encourages Participating Lenders to print this program guide from [\[\[\[https://www.in.gov/ihcda/4117.htm\]\]\]](https://www.in.gov/ihcda/4117.htm).

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT STEP FHA PROGRAM
MORTGAGOR ELIGIBILITY
SECTION 1**

A Mortgagor applying for this Program must meet the following eligibility requirements:

1. Must be an existing Mortgagor through an IHCD program.
2. Must be income eligible:
 - a. Mortgagors applying for financing through the Program must meet income limits for the Program, which are based on the income limits of the county in which the residence to be purchased is located. The county-by-county income limits can be found here <https://www.in.gov/ihcda/homebuyers/income-and-acquisition-limits/>.
 - b. Income will be determined for Mortgagors using qualifying Gross Annual Income, provided on the Uniform Residential Loan Application (URLA Form 1003), as described below, and the required supplement thereto, if any. IHCD and/or the Participating Lender can request any additional information needed to make this determination.

NOTE: All sources of income shown below must be included on the URLA Form 1003, and the required supplement thereto, if any.

- c. Gross Annual Income includes gross wages and salaries from employment, including any part-time, seasonal, or sporadic income, shift differentials, overtime pay, commissions, fees, tips, and bonuses. Gross Annual Income also includes:
 - i. Child support, alimony and separate maintenance payments in which the mortgagor(s) is responsible of informing the lender if this income is received, which amounts must be disclosed on a supplement to the signed Uniform Residential Loan Application (URLA Form 1003);
 - ii. Periodic payments for trust, annuities, inheritances, insurance policies, pensions, retirement funds and lotteries;
 - iii. All public assistance payments (excluding Medicaid and food stamps) including any amount by which educational grants, scholarships, and/or Veteran Administration educational benefits exceed expenses for tuition, fees, books, and equipment and reasonable rent and utility costs for a student living away from home;
 - iv. Interest and dividends;
 - v. Payments in lieu of earnings, including social security, unemployment benefits, worker's compensation, severance pay, disability or death benefits;
 - vi. Income from partnerships;
 - vii. Rental income from property owned;

- viii. Recurring monetary contributions or gifts regularly received from a person not living in the residence; and
- ix. All regular pay, special pay, and allowances of a member of the Armed Forces except special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

3. Residency Status:

The Participating Lender is required to determine the Mortgagor's residency status, in accordance with Ginnie Mae (as applicable) or the Master Servicer's guidelines.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT STEP FHA PROGRAM
SUBJECT PROPERTY ELIGIBILITY
SECTION 2**

The Subject Property must meet the following eligibility requirements:

1. Types of Properties allowed:
 - a. Property standards are determined by the type of financing the Mortgagor is using.
 - b. The residence must meet the following requirements:
 - i. The property must be located in the State of Indiana.
 - ii. The property must be maintained as owner occupied for the life of the loan.
 - c. The property must be:
 - i. A Single-Family Dwelling that is a Subject Property; or
 - ii. A condominium must be in accordance with Fannie Mae, Ginnie Mae or the Master Servicer's guidelines; or
 - iii. A townhome following the specific product guide; or
 - iv. A planned unit development; or
 - v. A manufactured home permanently affixed to a permanent foundation.
2. Additional Eligibility Requirements:
 - a. No more than ten percent (10%) of the total area of the residence can reasonably be used as:
 - i. The principal place of business for, or connected with, any trade or business on an exclusive or regular basis; or
 - ii. A place where inventory is held for use in the trade or business of the selling of products at wholesale or retail, unless the residence is the sole fixed location of such trade or business; or
 - iii. A place used on a regular basis in a trade or business.
 - b. A residence used as an investment property, rental property or a recreational home would not qualify as a principal residence.
 - c. All FHA appraisals must be conducted by a licensed appraiser in accordance with the US Department of Housing and Urban Development (HUD) 4000.1, FHA Single Family Housing Policy Handbook.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT STEP FHA PROGRAM
MORTGAGE FINANCING ELIGIBILITY
SECTION 3**

1. Mortgage Financing Eligibility:

a. The proceeds of the loans secured under the Program must be used to pay off or otherwise discharge the existing first mortgage and the Prior Second Mortgage Loan, if any. The mortgage financing must meet the following requirements:

i. IHCDCA cannot finance the following:

1. Acquisition of personal property;
2. Land not appurtenant to the residence;
3. Land appurtenant to the residence, but not necessary to maintain the basic livability of the residence or which provides, other than incidentally, a source of income to the Mortgagor;
4. Land which is greater than 1 acre will be presumed to be in excess of what is necessary to maintain the basic livability of the residence and will require specific findings by the surveyor and/or appraiser to rebut such presumption;
5. Settlement and financing costs that are in excess of that considered usual and reasonable;
6. Land identified as buildable;
7. Land that could be used as a source of income.

ii. No assumptions will be allowed on any IHCDCA loans.

iii. None of the interest of the FHA mortgage loan underwritten pursuant to the Program can be paid to a member of the Mortgagor's immediate family.

2. Notes regarding Mortgage Financing:

a. The Participating Lender should ensure that the Mortgagor qualifies for the Program before beginning the financing process.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT STEP FHA PROGRAM
INTEREST RATE CHANGES
SECTION 4**

1. Interest Rate Change:
 - a. The interest rate may change throughout the day, based on fluctuations in the market interest rate.

2. Notification of Rate Change:
 - a. A rate sheet will appear in IHCDA Online when the Participating Lender accesses IHCDA Online to reserve a loan.
 - b. The Participating Lender should refer to the reservation confirmation prior to submitting the IHCDA Affidavit to confirm the correct interest rate for the loan.
 - c. It is the Participating Lender's responsibility to check IHCDA Online to determine the current interest rate prior to applying for a loan on behalf of a Mortgagor.
 - d. If you're unable to access IHCDA Online, contact your internal system administrator.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT STEP FHA PROGRAM
FEE SCHEDULE
SECTION 5**

The following are the fees associated with this Program:

1. Reservation Fees:
 - a. Flat non-refundable Reservation Fee.
 - b. The Reservation Fee must be received prior to IHCDA reviewing the loan for approval.
 - c. IHCDA offers a reservation portal where the Mortgagor is to pay the non-refundable Reservation Fee. The portal can be found [here](#).
 - d. The Participating Lender may ACH wire the Reservation Fee to IHCDA. IHCDA will forward the ACH wire information to the Participating Lender once IHCDA receives and approves a signed MOSA. The Participating Lender may submit as many Reservation Fees per ACH wire as the Participating Lender desires.
 - e. The Participating Lender must provide the IHCDA reservation number as an identifier for each ACH Reservation Fee submitted. The Participating Lender must have a reservation number from the IHCDA Online before submitting fees.
 - f. IHCDA does not accept cash, coins, or personal checks from the Mortgagor.
2. Reinstatement Fees:
 - a. A reinstatement fee will be assessed on a case-by-case basis at the discretion of IHCDA for any post-closing modification resulting from a modification caused by the Participating Lender or Mortgagor at the sole determination of IHCDA.
 - b. The minimum reinstatement fee is five hundred dollars (\$500).
 - c. Such reinstatement fee may be assessed by reducing any amount owed to the Participating Lender from IHCDA or the Master Servicer.
3. Extension Fees:
 - a. A commitment extension (15 days) shall cost .12500% of the reservation amount.
4. Reinstatement and extension fees can be paid by any party and are non-refundable.
5. The Participating Lender shall be compensated one and three quarters percent (1.75%) of the mortgage amount, which is payable upon the sale of the loan to the Master Servicer.
6. Origination Fees and Allowable Participating Lender Fees:

- a. The maximum amount that can be charged on each loan with respect to Origination fees will be limited to one percent (1%) irrespective of the party that is providing funds to pay such origination fee.
- b. The maximum amount a lender may charge in lender fees will be limited to sixteen hundred dollars (\$1,600), irrespective of the party that is providing funds to pay such lender fee.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT STEP FHA PROGRAM
RESERVATION PROCEDURES
SECTION 6**

1. Preliminary Eligibility Review

- a. Before making a reservation request for a loan to be acquired pursuant to this Program, the Participating Lender is required to:
 - i. Receive a recent payoff statement from the Master Servicer for the existing first lien and the existing second lien, if any;
 - ii. Receive a fully executed Appraisal Report;
 - iii. Determine whether the home is located in a Qualified Census Tract (refer to Section 1, of this Program Guide);
 - iv. Determine that the Mortgagor meets all other Program eligibility requirements; and
 - v. Determine that the Subject Property meets all Program eligibility requirements.
- b. The Participating Lender cannot reserve a loan that it cannot close in its own name.
- c. The Mortgagor cannot execute IHEDA documents without an IHEDA reservation number.

2. Reservation Request

- a. The Participating Lender must make reservation requests using the IHEDA Online. All reservations will be accepted on a first-come, first-served basis and are always subject to availability of funds. IHEDA Online will confirm the reservation number immediately.

3. Modifications

- a. A Participating Lender must request any change to a Mortgagor's reservation, subject to the following conditions:
 - i. Increases in Mortgage Amount
 - 1. Requests for increases in loan amounts will be subject to the availability of funds. Participating Lenders should include the purchase price and loan amount (original and revised) via email.

4. Transfer of Reservation (Participating Lender)

- a. IHEDA will allow a transfer of a reservation from one Participating Lender to another.
 - i. The original Participating Lender must submit an e-mail stating that the reservation and the Reservation Fees are to be transferred to the new Participating Lender.
 - ii. The new Lender must be a Participating Lender with the Program and submit an e-

mail requesting an exception code to re-reserve a new loan.

- iii. The original reservation will be canceled allowing the new Participating Lender to reserve the loan.
- iv. The Mortgagor will receive the current interest rate for the day when the new reservation is locked.
- v. The Reservation Fee will be transferred to the new reservation number, if applicable.
- vi. The new Participating Lender must upload an IHEDA Affidavit to IHEDA for review.
- vii. The new Participating Lender cannot close the loan without receiving approval from IHEDA with the new Participating Lender's name specified on the documents.

5. Cancellation of a Reservation

- a. If the Participating Lender determines that it will not close a loan for which it has received a reservation number, the Participating Lender should notify the IHEDA Homeownership Department as soon as possible.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT STEP FHA PROGRAM
PRE-APPROVAL UPLOAD
SECTION 7**

Participating Lenders are encouraged to pre-qualify Mortgagors for credit eligibility prior to reservation.

1. Submission

- a. The Participating Lender is responsible for performing a thorough inquiry to determine whether both the Mortgagor and the Subject Property meet Program requirements.
- b. To obtain preliminary approval needed to close the loan:
 - i. The non-forgivable Reservation Fee must be received by IHCDA;
 - ii. IHCDA's documents cannot be dated prior to the date of the reservation;
 - iii. The following documentation uploaded and approved:
 1. IHCDA Homeownership Affidavit, signed and dated (see points 2 and 3, below)
 2. Appraisal
 3. 2nd Mortgage Loan Estimate (LE), signed and dated Tri-merge Credit Report
 4. Automated Underwriting System (AUS) Findings
 5. Initial 1003

2. Pre-Approval Upload (Approval)

- a. All files will be reviewed in the order that they are received, and the reservation fees have been applied.
- b. IHCDA will underwrite all files within a reasonable amount of time from the date that the file is uploaded into IHCDA Online. Participating Lenders are encouraged to check IHCDA Online regularly for the status of the mortgage application.
- c. When IHCDA determines that all required documentation is complete, signed, and in compliance with Program requirements, IHCDA will change the status to reflect Closing Upload in IHCDA Online.
- d. IHCDA Online will show a date that the loan expires, which is known as the Commitment Expiration Date, (sixty (60) days after the date of reservation on all properties).
- e. The Participating Lender must have sold the mortgage of the Subject Property to the Master Servicer and purchased by IHCDA on or before the Commitment Expiration Date, as shown in IHCDA Online.

3. Pre-Approval Upload (Incomplete)

- a. If IHEDA needs additional information, if the Reservation Fee is unpaid or if any of the required documentation is otherwise incomplete, the status will show "Incomplete" in IHEDA Online.
- b. The Participating Lender is responsible for reviewing any open items and uploading documentation to resolve such issues causing the "Incomplete" status in IHEDA Online.
- c. The Participating Lender must ensure that document box in IHEDA Online is properly checked.
- d. IHEDA will review the application conditions within a reasonable amount of time from the date the application conditions are uploaded.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT STEP FHA PROGRAM
SECOND MORTGAGE
SECTION 8**

1. Second Mortgage

- a. The Program offers funds in the form of a second lien secured by a second mortgage (the “Second Mortgage”) to Mortgagors with an existing Prior Second Mortgage Loan.
- b. There is no Affordability Period associated with the Second Mortgage.
 - i. If the Mortgagor terminates the First Mortgage, the Second Mortgage is due and payable in full immediately.
- c. The second lien loan is governed by the IHCDA Second Mortgage and the IHCDA Second Mortgage Promissory Note.
- d. Neither the First Mortgage nor the Second Mortgage may be closed prior to the Committed Approval Date shown in IHCDA Online. If there is a violation of the foregoing, the originating Participating Lender shall retain the First and Second Mortgages. If the first mortgage is not purchased by the Master Servicer or sub-servicer, for any reason, the originating Participating Lender shall retain the First Mortgage and Second Mortgage, if any. The Participating Lender will also be required to reimburse IHCDA the full amount of the second mortgage and any associated expense within thirty (30) days of termination.

2. Second Mortgage Execution Information

- a. The Second Mortgage is due upon maturity. Maturity is defined as the first to occur of the following occurrences:
 - i. If Mortgagor does not continue to utilize the property as its principal residence throughout the full thirty (30) years set forth by the First Mortgage and the IHCDA Mortgage Rider;
 - ii. If Mortgagor sells or refinances the property (other than a refinancing using a current or future IHCDA program) during the full thirty (30) years set forth by the First Mortgage;
 - iii. If the Mortgagor violates any other terms and conditions contained in the second note, the Second Mortgage, or any other agreement made between IHCDA and Mortgagor related to the loan;
 - iv. If Mortgagor is in default under the terms of its first mortgage on the property and foreclosure proceedings have been initiated during the thirty (30) years set forth by the First Mortgage;
 - v. There is no proration associated with the second lien;
 - vi. If it becomes evident to IHCDA that any representation or warranty made by the Mortgagor at the time it applied for the loan was false, misleading, or fraudulent.

- b. The Participating Lender or Mortgagor must contact the Master Servicer at 1-800-365-7772 directly in the case of a payoff on the First Mortgage and the Second Mortgage.
- c. Non-Forgiveness, of the debt secured by the Second Mortgage is covered in the promissory note related to the Second Mortgage loan.
- d. IHCD A will not allow the Second Mortgage to be subordinated at any time to any claim except to the original First Mortgage or any First Mortgage delivered in conjunction with a refinancing of the original First Mortgage pursuant to a current or future IHCD A refinance program.
 - i. The Participating Lender is expected to explain this to the Mortgagor.

3. Requesting Second Lien Funds

- a. The second lien will be funded directly by IHCD A once the loan has reached the stage of Committed "Approved". The Participating Lender is required to input the Title Insurance Company's ACH/routing information into IHCD A Online when the loan has reached the Committed "Approved" stage. The funds will be ACH/wired to the Title Company for the closing of the loan. Please allow forty-eight (48) business hours for wire disbursements (one (1) day for disbursement and an additional day to verify funds being received by the Title Company). Wires are processed once a day.
- b. The Participating Lender is not allowed to fund the second mortgage at the time of closing. A refund of funds from IHCD A to the Participating Lender is not allowed. If the Participating Lender funds the second lien, the loan is out of compliance and the Participating Lender must return all funds IHCD A has provided, if sent.
- c. If the loan evidenced by the First Mortgage does not close within three (3) business days of the original closing date, the Participating Lender must return the funds associated with the loan to IHCD A. In addition, if the Master Servicer is unable to purchase the First Mortgage, the Participating Lender must return the funds associated with the Second Mortgage, if any, to IHCD A within thirty (30) days after receiving notification from the Master Servicer that it is unable to purchase the loan.

4. Intermediary Disbursements

- a. The IHCD A Online System is not set up to enter more than one (1) financial institution. If there is an intermediary bank involved, please contact the IHCD A Homeownership Department.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT STEP FHA PROGRAM
CLOSING PACKAGE UPLOAD
SECTION 9**

Participating Lenders are encouraged to review all documentation prior to uploading into IHCD Online.

1. Due Date

- a. After closing the loan secured by the First Mortgage, the Participating Lender shall forward to IHCD the executed closing package which must be received by IHCD within 30 days of closing. The "Commitment Expiration Date" is sixty (60) days after the date of reservation on all properties. Extensions may be granted. Contact IHCD for extension requests.

2. Submission

- a. After the loan closing, the Participating Lender shall upload the executed closing package, which consists of the following:
 - i. Final Loan Originator Signed 1003
 - ii. Final Signed IHCD Informational Statement
 - iii. Final Signed IHCD First Mortgage
 - iv. Final Signed IHCD Second Mortgage
 - v. Final Signed IHCD Promissory Note related to each mortgage
 - vi. Final Signed IHCD Mortgage Rider
 - vii. Final Payoff Letter
 - viii. Signed Closing Disclosure, First Mortgage
 - ix. Signed Closing Disclosure, Second Mortgage
 - x. Final Tri-merge Credit Report
 - xi. Final Automated Underwriting System (AUS) Findings
- b. IHCD documents cannot be dated prior to the date of closing.
- c. E-signatures are not permitted on IHCD produced documents.

3. Closing Package Submission (Approval)

- a. All files will be reviewed in the order that they are received.
- b. IHCD will underwrite all files within a reasonable amount of time from the date that the file is received.
- c. Participating Lenders are required to check IHCD Online regularly for the status of any submitted closing packages.

- d. When IHCDA determines that the closing package is complete and in compliance with Program requirements, IHCDA will change the status to reflect Closing Package Review “Approved” in IHCDA Online.
- e. IHCDA Online will show a date that the loan expires, which is known as the Commitment Expiration Date (sixty (60) days after the date of reservation on any Subject Property).
- f. The Participating Lender must have sold the First Mortgage of the Subject Property to the Master Servicer and purchased by IHCDA on or before the Commitment Expiration Date, as shown in IHCDA Online.

4. Closing Package Upload (Incomplete)

- a. If IHCDA needs additional information or if there are incomplete documents, the status will be considered “incomplete” and show as such in IHCDA Online.
- b. The Participating Lender is to ensure that the document box in IHCDA Online is properly checked.
- c. IHCDA will review the closing conditions within a reasonable amount of time from the date the conditions are uploaded into IHCDA Online.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT STEP FHA PROGRAM
CANCELLED/REJECTED/TERMINATED FILES
SECTION 10**

1. Cancellation

- a. If the Participating Lender fails to receive final approval from IHCDA by the Commitment Expiration Date (sixty (60) days for all subject properties), IHCDA reserves the right to terminate the reservation. If the reservation is terminated by IHCDA, the Participating Lender may request reinstatement of the reservation. Reinstatements will be approved at IHCDA's sole discretion, and subject to the availability of funds. The Participating Lender has thirty (30) days to reinstate the reservation.

2. Denied Reservation

- a. IHCDA may post a "Rejected" status in IHCDA Online if the information included indicates that either the Mortgagor or the property or both do not meet Program requirements. IHCDA will terminate rejected loans thirty (30) days after the date it is given a "Rejected" status in IHCDA Online. Any funds previously allocated to the property shall be made available for other loan applications.

3. Permanent Termination Policy

- a. Once a reservation shows a status of "Terminated" in IHCDA Online, a Participating Lender cannot reinstate the loan. The decision concerning whether or not a permanently terminated loan can be reinstated will be based on the following factors: the availability of funds, IHCDA's receipt of all outstanding conditions, IHCDA's receipt of the Reinstatement fee, IHCDA's receipt of the Reservation fee and IHCDA's sole discretion.