MORTGAGE CREDIT CERTIFICATE

PROGRAM GUIDE

January 2010

INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE
PROGRAM GUIDE
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Mortgage Credit Certificate Program
Definitions

"Acquisition Cost" has the meaning set forth in Section 3 of this Guide.

"Borrower" means any person or persons meeting the qualifications of the Program and the Program Guide, and includes any co-borrowers.

"Commitment Expiration Date" means the date on which IHCDA's commitment under the Program expires.

"Committed Approved Date" means the date on which IHCDA approves the MCC loan in the IHSF system.

"Designated Disaster Area" has the meaning set forth in Section 1 of this Guide.

"Federal Recapture Tax" has the meaning set forth in Section 4 of this Guide.

"First Time Homebuyer" has the meaning set forth in Section 2 of this Guide.

"Guide" means the guide to the 2010 MCC Program.

"IHCDA" means Indiana Housing and Community Development Authority.

"IHSF" means the Indiana Housing Single Family online system.

"MCC" means Mortgage Credit Certificate.

"Participating Lender" means a lender that has signed a Mortgage Credit Certificate Program Registration Form with IHCDA.

"Program" means Mortgage Credit Certificate Program.

"Purchase Agreement" means an agreement to purchase real property between, at a minimum, the seller of such property and Borrower.

"Qualified Census Tract" has the meaning set forth in Section 1 of this Guide.

"Recapture Amount" has the meaning set forth in Section 4 of this Guide.

"Targeted Area" has the meaning set forth in Section 1 of this Guide.

INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM

INTRODUCTION

The Mortgage Credit Certificate (MCC) Program was authorized by Congress in the 1984 Tax Reform Act as a means of providing housing assistance to persons and families of low and moderate income. An eligible purchaser of a new or existing single-family residence may apply for a MCC through an IHCDA approved Participating Lender at the time of loan application. A MCC cannot be issued to a borrower who is refinancing an existing mortgage. A borrower may not combine the benefits of a MCC with an IHCDA program funded by mortgage revenue bonds.

A MCC operates as a federal income tax credit, reducing an eligible borrower's federal income tax. This credit, in effect, creates additional income which Borrower may use toward a monthly mortgage payment. The annual amount of the tax credit is equal to a percentage (credit rate) of the annual interest paid and accrued on the mortgage loan for the residence. The maximum annual amount of the tax credit is $2,000. The credit rate is based on the amount of the original mortgage as follows:

Original Mortgage Amount	MCC Credit Rate
$50,000 and under	35%
$50,001 - $70,000	30%
$70,001 - $90,000	25%
$90,001 and above	20%

The amount of tax credit that can be claimed each year cannot exceed the borrower's annual federal income tax liability after all other credits and deductions. The itemized deduction for the mortgage interest will be reduced by the amount of the tax credit. Benefits of the MCC are available for the life of the original mortgage as long as the borrower occupies the property as his principal residence. In most cases, if the borrower refinances the MCC may be reissued.

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

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INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
EXECUTIVE SUMMARY

This Executive Summary provides a summary of materials provided in this Guide.

What a Participating Lender should know about a **Borrower and his or her home**:

1. A Borrower must meet HUD's **income guidelines**. Income limits vary by county and are dependent on family size. (Please see Section 2 of this Guide for a complete explanation.)

2. The home must fall under the federally determined **acquisition limits**. Acquisition limits vary by county. (Please see Section 3 of this Guide for a complete explanation.)

3. A Borrower must **not have owned his or her principal residence** within the past three (3) years. This restriction is waived for those who purchase in targeted areas, certain disastrous areas, and when the Borrower is an eligible veteran. (Please see Section 3 of this Guide for a complete explanation.)

4. A Borrower could be subject to a federal **recapture tax** if he or she sells his or her home within nine (9) years of purchase. On all loans reserved after December 15, 2005 IHCDA will refund the Borrower should they ever have to pay recapture to the IRS. (Please see Section 4 of this Guide for a complete explanation.)

5. The home must be the Borrower's **principal residence**. (Please see Section 3 of this Guide for a complete explanation.)

6. IHCDA **cannot** email, fax or mail any document, including any mortgage documents or tax returns provided by the Participating Lender, that contains **Borrower's Social Security Number**.

Participating Lenders will need to know that:

1. **THE INCOME CALCULATION FOR A BORROWER'S ELIGIBILITY IS DIFFERENT THAN THAT USED FOR MORTGAGE QUALIFICATION. ADDITIONAL INCOME WILL NEED TO BE ADDED TO DETERMINE ELIGIBILITY**.

2. **Loans will need the approval of IHCDA prior to closing.**

3. The MCC must be issued within **one year** from the date of the reservation.

4. The originating Participating Lender must complete the reservation through to issuance of the MCC. IHCDA will not acknowledge any third party involvement. **For example, the transfer or assignment of the loan to other lenders is not acceptable.**

5. CO-SIGNERS MUST SIGN THE NOTE ONLY. **NON-OCCUPANT** CO-BORROWERS MAY **NOT** SIGN THE MORTGAGE OR TAKE TITLE.

6. The closing package must be submitted within 30 days of closing or before the Commitment Expiration Date, whichever comes first. IHCDA will charge a late submission fee of 0.25% of the loan amount if the closing package is not received within 30 days of closing. IHCDA also charges 0.25% of the loan amount for Commitment Extension fees.

7. If the reservation is canceled in any stage, the Participating Lender has 30 days to reinstate, subject to the availability of funds. After the 30^{th} day the loan is canceled **permanently** unless a $500 reinstatement fee is paid to reinstate the loan.

8. Faxed conditions are accepted. Fax to 317-233-2558.

9. Tracing Borrower or seller signatures is considered forgery. Any person caught forging documents will be suspended from the Program and the pertinent information will be turned over to the proper state and local authorities.

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INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
GEOGRAPHIC ELIGIBILITY

Certain geographic areas of Indiana have been designated as “Targeted Areas” according to MCC Program requirements. Areas of the State not designated as Targeted Areas are referred to as “Non-Targeted Areas”. For each series of the Program, a portion of the total funds available are set aside for loans in Targeted Areas.

Targeted Areas are either:

1) A Qualified Census Tract: seventy percent (70%) or more of the families have an income which is eighty percent (80%) or less of the statewide median family income.

2) An “Area of Chronic Economic Distress” as designated by the State and approved by the Secretary of the Treasury and the Secretary of Housing and Urban Development.

Targeted Areas include the following counties in the State of Indiana:

Brown	Clinton	Crawford	Daviess	Dearborn
Decatur	Fayette	Franklin	Fulton	Greene
Jackson	Jasper	Jefferson	Knox	Lawrence
Miami	Ohio	Orange	Owen	Parke
Perry	Pike	Rush	Scott	Shelby
Spencer	Vermillion	Vigo	Washington	Wayne

Targeted Areas include the following census tracts within counties that themselves are not Targeted Areas. The property appraiser must note the qualifying census tract information on the appraisal for a census tract to be designated as a Targeted Area.

COUNTY	Census Tract Areas					
Allen	0006.00	0012.00	0013.00	0014.00	0015.00	0016.00
	0017.00	0018.00	0020.00	0023.00	0027.00	0028.00
	0029.00	0035.00	0042.00	00113.03	0010.00	0011.00
Bartholomew	0101.00					
Delaware	0001.00	0002.00	0003.00	0004.00	0006.00	0007.00
	0009.02	0010.00	0019.01			
Elkhart	0026.00	0028.00				
Floyd	0708.01					
Grant	0002.00					
Henry	9763.00					
Howard	0002.00	0012.00				
Jefferson	0002.00	0003.00	0004.00	0006.00	0010.00	0011.00
	0014.00	0015.00	0017.00	0018.00	0021.00	0023.00
	0024.00	0027.00	0028.00	0030.00	0035.00	0037.00
	0041.00	0043.01	0043.02	0049.00	0050.00	0051.00
	0053.00	0056.00	0059.00	0062.00	0065.00	0066.00
	0128.02					
Knox	9550.00	9553.00	9554.00			
Lake	0102.02	0102.03	0103.01	0103.02	0105.00	0106.00
	0107.00	0108.00	0109.00	0110.00	0111.00	0113.00
	0114.00	0116.00	0117.00	0119.00	0120.00	0122.00
	0123.00	0127.00	0206.00	0207.00	0218.00	0301.00
	0302.00	0303.00	0304.00	0310.00	0204.00	0121.00
LaPorte	0401.00					
Madison	0005.00					
Marion	3226.00	3308.01	3412.00	3416.00	3426.00	3501.00

	3503.00	3504.00	3507.00	3508.00	3509.00	3510.00
	3511.00	3512.00	3515.00	3516.00	3517.00	3521.00
	3523.00	3505.00	3527.00	3528.00	3531.00	3532.00
	3533.00	3535.00	3536.00	3539.00	3542.00	3544.00
	3545.00	3547.00	3548.00	3550.00	3551.00	3556.00
	3557.00	3559.00	3564.00	3569.00	3571.00	3572.00
	3573.00	3574.00	3581.00	3601.01	3601.02	3603.02
	3549.00					
Monroe	000100	0000201	000202	0003.01	0006.00	0009.01
	0016.00					
St. Joseph	0006.00	0010.00	0017.00	0019.00	0020.00	0021.00
	0023.00	0027.00	0029.00	0001.00	0028.00	
Tippecanoe	0004.00	0006.00	0053.00	0054.00	0055.00	0103.00
	0105.00					
Vanderburgh	0012.00	0013.00	0014.00	0017.00	0018.00	0019.00
	0020.00	0021.00	0026.00			
Vigo	0001.00	0003.00	0005.00	0006.00	0008.00	0002.00
	0019.00					
Wayne	0002.00					

3) As of the date of this Program Guide, the Federal Emergency Management Agency (FEMA) has designated certain counties in the State of Indiana as "Designated Disaster Areas". The following chart organizes Designated Disaster Areas by county name, FEMA number and date on which disaster status expires.

County	***FEMA***	***Expires***	***County***	***FEMA***	***Expires***
Adams	1766	6/08/2010	Marshall	1740	4/22/2011
Allen	1740	4/22/2011	Martin	1795	9/23/2010
Bartholomew	1766	6/08/2010	Monroe	1766	6/08/2010
Carroll	1740	4/22/2011	Morgan	1766	6/08/2010
Clark	1828	3/05/2011	Noble	1740	4/22/2011
Clay	1766	6/08/2010	Porter	1795	9/23/2010
DeKalb	1740	4/22/2011	Posey	1828	3/05/2011
Dubois	1828	3/05/2011	Pulaski	1740	4/22/2011
Floyd	1828	3/05/2011	Putnam	1766	1/30/2010
Gibson	1828	3/05/2011	Ripley	1828	3/05/2011
Grant	1766	6/08/2010	Randolph	1766	6/08/2010
Hamilton	1766	6/08/2010	Sullivan	1766	6/08/2010
Hancock	1766	6/08/2010	St Joseph	1795	9/23/2010
Harrison	1828	3/05/2011	Switzerland	1828	3/05/2011
Hendricks	1766	6/08/2010	Tippecanoe	1766	6/08/2010
Henry	1766	6/08/2010	Vanderburgh	1828	3/05/2011
Huntington	1766	6/08/2010	Warrick	1828	3/05/2011
Jennings	1828	3/05/2011	White	1740	4/22/2011
Johnson	1766	6/08/2010	Whitley	1740	4/22/2011
Kosciusko	1740	4/22/2011			
Lake	1740	4/22/2011			
LaPorte	1740	4/22/2011			
Marion	1766	6/08/2010			

If and when FEMA revises or adds to the list of Indiana "Designated Disaster Areas", IHCDA will circulate this revised list.

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INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
BORROWER ELIGIBILITY

A Borrower applying for an MCC must meet the following eligibility requirements:

(A) **Must be a First-Time Homebuyer**. A "First-Time Homebuyer" is someone who has not, at anytime during the three (3) years preceding the date of loan closing, had an ownership interest in his/her principal residence. This requirement applies only to those persons executing the loan documents, not all members of the household. However, Borrowers acquiring residences in Targeted Areas are exempt from the First-Time Homebuyer requirement, as are eligible veterans and Borrowers purchasing in designated disaster areas. See the list of Targeted Areas in Section 1 of this Guide.

(B) 1. **An ownership interest includes:**

a. A fee simple interest;

b. A joint tenancy, a tenancy in common, or a tenancy by the entirety;

c. The interest of a tenant shareholder in a cooperative;

d. A life estate;

e. A land contract (i.e. a contract under which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later time);

f. An interest held in trust for the Borrower (whether or not created by the Borrower) that would constitute a present ownership interest if held directly by the Borrower; or

g. Ownership of a mobile home permanently affixed to real property and taxed as real estate.

2. **Interests that <u>do not</u> constitute ownership interest include**:

a. A remainder interest;

b. An ordinary lease;

c. A mere expectancy to inherit an interest in a principal residence;

d. The interest that a purchaser of a residence acquires upon the execution of a purchase contract;

e. An interest in other than a principal residence during the previous three (3) years; or

f. Ownership of a mobile home not permanently affixed to real property and taxed as personal property.

(C) **Must be income eligible**. Borrowers who are applying for an MCC must meet income limits for the program. Income eligibility varies by county and must be determined by the income limits in which the residence to be purchased is located; the IHCDA website contains county-by-county limits, and IHCDA generally distributes hard copies of county-by-county limits to Participating Lenders on an annual basis, typically in the spring.

Income eligibility includes certain sources of income that a lender typically does not consider in determining eligibility or creditworthiness for non-federally-assisted conventional financing. However, the income standards for these programs are set forth in program regulations and must be followed. The "Gross Annual Income" (as defined below) of the Borrower must be considered, *as well as the income of any other person eighteen (18) years old and over and not a full-time student who intends to reside in the property.*

Gross Annual Income includes gross pay from employment, including any part-time, seasonal, or sporadic income, shift differentials, overtime pay, and bonuses. Gross Annual Income also includes:

1. Child support, alimony and separate maintenance payments;

2. Periodic payments for trust, annuities, inheritances, insurance policies, pensions, retirement funds and lotteries;

3. 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;

4. Interest and dividends;

5. Payments in lieu of earnings, including social security, unemployment benefits, worker's compensation, severance pay, disability or death benefits;

6. Income from partnerships;

7. Rental income from property owned;

8. Recurring monetary contributions or gifts regularly received from a person not living in the residence; and

9. All regular pay, special pay and allowances of a member of the Armed Forces not including hazardous duty pay.

(D) **Requirement of a Separated Borrower**. If a Borrower is legally separated from his or her spouse, a legal separation agreement or petition for dissolution is required prior to preliminary approval.

(E) **Exception of Residency**. **Must reasonably expect to reside in the property as his or her principal residence within sixty (60) days** after the loan closing date on existing homes **AND** within sixty (60) days of completion for a newly constructed home.

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INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
PROPERTY ELIGIBILITY

The proceeds of an MCC must be used to acquire the principal residence of the Borrower. The residence must meet the following requirements:

(A) The property must be located in the State of Indiana.

(B) The property must be a single-family house, which term includes a manufactured home permanently affixed to real estate.

(C) The "Acquisition Cost" of the residence must not exceed the applicable Program acquisition cost limits. The IHCDA website contains acquisition cost limits, and IHCDA generally distributes hard copies of acquisition cost limits to Participating Lenders on an annual basis, typically in the spring. The term "Acquisition Cost" means the cost of acquiring a residence from the seller(s) as a completed residential unit. The Acquisition Cost includes:

   (1) All amounts paid, either in cash or in kind, by the Borrower (or a related party for the benefit of the Borrower) to the seller(s) (or a related party of the seller(s)) as consideration for the residence;

   (2) If the residence is incomplete, the reasonable cost of completing the residence whether or not financed by the MCC loan;

   (3) If the residence is in need of repair and the repairs are necessary to make the residence habitable, to meet local building codes, or to meet Program requirements, the reasonable cost of making the repairs whether or not financed by the MCC loan;

   (4) Settlement and financing costs in excess of amounts which are usual and reasonable (e.g. points paid by the Borrower for the purpose of "buying down" the interest rate);

   (5) Property taxes, if not pro rated between ownership by Borrower and seller (e.g., Borrower pays next installment due); and

   (6) The cost of the land, **or** if a gift the appraised value, is to be added to the Acquisition Cost if the Borrower has owned the land for **less than 2 years prior to construction.**

Acquisition cost does not include:

   (1) Usual and reasonable settlement and financing costs including:

      (a) Title and transfer costs;

      (b) Title insurance;

      (c) Survey fees and other similar costs;

      (d) Credit reference fees;

      (e) Legal fees;

(f) Appraisal expenses;

(g) Usual and reasonable financing points;

(h) Structural and systems or pest inspections; and

(i) Other related costs of financing the residence.

(2) **Land owned by the Borrower for more than two years prior to construction.**

(3) The imputed value of "sweat equity" performed by the Borrower or members of the Borrower immediate family.

(D) **The Borrower must reasonably expect to reside in the property as his or her principal residence within 60 days** after the loan closing date on existing homes **or** within 60 days of completion for a newly constructed home.

(E) No more than fifteen percent (15%) of the total area of the principal residence can reasonably be used as:

(1) The principal place of business for, or connected with, any trade or business on an **exclusive or regular basis**;

(2) 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

(1) A place used on a **regular basis** in a trade or business.

(F) The amount paid to the seller(s) for consideration for the residence cannot be higher than it would be had the sale occurred without the benefit of the Program.

(G) Mortgage financing eligibility:

(1) The MCC loan cannot finance the following:

a. Acquisition of personal property;

b. Land not appurtenant to the residence;

c. Land appurtenant to the residence but not necessary to maintain the basic livability of the residence and which provides, other than incidentally, a source of income to the Borrower; or

d. Settlement and financing costs.

(2) The MCC loan cannot refinance an existing loan or acquire or replace existing mortgages of the Borrower for the property.

a. A mortgage includes deeds of trusts, pledges, agreements to hold title in escrow, and any other form of ownership financing.

b. Conditional land sale contracts may be considered prior financing, and should be submitted to IHCDA for approval.

(3) The closing date of the loan **cannot** precede the Committed Approved Date shown in the IHSF online system.

(4) A MCC loan cannot be financed from the proceeds of a Qualified Mortgage Revenue Bond or Qualified Veterans' Mortgage Bond.

(5) None of the interest of a MCC loan can be paid to a member of the Borrower's immediate family.

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INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
THE FEDERAL RECAPTURE TAX

Congress enacted legislation in 1988, subsequently amended in October 1990, to recapture, under certain circumstances, some or the entire subsidy from homebuyers who receive qualified mortgage bond assistance after January 1, 1991 (the "Federal Recapture Tax"). Because the recapture rules apply to loans that were based on an MCC, a Borrower participating in the Program could be subject to the Federal Recapture Tax. **THE FOLLOWING DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND EACH BORROWER IS ADVISED TO CONSULT WITH A TAX SPECIALIST TO DETERMINE WHETHER HE OR SHE IS RESPONSIBLE FOR PAYING THE FEDERAL RECAPTURE TAX.**

IHCDA will **reimburse a Borrower** who pays Federal Recapture Tax or for the reduction in his or her tax refund due to payment of Federal Recapture Tax. Please see MCC-ALL for important details and instructions.

The law mandates a "recapture" of some of the benefit of the program if a Borrower meets all three of the following criteria -- the property ceases to be the principal residence in the first full nine (9) years after the date that the mortgage loan is closed; there is a profit on the sale of the home **AND** the household income is more than that year's adjusted qualifying income for Borrower's family size that year.

If Federal Recapture Tax is owed, it is computed and paid to the IRS for the tax year in which the home is sold. For the average Borrower, it is unlikely that he or she will be required to pay because his or her income is lower than that allowed. But if Federal Recapture Tax must be repaid, it will **never exceed the <u>lesser</u>** of 6.25% of the original loan amount or one-half of the gain on the sale of the home.

The most that a Borrower will ever be required to pay when a Borrower sells his or her home in the first nine years is 6.25% of the highest principal amount of the mortgage loan that was federally subsidized during the life of the loan. This amount is considered to be the federally subsidized amount. When a Borrower sells his or her home is as important as the amount a Borrower receives for the sale of his or her home and his or her income at the time a Borrower sells. The actual Federal Recapture Tax, if any, can only be determined when a Borrower sells his or her home.

Remember:
- If a Borrower sells his or her home after nine years, there is no Federal Recapture Tax due;
- If he or she does not receive a gain (net profit) on the sale of his or her home, there is no Federal Recapture Tax due, **or**
- If the household income is not more than that year's adjusted qualifying income for Borrower's family size that year, there is no Federal Recapture Tax due.

A Borrower is Not Subject to the Federal Recapture Tax if:
- His or her home is disposed of as a result of his or her death.
- A Borrower transfers his or her home to his or her spouse or his or her former spouse incident to a divorce and a Borrower has no gain or loss included in his or her income as a result of the transfer.
- A Borrower refinances his or her home (unless Borrower later meets the recapture rules).
- Borrower's home is destroyed by fire, storm, flood or other casualty if home is replaced on its original site within two (2) years after the end of the tax year when the casualty happened.

However, if a Borrower gives away his or her home (other than incident to a divorce), Federal Recapture Tax amounts must be calculated as if the home was sold at fair market value at the time of disposition.

Income Increase:
If a Borrower sold his or her home and made a net profit, then a Borrower may have to pay Federal Recapture Tax, depending on whether his or her income has increased past the maximum allowable amount. Within 90 days from the date of the Final Approval, IHCDA will send to each Borrower a *Notice to Borrower of Maximum Recapture Tax and of Method to Compute Recapture Tax on Disposition of Home*. A sample of this notice is included on the following pages. Borrower should keep this notice for future reference in calculating the Federal Recapture Tax.

How much do I owe?
The amount a Borrower owes will be the **lesser** of 50% of the gain realized from the sale of his or her home OR the amount resulting from a calculation that uses:

- The income percentage (Consider the amount by which his or her income exceeds the limit in the year that a Borrower sells. If the amount is $5,000 or more, then his or her income percentage is 100%. If less than $5,000 then divide the amount by which his or her income exceeds the limit by $5,000 and round to the nearest whole percentage.)
- The maximum recapture tax or federally subsidized amount (this is .0625 x the highest principal amount of his or her loan).
- The holding period percentage as shown on the chart below:

Disposition Within # Months of Closing	Holding Period Percentage
1 - 12	20%
13 - 24	40%
25 - 36	60%
37 - 48	80%
49 - 60	100%
61 - 72	80%
73 - 84	60%
85 - 96	40%
97 - 108	20%
109 or More	No Recapture Tax

Again, a Borrower should consult with a tax advisor to determine whether he or she owes Federal Recapture Tax.

For more information, contact the IRS and request Form 8828 and the instructions for Form 8828 (both available on the IRS Website: http://www.irs.gov).

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SAMPLE LETTER

INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
30 SOUTH MERIDIAN STREET, SUITE 1000
INDIANAPOLIS, INDIANA 46204-3413

April 00, 2004

Series:	First Home
Orig :	(Code) Bank Name (Code)
SF #:	Number
Loan Amount:	$00,000.00
Term:	xx Months
Property:	Street Address
City/Zip:	City, zip
County:	County name
Reserv/Appl Date:	00-00-00
Commitment Date:	00-00-00
Closing Date:	00-00-00
Loan Purchase:	00-00-00

Notice to Borrower(s) of Maximum Recapture Tax
and of Method to Compute Recapture on Dispositions of Home

In accordance with Section 143 (m) of the Internal Revenue Code, the maximum recapture tax that you may be required to pay upon disposition of this property is $0000.00. This amount is 6.25% of the highest principal amount of this mortgage loan above referenced, and is your federally subsidized indebtedness with respect to the loan.

Disposition Within Months of Closing	**Holding Period Percentage**	**Adjusted Qualifying Income On date of Disposition, for Family Size**	
		2 or Less	**3 or More**
1 - 12	20%	62,900	72.335
13 - 24	40%	66,045	75,951
25 - 36	60%	69,347	79,748
37 - 48	80%	72,814	83,735
49 - 60	100%	76,454	87,921
61 - 72	80%	80,276	92,317
73 - 84	60%	84,289	96,932
85 - 96	40%	88,503	101,778
97 - 108	20%	92,928	106,866
109 or More	No Recapture Tax		

A. ***Introduction***

1. ***General.*** When you sell your home you may have to pay a recapture tax as calculated below. The recapture tax may also apply if you dispose of your home in some other way. Any references in this notice to the "sale" of your home also includes other ways of disposing of your home. For instance, you

2. ***Exceptions.*** In the following situations, no recapture tax is due:

(a) You dispose of your home later than nine years after you close your mortgage loan;

(b) Your home is disposed of as a result of your death;

(c) You transfer your home either to your spouse or to your former spouse incident to divorce and you have no gain or loss included in your income under Section 1041 of the Internal Revenue Code; or

(d) You dispose of your home at a loss.

B. ***Maximum Recapture Tax.*** The maximum recapture tax amount is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan.

C. ***Actual Recapture Tax.*** The actual recapture tax, if any, can only be determined when you sell your home, and is the lesser of (1) 50% of your gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income tax purposes, or (2) your recapture amount determined by multiplying the following three (3) numbers:

1. The maximum recapture tax, as described in paragraph B above;

2. The holding period percentage, as listed in Column 1 in the table; and

3. The income percentage, as described in paragraph D below.

D. ***Income Percentage***. You calculate the income percentage as follows:

1. Subtract the applicable adjusted qualifying income in the taxable year in which you sell your home, as listed in column 2 in the table on page one of this letter, from your modified adjusted gross income in the taxable year in which you sell your home.

Your modified adjusted gross income means your adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments: (a) your adjusted gross income must be increased by the amount of any interest that you receive or acquire in the taxable year from tax-exempt bonds that is excluded from your gross income (under Section 103 of the Internal Revenue Code); and (b) your adjusted gross income must be decreased by the amount of any gain included in your gross income by the reason of the sale of your home.

2. If the amount calculated in (1) above is zero or less, you owe no recapture tax and do not need to make any more calculations. If it is $5000 or more, your income percentage is 100%. If it is greater than zero but less than $5000, it must be divided by $5000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is $1000/$5000, your income percentage is 20%.

E. ***Limitations and Special Rules on Recapture Tax***

1. If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.

2. If your home is destroyed by fire, storm, flood, or other casualty, there generally is no recapture tax if, within two years, you purchase additional property for use as your principal residence or construct a new home on the site of the home financed with your original subsidized mortgage loan.

3. In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is determined separately for them based on their interests in the home.

4. If you repay your loan in full during the nine year recapture period and you sell your home during this period, your holding period percentage may be reduced under the special rule in Section 143(m)(4)(c)(ii) of the Internal Revenue Code.

5. Other special rules may apply in particular circumstances. You may wish to consult with a tax advisor or the local office of the Internal Revenue Service when you sell or otherwise dispose of your home to determine the amount, if any, of your actual recapture tax. See Section 143(m) of the Internal Revenue Code generally.

Sincerely,

Authorized Officer

INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
RESERVATION REQUEST PROCEDURES

Preliminary Eligibility Review

Before making a reservation request for an MCC loan, the Participating Lender is required to receive a fully executed Purchase Agreement. The Participating Lender should then determine if the home is located in a Targeted Area, Non-Targeted Area or a Designated Disaster Area and whether the Borrower meets other Program eligibility requirements. **NOTE: A PARTICIPATING LENDER CANNOT RESERVE A LOAN THAT IT CANNOT CLOSE IN ITS OWN NAME, EXCEPT IN THE CASE OF BROKERS GOING THROUGH A SUPPORTING LENDER AND CLOSING THE LOAN IN THAT SUPPORTING LENDER'S NAME.**

A RESERVATION IS IMPORTANT: *THE BORROWER CANNOT EXECUTE IHCDA'S DOCUMENTS WITHOUT AN IHCDA RESERVATION NUMBER.*

Reservation Request

Reservation requests are made using the IHSF online system. **All reservations will be accepted on a first-come, first-served basis and are always subject to availability of funds.** The Participating Lender must provide the following information at the time the reservation is made:

1. Lender's ID #
2. Borrower name(s) (Last, First, Middle Initial)
3. Property Address
4. City, Zip Code, and County in which property is located
5. Whether the property is a new or existing residence
6. Whether the property is located in a Targeted Area, a Non-Targeted Area, or a Designated Disaster Area
7. Loan Type (FHA, VA, RHS-Guaranteed or Fannie Mae)
8. Program (First Home, First Home/Plus, Disability)
9. Borrower's social security number(s)
10. Purchase (Sales) Price
11. First Mortgage amount **w/Mortgage Insurance Premium** (if applicable)
12. Second Mortgage amount (if applicable)
13. Household size
14. Interest rate
15. Borrower's yearly gross income
16. Co-Borrower's and anyone else residing in the household's yearly gross income

Once the required fields are completed, the IHSF online system will verify that the borrower and property are eligible for the Program. At this point a reservation confirmation will be available for printing.

The reservation confirmation should be placed in the Borrower's file for future reference. At the time the application package is submitted to IHCDA for review, the Participating Lender must furnish IHCDA with:

(a) A check (either Borrower's certified check or Participating Lender's check) or money order made payable to IHCDA for the applicable reservation fee; and

(b) A copy of the lender's pre-application form (1003).

Any overages paid to IHCDA (including additional reservation or application fees) will be refunded to the Participating Lender after the MCC is issued.

Cancellation

If the reservation is canceled by IHCDA because the proper documentation was not received on time, the Participating Lender may request reinstatement of the reservation. Such request must be made in writing. Reinstatements will be approved at IHCDA's sole discretion, and subject to the availability of funds, and upon receipt of the application (1003), receipt of the reservation fee, and receipt of the reinstatement fee. The current fee schedule follows this section.

Once a reservation is canceled, the Participating Lender has thirty (30) days to reinstate the loan, subject to the availability of funds. If the loan is not reinstated by the thirtieth (30^{th}) day, the reservation will be permanently canceled and there will be a flat $500 for a subsequent reinstatement.

Modifications

A Participating Lender must request, in writing, any change to a Borrower's reservation, subject to the following conditions:

(a) **Mortgage amount increase.** Requests will be subject to the availability of funds and will not be approved until IHCDA receives the balance of the reservation fee due. Please include the purchase price and loan amount (original and revised) in your written request.

(b) **Change of Address.** Request must be submitted in writing to IHCDA along with a new reservation check list and must include the reason for the change. If the file has not been underwritten by IHCDA the lender should contact the Single Family Coordinator and the appropriate changes will be made at that time. If the file has been underwritten by IHCDA the lender will need to contact the Underwriter shown in the IHSF Management System, at that time the underwriter will back out the approval and request corrected documents listing the new address which will include a new 1003, MCC-ALL and any other applicable documents. Once the file has been re-reviewed and all changes have been made the loan status will be updated to reflect the approved status

(c) **Transfer of Reservation (Borrower).** IHCDA will not allow a transfer of a reservation from one borrower to another.

(d) **Transfer of Reservation (Participating Lender).** IHCDA will allow a transfer of a reservation from one Participating Lender to another. The original Participating Lender must submit a letter stating that the reservation and the reservation fees are to be transferred to the new Participating Lender. The new Participating Lender must submit a letter stating that they will accept the transfer of the reservation with a reservation request. A new application file must be submitted. The new Participating Lender cannot close without an approval from IHCDA with the new Participating Lender's name specified on the documents. **The loan application will not start over in the IHSF**

processing system because of an approved Participating Lender change. All due dates will remain intact.

Participating Lender's Cancellation of a Reservation

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 IHCDA in writing as soon as possible. All refunds will be issued to the Participating Lender and mailed to the Participating Lender's contact ***(checks will not be made out to or mailed to the Borrower)***. **Reinstatement or extension fees are not refundable.** To obtain a refund of the reservation fee, the following information must be included in the letter:

(a) Borrower name(s);
(b) Reservation number;
(c) Property address;
(d) Loan amount;
(e) Amount of reservation fee submitted; and
(d) Reason for cancellation

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INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
Mortgage Credit Certificate Program
2010 Program
Fee Schedule

IHCDA Reservation Fee:

One-half of one percent (.50%) of the mortgage amount

Extension Fee:

Commitment Extension: One-quarter of one percent (.25%) of the mortgage amount for one 30-day extension.

Closing Package Late Submission: One-quarter of one percent (.25%) of the mortgage amount for one 30-day extension.

There are no extensions for Reservation Fees, or an Application/Closing Missing Document Status

Reinstatement Fees:

Auto Refund Reinstatement (if cancelled more than 30 days)	$500.00

IHCDA Reservation Fee Refunds:

If the application package has not been reviewed by IHCDA, the full reservation fee (i.e., the one-half of one percent (.50%)) will be refunded upon the Participating Lender's request for cancellation of the reservation

If IHCDA has reviewed the application package, one-quarter of one percent (25%) of the reservation fee will be retained by IHCDA, and the remaining reservation fee received by IHCDA will be refunded upon cancellation or denial to the Participating Lender.

Reinstatement, extension and late submission fees cannot be paid by the Borrower and are not refundable.

Participating Lender Fee Structure:

Fees paid by the participating lender to IHCDA for the Program are non-refundable and are as follows:

1. Fees will be collected from Participating Lenders in the Spring of each year. Any lenders choosing to sign up later in the year will be required to pay the full amount. All Participating Lenders are required to execute the MCC Mortgage Origination and Sales Agreement and Program Registration Form. A Program Registration Form must be executed for each participating branch.

2. Each participating lender will pay $125.00 fee for each participating office or branch.

   Fees associated with the Program

   New lender participation $500
   Recurring Lenders $500
   Additional office or branch $125 (offices that require separate sign-on ID's)

INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
APPLICATION PACKAGE SUBMISSION

Participating Lenders are encouraged to pre-qualify borrowers for credit eligibility whenever possible; loan applications (1003) can be dated prior to the date of the purchase agreement. **NOTE: IHCDA'S DOCUMENTS CANNOT BE DATED PRIOR TO THE DATE OF THE RESERVATION.**

Due Date and Submission

The Participating Lender is responsible for performing a thorough investigation to determine that both the Borrower and the property meet program requirements. The following information must be submitted to IHCDA:

(1) Document Order Checklist - **Original** (MCC-1 dated 01/2010)
(2) Mortgage Loan Application - **Copy** (FNMA 1003)
(3) MCC-ALL - **Copy** (dated 01/2010)
(4) Photocopies of past three years' tax returns
(6) Divorce Decree or Legal Separation Agreement; If applicable – **Copy**

The Application Package <u>must</u> be "Acco" fastened together. PLEASE DO NOT STAPLE.

If the loan amount has changed since the day of reservation, the Participating Lender should make note of it on the file and enclose the additional reservation fees, if applicable.

Tax Returns

The top of the tax return must be completed with the Borrower's social security number and address and must be signed. All IRS printouts must be signed by the Borrower as well as if there is a telefile. The confirmation number must be included on the forms.

Acceptable Tax Returns are as follows:

1040 with all applicable schedules, 1040A, 1040EZ, Telefile, 1722 Tax return Transcripts from the IRS including any cover pages, or 1040PC (backup to the Electronic Filing Form).

Application Package Submission (Extension)

Subject to the availability of funds, IHCDA will review and consider requests for extensions at that time. Extensions will be granted solely at the discretion of IHCDA and will only be considered upon the submission of:

(a) A written request submitted prior to the expiration of the reservation **that <u>lists specific reasons</u> for the extension request and the projected date the application package will be submitted;** and

(b) The extension fee (for each 30 day extension requested). A fee schedule is included at the end of Section 5.

Any application package that has not been received by the 90th day for existing housing or the 180th day for new construction will require a reinstatement fee and one extension. Please see fee schedule in section 5

Extension, reinstatement and late submission fees <u>cannot be paid by the Borrower</u> and they are not refundable! Extension, reinstatement fees and late submission can be paid by the Participating Lender, builder, real estate agent, or seller. **Any Participating Lender who allows the Borrower to pay extension, reinstatement or late submission fees must refund those fees to the Borrower and show proof of refund to IHCDA.**

<u>If the reservation is cancelled for more than 30 days it is considered permanently cancelled and may only be reinstated subject to fund availability, written request and a payment of reinstatement fee of $500.</u>

Subject to the availability of funds, IHCDA will review requests for reinstatement of the reservation. Such extensions will be granted at the sole discretion of IHCDA and will only be considered upon the submission of:

(a) A written request for reinstatement and submission of the application package;

(b) The reinstatement fee of $500.00; and

(c) The extension fee (for each 30-day extension requested). A fee schedule is included at the end of section 5.

Application Package Submission (Approval)

All files will be reviewed in the order that they are received. Any mail received by IHCDA before 12:00 (noon) EST will be logged in as received that day. If the mail is received after 12:00 (noon) EST, it will not be logged in until the next business day. Participating Lenders should refer to the IHSF online system regularly for IHCDA's current estimated turnaround time on applications and underwriting.

When IHCDA determines that the application package is complete and in compliance with program requirements, IHCDA will approve the loan in IHSF online system and the status will show "Approved" next to "Appl Pkg Review". The Participating Lender may check the status in the IHSF online system 48 hours after the date the package was submitted to IHCDA for approval. **The closing date of the loan cannot precede the Approval date in the IHSF online system.** The MCC must be issued prior to the conditional commitment expiration date. The closing package must indicate that there have been no material changes that would result in Borrower or property ineligibility.

Application Package Submission (Pended)

If IHCDA needs additional information or if the application package is incomplete, the application package will be considered "pended" and the status will show "Incomplete" in the IHSF online system. The Participating Lender then has 30 days from the original date shown in the IHSF system to respond to IHCDA's request for additional information and obtain approval status. Even if the file is updated electronically the documents are still required 30 days from the original date shown in the IHSF system. Merely updating the file in response to IHCDA questions or requests is not sufficient. **A pended file must be approved in 30 days. There are no extensions allowed for correcting missing document.**

Permanent Cancellation

If IHCDA cannot approve the loan within 30 days of the date shown in the IHSF system, IHCDA will cancel the reservation the Thursday following the due date.

At the time of cancellation, the Participating Lender has 30 additional days to reinstate the file and pay the reinstatement fee in accordance with the Cancellation and Reinstatement section set out earlier in this section. If on the thirtieth (30^{st}) day after cancellation the loan has not been reinstated and approved, the file will be **PERMANENTLY CANCELED**. AT THIS POINT THERE WILL BE NO FURTHER REINSTATEMENTS unless accompanied by a letter requesting reinstatement and the reason the Participating Lender did not act in the appropriate time as well as a $500 reinstatement fee. If no request is received, THE APPROPRIATE REFUND WILL BE PROCESSED AND RETURNED TO THE ORIGINATING LENDER. Refunds are calculated in accordance with the fee schedule found at the end of Section 5.

Denied Reservation

IHCDA may post a “Rejected” status on the IHSF online system if the information included in the application package indicates that the Borrower or the property does not meet Program requirements. IHCDA will cancel denied loans ten (10) days after the date the application is given “Rejected” status on the IHSF system, and any funds previously allocated to the property shall be made available for use for other MCC applications. IHCDA will retain a portion of the reservation fee and the remainder of the reservation fee will be refunded to the Participating Lender within fourteen (14) days. Refunds are calculated in accordance with the fee schedule found at the end of Section 5.

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INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
CLOSING PACKAGE SUBMISSION

Due Date

The MCC must be issued by the Commitment Expiration Date listed on the IHSF online system. The Commitment Expiration Date is **90** days after the date of reservation on ALL properties **EXCEPT** for on new construction loans which expire **180** days after the date of reservation. **Additionally**, the closing package must be received within 30 days of the closing date. If the package is received on the 31st day or after, a late fee of one-quarter of one percent (0.25%) of the loan amount will be assessed and must be paid prior to the issuance of the MCC.

Submission

After the loan closing, the Participating Lender forwards to IHCDA the executed closing package, which consists of the following:

(1) Extension fees, reinstatement fees or balance of reservation fees (if appl.)
(2) Closing transmittal letter (MCC-7 dated Jan 2010)-**Original**
(3) Copy of final loan application (typed and signed) (FNMA 1003) - **Copy**
(4) MCC-ALL (dated Jan 2010) - **Original**
(5) Authorization for Seller's Signature (if appl.) - **Copy**
(6) HUD - 1 Settlement Statement - **Copy**
(7) First two pages of Appraisal - **Copy**
(8) First Page of the Mortgage – **Copy**
(9) Mortgage Note (Must show signatures) - **Copy**

The closing package must be two hole punched at the top with all forms "Acco" fastened together. The closing package does not need to be submitted in a folder.

IHCDA documents cannot be dated prior to the date of closing.

Closing Package Submission Extension

Requests for one 30 day extension of the issuance of the MCC will be considered by IHCDA on a case-by-case basis and granted at the sole discretion of IHCDA and only if funds remain available. IHCDA will only consider a request for extension after receiving:

(a) A written request that enumerates the **specific reasons** for the extension request, prior to the conditional Commitment Expiration Date on the IHSF online system; and

(b) An extension fee (for one 30 day extension). A fee schedule is included at the end of Section 5.

Cancellation

If the Participating Lender fails to have the MCC issued by the Commitment Expiration Date, IHCDA will cancel the reservation on the Thursday following the Commitment Expiration Date. No MCC will be issued until all applicable fees are paid. The Participating Lender may file a written request for reinstatement of the canceled reservation.

Subject to the availability of funds, IHCDA will review requests for reinstatement of the reservation. Such extensions will be granted solely at the discretion of IHCDA and will only be considered upon the submission of:

(a) A written request for reinstatement and submission of appropriate documentation to issue the MCC;

(b) The reinstatement fee; and

(c) The extension fee (for each 30-day extension requested). A fee schedule structure is included at the end of Section 5.

(d) Once the MCC window is closed, loan increases are subject to availability of funds.

Once the reservation is canceled the Participating Lender has 30 days to reinstate the loan, subject to the availability of funds. If reinstatement has not occurred by the 30th day, the reservation will be canceled **permanently** unless a $500 reinstatement fee is paid to reinstate the loan. See Section 6 for additional details regarding cancellation and who may pay the reinstatement fee.

Closing Package Submission Approval

If IHCDA determines the closing package is in compliance with Program requirements, IHCDA will issue the MCC. MCCs are issued every other Friday.

Closing Package Submission (Pended)

If IHCDA requires additional information or the closing package is incomplete, the closing package will be considered ***pended*** and the status will show "Incomplete" in the IHSF online system. The additional information or corrected documents must be submitted to IHCDA within 30 days of the original date shown in the IHSF system. If the file is "updated" electronically, the documents are still required 30 days from the original date shown in the IHSF system. Merely updating the file in response to IHCDA questions or requests is not sufficient. A pended file must be approved in 30 days. There are no extensions allowed on a pended loan, although IHCDA may grant additional time to complete the file in the event of extenuating circumstances. Requests for additional time must be submitted in writing (via fax or email).

Cancellation

If the Participating Lender fails to resolve a pended closing package within 30 days of the date shown in the IHSF system, the reservation will be canceled on the following Thursday with no further notice to the Participating Lender.

Once the reservation is canceled the Participating Lender has 30 days to reinstate the reservation, subject to the availability of funds. If upon the 30th day the loan is not reinstated, the reservation will be canceled **permanently** unless a $500 reinstatement fee is paid to reinstate the loan. See Section 6 for additional details regarding cancellation and who may pay the reinstatement fee. The appropriate fees will be refunded to the originating Participating Lender.

Rejected Reservation

IHCDA may post a "Rejected" status on the IHSF online system if the information included in the closing package indicates that the loan does not meet Program requirements. IHCDA will cancel rejected loans ten days from the date shown in the IHSF online system and any funds previously allocated to the property shall be made available for use for other MCC applications. IHCDA will retain a portion of the reservation fee and the remainder of the reservation fee will be refunded to the Participating Lender. For refund information see the fee schedule at the end of Section 5.

Extension, reinstatement and late submission fees <u>cannot be paid by the Borrower</u> and they are not refundable! Extension, reinstatement fees and late submission can be paid by the Participating Lender, builder, real estate agent, or seller. **Any Participating Lender who allows the Borrower to pay extension, reinstatement or late submission fees must refund those fees to the Borrower and show proof of refund to IHCDA.**

FORMS:

Transmittal Letter

Be sure to mark whether the property is new construction or existing housing and whether the property is located in a Targeted or Non-Targeted Area, or in a Designated Disaster Area. A list of Targeted and Designated Disaster Areas may be found in Section 1 of this guide.

Final MCC-ALL

The Borrower must read, and with the Participating Lender's assistance, complete all sections of the MCC-ALL. The Borrower must sign the Final Original copy of the MCC-ALL document in the presence of the Participating Lender's representative. The Participating Lender's representative must sign and date the Final Original copy of the MCC-ALL document as a witness and aver that the Participating Lender believes the information included therein to be correct. The Participating Lender cannot sign and date the Final Original copy of the MCC-ALL document prior to the date of the Borrower's signature.

Seller's Affidavit

If an power of attorney of the seller signs the MCC-ALL , evidence of authorization to act on behalf of the seller must be included with the closing package. The Participating Lender's representative must sign and date the MCC-ALL as a witness and aver that the Participating Lender believes the information included therein to be correct. The Participating Lender cannot sign and date prior to the date of the seller's signature. **PLEASE CHECK THIS DOCUMENT CAREFULLY AS IT IS OFTEN DIFFICULT TO LOCATE THE SELLER AFTER CLOSING.**

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INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
PARTICIPATING LENDER'S TAX ADVISORY
OBLIGATION TO THE BORROWER(S)

The Participating Lender has an obligation to provide the borrower(s) a copy of the Internal Revenue Service Form W-4, Employee's Withholding Allowance Certificate (See Appendix 10). This form contains the Internal Revenue Service instructions for filing with his employer the number of exemptions to be used in calculating the payroll withholding for Federal Income Tax purposes. The borrower must decide whether or not to adjust his withholding exemptions and decrease his federal Income Tax withholding in an amount comparable to the expected credit usable by the borrower(s).

The Participating lender shall advise the borrower(s):

(a) To consult a tax advisor or accountant to determine the Federal Income Tax consequences of participating in the Mortgage Credit Certificate Program and not to rely on statements of the IHCDA, the Participating Lender or others; and

(b) That the use of the Mortgage Credit Certificate will reduce the borrower(s) itemized deduction for mortgage interest used to compute Federal Taxable Income and that the credit is only usable if the borrower(s) has a Federal Income Tax Liability and, depending upon the amount of such liability, may not be fully usable; and

(c) Any such credit, which may be available, will be prorated during the first year and the last year the credit is available based upon the number of months during which the borrower(s) and the single-family residence qualify under the Internal Revenue Code for the credit; and

(d) That the borrower(s) **must** prepare his Federal Income Tax Return on Form 1040 to be able to take any such credit which may be available. IRS Form 1040A or 1040EZ **cannot** be used in conjunction with the MCC.

INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
PARTICIPATING LENDER REPORTING REQUIREMENTS

IRS FORM 8329

IHCDA is responsible for mailing the original MCC to the Borrower and a copy of the MCC to the Participating Lender. The copy is to be maintained by the Participating Lender for completion of IRS Form 8329.

IRS Form 8329 must be completed for each MCC series for which the Participating Lender made MCC loans and IHCDA issued a MCC. The IRS Form 8329 is to be completed and filed with the IRS no later than January 31 following the applicable calendar year. An MCC assisted mortgage need only be reported once on IRS Form 8329.

RECORD RETENTION

The Participating Lender must retain the following information for each MCC holder for six (6) years:

1. Name, address, and Social Security Number or Tax Identification (TIN) of each of the MCC holders.

2. Name, address, and TIN of issuer:
   Indiana Housing & Community Development Authority
   30 South Meridian Street, Suite 1000
   Indianapolis, IN 46204

3. Date of loan closing, certified indebtedness amount (original mortgage amount) and the MCC rate.

Please consult www.irs.gov for the appropriate address to deliver the Form 8329 to the IRS.

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INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
RE-ISSUANCE AFFIDAVIT

THERE ARE IMPORTANT LEGAL CONSEQUENCES TO THIS LEGAL AFFIDAVIT: READ IT CAREFULLY BEFORE SIGNING

(Please print or type)

Borrower name: ____ SSN _________________________

Co-borrower name: ____ SSN _________________________

Home telephone number: ____

Borrower's work telephone number: ____

Co-Borrower work telephone number: ____

Address ____

_______________________________________, Indiana __________________________________
(City) (Zip)

I, THE UNDERSIGNED, DO HEREBY AFFIRM UNDER PENALTIES OF PERJURY THAT THE FOLLOWING REPRESENTATIONS ARE TRUE AND COMPLETE:

The property for which I was originally issued a Mortgage Credit Certificate ("MCC") and for which the address is shown above is currently my principal place of residence. [NOTE: If your address has changed for "911" purposes, please specify.]

Except for the reasons of death or divorce, only (see number 5 below), I am the same persons whom the existing original MCC was issued.

I have refinanced the mortgage after December 22, 1992 and an MCC was previously issued. We are requesting that an MCC be reissued for the new mortgage indebtedness.

I will not use both the original and reissued MCC, and will use only the amortization of the "Certified Indebtedness" rather than the principal balance of the new mortgage when calculating my annual tax credit.

I am/have not been not restricted as to which lender used to refinance the MCC mortgage.

We understand that I will be dealing directly with IHCDA regarding the re-issuance of the MCC, not the mortgage lender.

In support of my request that my MCC be reissued for my refinanced mortgage loan, I hereby submit the following to IHCDA:

1. This affidavit together with a certified check, cashier's check, or money order for the re-issuance fee in an amount equal to one-quarter of one percent (0.25%) of the new mortgage loan, payable to Indiana Housing and Community Development Authority.

2. Copy of the HUD-1 Settlement Statement for the re-financed loan (which has been signed by the lender and me). [NOTE: A copy may be obtained from your lender or title company.]

3. Copy of the Mortgage Promissory Note for the **refinanced** loan (which has been signed by me). [NOTE: A copy may be obtained from your lender or title company.]

4. Original, or if lost, a copy of the originally issued MCC.

5. If there has been a change in original recipients, copy of Death Certificate or Divorce Decree.

6. Payoff Statement showing the exact principal balance and payoff of **old** mortgage.

All of the required documentation must be sent to the address below:

Indiana Housing & Community Development Authority
ATTN: MCC Re-issuance
30 South Meridian Street, Suite 1000
Indianapolis, IN 46204

______________________________	______________
Borrower Signature	Date
______________________________	______________
Co-Borrower Signature	Date

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INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
REVOCATION PROCEDURES

Automatic revocation of an MCC occurs when the single-family dwelling for which the MCC was issued ceases to be the MCC holder's principal residence or when the MCC loan is paid in full or assumed.

The Participating Lender must notify IHCDA within 5 days of the following occurrences with respect to any MCC loan:

1. Foreclosure of the MCC loan;
2. Payment of the MCC loan in full;
3. Assumption of the MCC loan; or
4. Refinancing of the MCC loan.

The Participating Lender shall be responsible for advising any person servicing the MCC loan of this reporting requirement.

The MCC holder must notify IHCDA within 5 days if the single-family dwelling ceases to be the MCC holder's principal residence.

In the event that IHCDA determines that a MCC holder's eligibility for the MCC was possibly based on misrepresentation or on fraudulent statements made, IHCDA will notify the Participating Lender and the MCC holder of its intent to revoke the MCC. The notification will give the reasons for the intended revocation and give the Participating Lender and the MCC holder 15 days to respond in writing and/or provide additional information for IHCDA's consideration.

If no response is received from either the Participating Lender or the MCC holder, the MCC will be revoked by IHCDA. Upon receipt, IHCDA will review and consider additional information or documentation presented in support of the MCC holder's eligibility and determine whether to revoke the MCC. If the decision is made to revoke the MCC, IHCDA will notify the Participating Lender and the MCC holder of such decision.

Revocations of MCCs are reported to the IRS by IHCDA quarterly on IRS Form 8330. The MCC holder's name, address, and Social Security Number or Taxpayer Identification Number are reported on the form.

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