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Indiana Housing & Community Development Authority

2011

MORTGAGE CREDIT CERTIFICATE

PROGRAM GUIDE

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY MORTGAGE CREDIT CERTIFICATE PROGRAM GUIDE TABLE OF CONTENTS

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INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
DEFINITIONS

"Acquisition Cost" shall have the meaning set forth in Section 3 of this Program 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.

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

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

"Program Guide" means the 2011 Mortgage Certificate Program Guide for IHCDA's MCC Program.

"IHCDA" means Indiana Housing and Community Development Authority.

"IHSF" means the Indiana Housing Single Family online system used by IHCDA to manage the Program.

"MCC" means Mortgage Credit Certificate.

"Participating Lender" means a lender that has signed a Mortgage Credit Certificate Program Registration Form and a MCC Mortgage Origination Agreement 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 Program Guide.

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

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
INTRODUCTION

The Mortgage Credit Certificate 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. A Borrower purchasing a new or existing single family residence may apply for a MCC through a Participating Lender at the time it applies for its loan. 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 any IHCDA program funded by mortgage revenue bonds.

A MCC operates as a federal income tax credit, reducing Borrower's federal income tax. This credit, in effect, creates additional income which Borrower may use toward its 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 $2,000.00. The credit rate is based on the total 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 so long as the borrower occupies the property as his principal residence. In most cases, the MCC may be reissued if the borrower refinances.

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

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

This Executive Summary provides a summary of materials provided in this Program 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 Program 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 Program 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 and when the Borrower is an eligible veteran. (Please see Section 2 of this Program 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 Program Guide for a complete explanation.)

5. The home must be the Borrower's **principal residence**. (Please see Section 3 of this Program 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 any **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.**

2. **LOANS WILL NEED THE APPROVAL OF IHCDA PRIOR TO CLOSING.**

3. The Participating Lender must complete the reservation through to issuance of the MCC. IHCDA will not acknowledge any third party involvement. **However, the reservation may be transferred or assigned to another Participating Lender upon the Borrower's request, as set forth in Section 5.**

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

5. The closing package must be submitted within thirty (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 thirty (30) days of closing. IHCDA also charges 0.25% of the loan amount for Commitment Extension fees.

6. If the reservation is canceled at any stage, the Participating Lender has thirty (30) days in order to reinstate the reservation, subject to the availability of funds. After the 30th day the loan is **permanently terminated** unless a $500.00 reinstatement fee is paid to reinstate the loan.

7. IHCDA reserves the right to request any documentation needed to make accurate determination on any given file.

8. **Faxed conditions are accepted. Feel free to fax documentation to 317-233-2558.**

9. **Tracing the Borrower or seller's signature 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 AND 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					

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INDIANA HOUSING AND 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 the 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. See the list of Targeted Areas in Section 1 of this Program 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.

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 the Program are set forth in federal regulations and must be followed. The "Gross Annual Income" (as defined below) of the Borrower must be determined, along with the Gross Annual Income of any other person eighteen (18) years old and older who intends to reside at the property and is not a full-time student. Additionally, the Gross Annual Income of any other person who is legally married to the Borrower must be included into the Gross Annual Income of the Borrower.

NOTE: The following persons <u>shall not</u> be included when calculating Borrower's household size for the purpose of determining whether Borrower's Gross Annual Income falls within the Federal income limits: foster children, live-in aides (as defined in 24 CFR 5.403), children of live-in aides, unborn children, children that the Borrower is not legally obligated to care for, and children being pursued for legal custody or adoption who are not currently living with the household. Upon request, Borrower should be prepared to provide legal documents issued by a court, as proof of an adoption, guardianship, record of birth, etc.

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 Divorced Borrower**. The income of a Borrower's Spouse must be included in the Gross Annual income for the household, unless a Borrower is legally divorced from his or her spouse. A Borrower must provide IHCDA with a copy of a divorce decree signed by a judge in order to be

considered “legally divorced”. A legal separation agreement or a petition for dissolution will not suffice.

(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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determined by the income limits in which the residence to be purchased is located; the IHCDA website contains county-by-county limits.

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 the Program are set forth in federal regulations and must be followed. The "Gross Annual Income" (as defined below) of the Borrower must be determined, along with the Gross Annual Income of any other person eighteen (18) years old and older who intends to reside at the property and is not a full-time student. Additionally, the Gross Annual Income of any other person who is legally married to the Borrower must be included into the Gross Annual Income of the Borrower.

NOTE: The following persons <u>shall not</u> be included when calculating Borrower's household size for the purpose of determining whether Borrower's Gross Annual Income falls within the Federal income limits: foster children, live-in aides, children of live-in aides (as defined in 24 CFR 5.403), unborn children, children that the Borrower is not legally obligated to care for, and children being pursued for legal custody or adoption who are not currently living with the household. Upon request, Borrower should be prepared to provide legal documents issued by a court, as proof of an adoption, guardianship, record of birth, etc.

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 Divorced Borrower**. The income of a Borrower's Spouse must be included in the Gross Annual income for the household, unless a Borrower is legally divorced from his or her spouse. A Borrower must provide IHCDA with a copy of a divorce decree signed by a judge in order to be

considered “legally divorced”. A legal separation agreement or a petition for dissolution will not suffice.

(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 AND 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 the 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. See the list of Targeted Areas in Section 1 of this Program 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.

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 the Program are set forth in federal regulations and must be followed. The "Gross Annual Income" (as defined below) of the Borrower must be determined, along with the Gross Annual Income of any other person eighteen (18) years old and older who intends to reside at the property and is not a full-time student. Additionally, the Gross Annual Income of any other person who is legally married to the Borrower must be included into the Gross Annual Income of the Borrower.

NOTE: The following persons <u>shall not</u> be included when calculating Borrower's household size for the purpose of determining whether Borrower's Gross Annual Income falls within the Federal income limits: foster children, live-in aides, children of live-in aides (as defined in 24 CFR 5.403), unborn children, children that the Borrower is not legally obligated to care for, and children being pursued for legal custody or adoption who are not currently living with the household. Upon request, Borrower should be prepared to provide legal documents issued by a court, as proof of an adoption, guardianship, record of birth, etc.

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 Divorced Borrower**. The income of a Borrower's Spouse must be included in the Gross Annual income for the household, unless a Borrower is legally divorced from his or her spouse. A Borrower must provide IHCDA with a copy of a divorce decree signed by a judge in order to be

considered “legally divorced”. A legal separation agreement or a petition for dissolution will not suffice.

(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 AND 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. 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 two (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's immediate family.

(D) **The Borrower 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 **or** within sixty (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

(3) 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 AND 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 any Borrower** who is required to pay the Federal Recapture Tax for the entire amount paid or for the reduction in his or her tax refund due to payment of Federal Recapture Tax. Please see the 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 (3) 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 the qualifying amount. 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 (9) 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 of the sale. The actual Federal Recapture Tax, if any, can only be determined when the Borrower sells his or her home.

Remember:

- If a Borrower sells his or her home after nine (9) 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 above the maximum allowable amount. Within ninety (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 fifty percent (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 $5,000.00 or more, then his or her income percentage is one hundred percent (100%). If less than $5,000.00 then divide the amount by which his or her income exceeds the limit by $5,000.00 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 AND 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 the above-referenced mortgage loan, 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.

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

(a) You dispose of your home later than nine (9) 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) fifty (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 $5000.00 or more, your income percentage is one hundred percent (100%). If it is greater than zero (0) but less than $5000.00, it must be divided by $5000.00. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is $1000.00/$5000.00, your income percentage is twenty percent (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 (2) 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 each individual based on each individual's interests in the home.

4. If you repay your loan in full during the nine (9) 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 or Non-Targeted 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:

- Borrower name(s) (Last, First, Middle Initial)
- Property Address
- City, Zip Code, and County in which property is located
- Whether the property is a new or existing residence
- Whether the property is located in a Targeted Area or Non-Targeted Area
- Loan Type (FHA, VA, RHS-Guaranteed or Fannie Mae)
- Program (MCC)
- Borrower's social security number(s)
- Purchase (Sales) Price
- First Mortgage amount **w/Mortgage Insurance Premium** (if applicable)
- Household size
- Interest rate
- Borrower's yearly gross income
- 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 on reservation fees paid to IHCDA will be refunded to the Participating Lender after the MCC is issued. Extension fees, Late Submission fees and Reinstatement fees are non-refundable.

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 thirty-first (31st) day, the reservation will be permanently terminated and there will be a flat $500.00 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.** Requests 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. In this case the commitment expiration date will start over. If the file has been underwritten by IHCDA the Participating Lender will need to contact the Single Family Coordinator, the loan will be canceled. At that time the Participating Lender will be able to reserve the new property. Reservation fees will be transferred to the new reservation number and the commitment expiration date will start over.

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

(d) **Transfer of Reservation to a Participating Lender.** Upon the request of a Borrower, 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 it will accept the transfer of the reservation with a reservation request. The original reservation will be canceled allowing the new Participating Lender to reserve the loan. The reservation fee will be transferred to the new reservation number, if applicable. Commitment expirationn dates will start over. 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 start over in the IHSF processing system** because of an approved Participating Lender change.

Participating Lender's Cancellation of a Reservation

If the Participating Lender determines that it will not be able 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 non 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
FEE SCHEDULE

IHCDA Reservation Fee:

0.50% of the mortgage amount

Extension Fee:

Commitment Extension: 0.25% of the mortgage amount for one (1) thirty (30) day extension.

Closing Package Late Submission: 0.25% of the mortgage amount for one (1) thirty (30) day extension.

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

Reinstatement Fees:

Termination Reinstatement (if cancelled more than thirty (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 0.50% will be refunded upon the Participating Lender's request for cancellation of the reservation.

If IHCDA has reviewed the application package, 0.25% 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 non 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 must pay $125.00 fee for each participating office or branch.

   Fees associated with the Program

New lender participation	**$500.00**
Recurring Lenders	**$500.00**
Additional office or branch	**$125.00 (offices that require separate sign-on ID's)**

INDIANA HOUSING AND 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 whether both the Borrower and the property meet program requirements. The Participating Lender must submit the following information to IHCDA:

(1) Document Order Checklist - **Original**
(2) Mortgage Loan Application - **Copy**
(3) MCC-ALL - **Copy**
(4) Photocopies of past three (3) years' tax returns
(6) Divorce Decree; 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 date 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).

Extensions

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 commitment expiration date **that <u>lists specific reasons</u> for the extension request;** and

(b) The extension fee (for each thirty (30) day extension requested). A fee schedule is included 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.

<u>If the reservation is cancelled the lender has thirty (30) days to submit the required documents to reinstate the loan; if on the 31st day it is not reinstated it is considered permanently terminated and may only be reinstated subject to fund availability, written request and a payment of reinstatement fee of $500.00.</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 thirty (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 forty-eight (48) hours after the date the package was submitted to IHCDA for approval. The Participating Lender must correct conditions and provide closing package to IHCDA before the conditional commitment expiration date. The Participating Lender cannot close the loan before receiving "Committed Approved Status" from IHCDA. 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 thirty (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 thirty (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 within thirty (30) days. There are no extensions allowed for correcting missing document.**

Permanent Termination

If IHCDA cannot approve the loan within thirty (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 thirty (30) additional days to reinstate the file. If on the thirty-first (31st) day after cancellation the loan has not been reinstated and approved, the file will be **PERMANENTLY TERMINATED**. 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 $500.00 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 AND COMMUNITY DEVELOPMENT AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
CLOSING PACKAGE SUBMISSION

Due Date

The Participating Lender must issue the MCC by the Commitment Expiration Date listed in the IHSF online system. The Commitment Expiration Date is ninety (**90)** days after the date of reservation on ALL properties **EXCEPT** for on new construction loans which expire one hundred eighty (**180)** days after the date of reservation. **Additionally**, the closing package must be received within thirty (30) days of the closing date. If the package is received on the 31st day or after, a late fee of 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 must submit the the executed closing package to IHCDA, which includes the following:

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

The closing package must be two (2) 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 thirty (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 (1) thirty (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; and

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

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

Once the reservation is canceled the Participating Lender has thirty (30) days to reinstate the loan, subject to the availability of funds. If reinstatement has not occurred by the 31th day, the reservation will be **permanently terminated** unless a $500.00 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 thirty (30) days of the original date shown in the IHSF system. If the file is "updated" electronically, the documents are still required thirty (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 thirty (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).

Termination

If the Participating Lender fails to resolve a pended closing package within thirty (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 thirty (30) days to reinstate the reservation, subject to the availability of funds. If upon the 31st day the loan is not reinstated, the reservation will be **permanently terminated** unless a $500.00 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 (10) 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 non 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. A list of Targeted Areas may be found in Section 1 of this Program 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 affirm 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 a power of attorney of the seller signs the MCC-ALL, evidence of authorization to act on behalf of the seller must be included in 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 AND 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. 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 in order 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 AND 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 Participating Lender must keep a copy of the MCC in order to complete 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 AND 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 five (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 five (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 fifteen (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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INDIANA HOUSING AND 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: _____ Last 4 digits of SSN _____

Co-borrower name: _____ Last 4 digits of SSN_____

Home telephone number: _____

Borrower's work telephone number: _____

Co-Borrower work telephone number: _____

Address _____

_____, Indiana _____
(City) (Zip Code)

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 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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