ihcda

Indiana Housing & Community Development Authority

2012

MORTGAGE REVENUE BOND

PROGRAM GUIDE

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS PROGRAM
DEFINITIONS

"Acquisition Cost" has 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.

"DPA" means down payment assistance.

"Federal Recapture Tax" has the meaning set forth in Section 6 of this Program Guide.

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

"IHCDA" means the Indiana Housing and Community Development Authority.

"Master Servicer" means U.S. Bank, N.A..

"MCC" means Mortgage Credit Certificate.

"MRB" means Mortgage Revenue Bond.

"Participating Lender" means a lender that has signed a Mortgage Revenue Bond Program Registration Form and Mortgage Origination and Sale Agreement with IHCDA.

"Program" means the First Home Program and the First Home/Plus Program, unless specifically indicated to the contrary in this Program Guide.

"Program Guide" means the IHCDA 2012 Mortgage Revenue Bond Program Guide for IHCDA's First Home/Plus 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 6 of this Program Guide.

"Second Mortgage" has the meaning set forth in Section 11 of this Program Guide.

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

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS PROGRAM GUIDE
TABLE OF CONTENTS

THIS PROGRAM GUIDE IS ARRANGED BY SECTION THEN PAGE NUMBER
(EXAMPLE: GEOGRAPHIC ELIGIBILITY, SECTION 1, PAGE 1, ETC.)

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS 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 2 of this Program Guide for a complete explanation.)

3. Borrowers must complete Homeownership training. The only acceptable Homeownership training program is **IHCDA University**, which may be accessed at http://www.in.gov/ihcda.

4. A Borrower must **not have had an ownership interest in his or her principal residence** within the past three (3) years. This restriction is waived for Borrower's who purchase in targeted areas and when the Borrower is an eligible veteran. (Please see Section 3 of this Program Guide for a complete explanation.)

5. 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 6 of this Program Guide for a complete explanation.)

6. The home must be the Borrower's **principal residence.** (Please see Section 2 of this Program Guide for a complete explanation.)

ADDITIONAL REQUIREMENTS FOR A BORROWER TO QUALIFY FOR DPA

1. DPA may only be used with FHA, FHA Disability, VA Disability, USDA Disability financing.

2. The level of DPA is six percent (6%) of the lower of the purchase price or appraised value. This percentage is capped at a maximum of $7,500 or six percent (6%). If using the FHA, USDA, or VA Disability program the DPA assistance is ten percent (10%) of the lower of the purchase price or appraised value. This percentage is capped at a maximum of $14,999.

3. **First Home Disability Borrowers must be within the First Home/Plus Program's income guidelines, posted on IHCDA's website, in order to qualify for down payment assistance. If so, the Borrower will automatically be eligible to receive ten percent (10%) of the lower of the purchase price or appraised value for the down payment assistance and up to $14,999. This program is for those borrowers using FHA, VA or USDA as their loan type. The Participating Lender is required to submit a Disability Questionnaire in the application package whenever it submits an application package to IHCDA.**

5. A Borrower using DPA funds is not eligible to receive any cash back at closing.

6. More conservative income limits are utilized for DPA.

7. If a loan was reserved **May 2, 2007 or after** and is refinanced or sold, the Second Mortgage is due and payable in accordance with the terms of its applicable promissory note.

8. A Borrower may contribute additional cash resources for down payment and closing costs. However, additional DPA cannot come from another source using HOME Investment Partnership Funds.

9. A rental tenant must not have occupied the subject property within the past three (3) months unless the current tenant is the purchaser. Any time a tenant is purchasing a property that it has rented, the Participating Lender must supply a lease agreement or a title commitment when the application package is presented for underwriting. If the property is tenant-occupied and tenant is not the purchaser; lender must supply signed letters from the seller and the tenant stating the tenant is not being displaced due to the disposition of the property.

10. Third-party inspections are required for each loan type (New Construction and Existing Properties) receiving DPA funds. The inspections must be conducted by an Indiana State Licensed home inspector who has a valid license and an (unexpired), executed contract with IHCDA and is listed on IHCDA's Approved Inspector List. The third-party inspection will become the property of IHCDA. The Participating Lender must place a copy of the third-party inspection and invoice in each application package. In addition, all third-party inspectors must complete the HUD Lead Visual Inspection on-line training and provide a certificate of completion, which must also be placed into the application package. Each Borrower must complete a MRB- 11 after a HUD Lead Visual Inspection is completed for each property built prior to 1978.

11. **REPAIR ESCROWS ARE NOT ALLOWED ON DPA LOANS. HOWEVER ESCROWS WILL BE ALLOWED PER FHA GUIDELINES DUE TO WEATHER RELATED ISSUES ONLY (THIS DOES INCLUDE SEED AND SOD). IN THESE SITUATIONS, THE PARTICIPATING LENDER MUST FUND THE DPA AND IHCDA WILL REIMBURSE THE PARTICIPATING LENDER ONCE A FINAL INSPECTION IS RECEIVED.**

12. The purchase price of the property cannot exceed the fair market value (appraised value). If it does, IHCDA cannot process the application.

13. No part of a single-family residence or its land may lie in a 100-year flood plain. There is no special requirement if the property lies in a 500-year flood plain. The Master Servicer requires all loans to have flood certifications. Properties which fall under zone "C" or "X" are eligible, but if the flood certification shows the property is located in zone "A" or "V", IHCDA cannot process the loan.

14. The purchase price of a new or existing home utilizing DPA funds cannot exceed the HOME 203(b) Single Family Mortgage Limits.

15. When IHCDA issues a preliminary approval, it approves both the first and Second Mortgage. There will be a condition in IHSF stating "This loan has been approved for DPA in the amount of $______."

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. As a courtesy, a rate sheet will be emailed to IHCDA's contact at Participating Lender detailing the date of change and rate. This information will be available in IHSF. For rate information, please check the IHCDA website at http://www.in.gov/ihcda. The Information and Rate Line may also be checked twenty-four (24) hours a day at (317) 232-3556 or (888) 227-4452. IHSF will reflect the current interest rate at all times.

3. The reservation fee for reserving an MRB loan is 0.125% of the loan amount.

4. A PARTICIPATING LENDERS MUST BE MORTGAGE BANKER. A MORTGAGE BROKER SHALL ONLY BE PERMITTED TO BE PARTICIPATING LENDERS IF IT CAN FULLY SERVICE A LOAN, OPEN, FUND AND CLOSE A LOAN IN ITS NAME OR IF IT USES A PARTICIPATING LENDER TO SUBMIT ITS LOANS TO THE MASTER SERVICER.

5. Participating Lenders may charge a one percent (1%) origination fee in addition to the $600.00 in allowable lender paid fees. Participating Lenders' fees charged to the Borrower must not exceed $600.00. Items paid to a third party must be noted as such on the HUD-1 Settlement Statement to not be included in the $600.00.

6. All loans must be sold to the Master Servicer or sub-servicer. After the loans are sold, the Participating Lender is paid 1.40% of the first mortgage amount.

7. **ALL LOANS MUST MEET AND BE UNDERWRITTEN BY FHA, VA, USDA RURAL DEVELOPMENT, OR FANNIE MAE GUIDELINES. ALL TAX COMPLIANCE QUESTIONS SHOULD BE DIRECTED TO IHCDA SINGLE HOMEOWNERSHIP DEPARTMENT, ALL OTHER QUESTIONS SHOULD BE DIRECTED TO THE MASTER SERVICER.**

8. **ALL LOANS MUST HAVE PRELIMINARY APPROVAL FROM IHCDA PRIOR TO CLOSING.**

9. **All loans reserved through IHCDA must close in the name of the Participating Lender in which the reservation was made.**

10. **The Participating Lender shall be responsible for ordering a third-party inspection from an inspector approved by IHCDA. The third-party inspection will be submitted to IHCDA and not the Borrower. The Participating Lender cannot order any third-party inspection until there is an executed sales contract on the property and it determines that the Borrower meets the Program's eligibility requirements. If the Participating Lender orders an inspection and the aforementioned requirements are not met, it may be required to reimburse IHCDA for the fees associated with the third-party inspection. In accordance with FHA Mortgagee Letter 2004-04, the Participating Lender must advise the Borrower of the importance of it obtaining an independent inspection for itself.**

11. **Co-Signers.** Co-signers of Borrower are allowed on the loan. Notwithstanding the foregoing, co-signers are not eligible to appear on the deed or the mortgage documents, or to sign any MRB/MCC documents, the Purchase Agreement, or the Second Mortgage or the Second Note with respect to DPA. Therefore, even **when submitting an application package where there will be a co-signer please submit with the Borrowers information only.**

12. **A Mortgage Rider is required in all closing packages. The rider should be attached**

to the FIRST MORTGAGE AND RECORDED WITH THE FIRST MORTGAGE.

13. The closing package must be received by IHCDA within thirty (30) days of closing. The Lender must ensure that **Final Approval** occurs by the commitment expiration date.

14. Faxed conditions are allowed; any fee due must be overnighted to IHCDA or can come in with the closing package, whichever is applicable.

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

16. Borrowers must complete Homeownership training. The only acceptable Homeownership training program is **IHCDA University**, which may be accessed at http://www.in.gov/ihcda.

17. An FHA case number must be assigned to every FHA loan.

18. All Program reservations, whether First Home or First Home/Plus, must be for thirty (**30) year fixed rate** mortgages.

19. **Tracing the Borrower's 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.**

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

21. **IHCDA STRONGLY ENCOURAGES PARTICIPATING LENDERS TO PRINT THE PROGRAM GUIDE FROM www.in.gov/ihcda.**

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS PROGRAM
GEOGRAPHIC ELIGIBILITY

Certain geographic areas of Indiana have been designated as "Targeted Areas" according to Program requirements. Areas of the State not designated as Targeted Areas are referred to as "Non-Targeted Areas". For each MRB series issued through 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 U.S. Department 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					

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS PROGRAM
BORROWER ELIGIBILITY

BORROWER ELIGIBILITY

A Borrower applying for financing 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 or her principal residence. This requirement does not apply to all members of the household only to those persons executing the loan documents. However, Borrowers acquiring residences in Targeted Areas and eligible veterans are exempt from the First-Time Homebuyer requirement. See the list of Targeted Areas in Section 1 of this Program Guide.

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.

(B) **Must be income eligible.** There are two levels of income eligibility:

1. Borrowers applying for FHA, VA, USDA Guaranteed, or Fannie Mae financing must meet income limits for the overall First Home Program based on the income and acquisition limits of the county in which the residence to be purchased is located; the IHCDA website contains county-by-county limits. Federal income limits for the Program are included on the IHCDA website.
2. Borrowers seeking down payment assistance through the First Home/Plus program must meet a second, lower income threshold that also varies by county. (These limits are posted on IHCDA's website). Please note that Participating Lenders may only use DPA with FHA, FHA Disability, VA Disability, or USDA Disability financing.

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 or older who intends to reside at the property and is not a full-time student. For any full-time student, you must include his or her earned income up to a maximum of $480.00 per year unless the student is head of household, co-head or the spouse (in which case the entire amount of the student's income must be included). 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 the Borrower's household size for the purpose of determining whether the 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, the Borrower must be able to provide legal documents, issued by a court or other government agency, that demonstrate proof of an adoption, guardianship, record of birth, etc.

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

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 businesses;

7. Income from rental or personal property;

7. Income from real or personal 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.

(C) **Income Verification Documentation.** The Participating Lender must supply the following documentation in order to comply with the Program's income verification requirements: (1) one (1) copy of certified tax return transcripts for the past three (3) consecutive years for each member of Borrower's household, eighteen (18) years old or older, utilizing IRS Form 4506T; and (2) one (1) copy of current pay stub (not dated more than thirty (30) days before the date that the application was submitted to IHCDA) for each member of Borrower's household, eighteen (18) years old or older. IHCDA, in its sole discretion, may request any other type of documentation that it may need in order to make an accurate determination (additional paystubs, third-party verification, etc.).

(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) **Expectation of Residency. 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 **AND** within sixty (60) days of completion for a newly constructed home.

(F) **Training.** Borrower must successfully complete IHCDA University Homeownership training program. IHCDA University is available via the IHCDA website. This is the only Homeownership Training program that will be accepted. A certificate of completion or achievement is required in each Borrower's loan application package.

(G) **Co-Signers.** Co-signers of Borrower are allowed on the loan. Notwithstanding the foregoing, co-signers are not eligible to appear on the deed or the mortgage documents, or to sign any MRB documents, the Purchase Agreement, or the Second Mortgage or the Second Note with respect to DPA. **Co-signers only sign the First Mortgage Note, therefore, when submitting an application package to IHCDA for a Second Mortgage only submit the Borrowers information and omit the co-signer's information.**

(H) **Conflicts.** If there are any conflicts between the guidelines of FHA, VA, USDA guaranteed, or Fannie Mae and the Program, please contact IHCDA. IHCDA will also address any questions regarding tax compliance. All other questions should be directed to the Master Servicer.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS PROGRAM
PROPERTY ELIGIBILITY

Property standards are determined by the type of financing the Borrower is using (FHA, VA, USDA Rural Development or Fannie Mae.)

The proceeds of the loans must be used to acquire the principal residence of the Borrower(s). The residence must meet the following requirements:

1. The property must be located in the State of Indiana.

2. The property must be:

   A. A single-family house, which term, for the purposes of FHA financing only, includes a manufactured home permanently affixed to real estate; or

   B. A condominium or planned unit development, in which case, current Fannie Mae, FHA or Rural Housing Guaranteed criteria should be followed.

3. 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:

   A. 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;

   B. If the residence is incomplete, the reasonable cost of completing the residence whether or not financed by the loan;

   C. 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 loans. Repair escrows are permissible where the repairs to be undertaken are not for items that pose a threat to occupant health and safety; repair escrows are not allowed on DPA loans;

   D. 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);

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

   F. 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:

A. Usual and reasonable settlement and financing costs including:

(1) Title and transfer costs;

(2) Title insurance;

(3) Survey fees and other similar costs;

(4) Credit reference fees;

(5) Legal fees;

(6) Appraisal expenses;

(7) Usual and reasonable financing points;

(8) Structural and systems or pest inspections; and

(9) Other related costs of financing the residence.

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

5. **The Borrower must reasonably expect to reside in the property as his 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.

6. No more than ten percent (10%) of the total area of the principal residence can reasonably be used as:

A. The principal place of business for, or connected with, any trade or business on an exclusive or regular basis;

B. 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

C. A place used on a regular basis in a trade or business.

7. All residences being purchased through the First Home Plus Program, whether new construction or existing construction (and regardless of whether the purchase of the residence is being financed by a FHA, VA, or USDA loan), must have a third-party inspection conducted on it by an home inspector licensed by the State of Indiana who has a contract with IHCDA that is valid at the time the inspection is performed. A copy of the inspection report must be included in the application package. The Participating Lender shall be responsible for ordering the third-party inspection from an inspector approved by IHCDA that has a valid home inspector's license with the State of Indiana. The third-party inspection shall be ordered for and used by IHCDA and not for or by the Borrower. The Participating Lender cannot order any third party inspection until there is an executed sales contract and it determines that the Borrower meets the Programs eligibility requirements. If the Participating Lender orders a third-party inspection and the aforementioned requirements are not met, it may be required to reimburse IHCDA for the fees associated with the third-party inspection. In accordance with FHA Mortgagee Letter 2004 04, the Participating Lender must advise the Borrower of the importance of it obtaining an independent inspection for itself. Any adverse property conditions noted by the inspector and documented on the third-party inspection must be submitted with the application package as well as documentation of the inspection results

8. **For the First Home/Plus Program only, the subject property must not have been occupied by a tenant within the past three (3) months unless the tenant is the purchaser.** If the property is tenant occupied and tenant is not the purchaser; the Participating Lender must supply signed letters from the seller and the tenant stating the tenant is not being displaced due to the disposition of the property.

9. All appraisals must be conducted by a licensed appraiser in accordance with the US Department of Housing and Urban Development (HUD) Handbook No. 4150.1 Rev-1. The purchase price of the property cannot exceed the appraised value of the property.

10. (Down Payment Assistance Only) The purchase price of a home using DPA funds cannot exceed the lower of the HOME 203(b) Mortgage Limits or IHCDA's maximum acquisition limit for the county in which the subject property is located, which are set forth on [the attached]. **All documents submitted to IHCDA should reflect the maximum acquisition limit.**

11. **For the First Home/Plus Program only:** No part of a single-family residence or its land may lie in a 100-year flood plain. There is no special requirement if the property lies in a 500-year flood plain. The Master Servicer requires all loans to have flood certifications. Properties which fall under zone "C" or "X" are eligible, but if the flood certification shows the property is located in zone "A" or "V", IHCDA cannot process the loan.

12. Properties of more than five (5) acres are not permitted when using IHCDA funds unless the property is considered rural and there are three (3) supporting comparables that have comparable acreage.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS PROGRAM
MORTGAGE FINANCING ELIGIBILITY

MORTGAGE FINANCING ELIGIBILITY

The proceeds of the loans secured under the Program must be used to acquire the principal residence of the Borrower. The mortgage financing must meet the following requirements:

1. The loans 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 that are in excess of that considered usual and reasonable.

2. IHCDA funds cannot refinance an existing loan or replace existing financing for the property.

   A. Financing includes deeds of trust, pledges, agreements to hold title in escrow, and any other form of ownership financing. **A construction loan carrying a term of less than two (2) years is acceptable. Financing consisting of construction-to-permanent loans are allowed under the Program, but must be completed within one hundred eighty (180) days from the date of reservation. Because construction-to permanent loans will close prior to construction, the application package must still be submitted to IHCDA for preliminary approval prior to the closing date. The closing package should be submitted to IHCDA once the construction is complete. Participating Lenders should note that IHCDA may charge extension fees and late charges if construction is not completed in a timely manner.**

   B. Conditional land sale contracts may be considered existing financing.

3. The closing date of the loan **cannot** precede the "Conditional Commitment Date" located in IHSF.

4. **NO ASSUMPTIONS WILL BE ALLOWED ON ANY IHCDA LOAN.**

5. **<u>PARTICIPATING LENDERS MAY USE DPA ON FHA, AND FHA/VA/USDA (GUARANTEED) DISABILITY TO BE USED IN CONJUNCTION WITH FIRST HOME ONLY.</u>**

NOTES REGARDING MORTGAGE FINANCING

1. The Participating Lender must remember to ensure that the Borrower and the property qualify for the Program before beginning the financing process.

The Participating Lender should not delay checking eligibility for reasons of obtaining a reservation, as IHCDA has continuous lending capabilities.

2. IHCDA encourages the Participating Lender to provide information to the Borrower concerning an energy efficiency rating being performed on the property prior to purchase. This rating could result in the Borrower qualifying for an energy efficient mortgage. Brochures detailing how to have a rating performed may be obtained by calling the Indiana Community Action Association at (317) 638-4232 or by visiting its website at http://www.incap.org.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS PROGRAM
INTEREST RATE CHANGES

INTEREST RATE CHANGE PROCEDURES

Interest rates may change daily. Interest rate changes will be based on (1) the number of reservations taken during a specific time period and (2) the market rate. If the market rate were to substantially increase overnight and the number of reservations increased, a rate change would be warranted. There will be one (1) interest rate for FHA/VA, USDA Guaranteed and Fannie Mae.

NOTIFICATION OF RATE

IHCDA's Interest Rate Change Committee will meet, as needed, to decide if a rate change is warranted. As a courtesy, a rate sheet will be emailed to IHCDA's contact at each Participating Lender detailing the date of change and rate. This information will be made available in the IHSF. IHCDA's failure to mail a courtesy copy of the rate sheet to any Participating Lender shall not affect the interest rate set by the Interest Rate Change Committee.

Participating Lenders should refer to the reservation confirmation prior to submitting an application package to verify the correct interest rate.

Up-to-date interest rate information can be obtained via:

1. The IHCDA website at http://www.ihcda.in.gov;
2. (317) 232-3556 or (888) 227-4452, the Information and Rate Line; or
3. IHSF.

It is the Participating Lender's responsibility to check the current interest rate prior to applying for a loan on behalf of a Borrower.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS PROGRAM
THE FEDERAL RECAPTURE TAX

The Following Provisions Apply Only to the First Mortgage

The first mortgage in the Program is funded from the proceeds of an IHCDA Mortgage Revenue Bond. Therefore, a Borrower participating in the Program could be subject to the Federal Recapture Tax under certain conditions as discussed below.

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"). **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 MRB-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: (1) the property ceases to be the principal residence during the first full nine (9) years after the date that the mortgage loan is closed; (2) there is a profit on the sale of the home **AND** (3) the household income is more than that year's maximum allowable federal income limit for the Program (not the Program income limits) for the area in which the residence is located at the time Borrower qualified for the Program.

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 fifty percent (50%) 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 at the time when a Borrower sells his or her home.

Remember:

- If a Borrower sells his or her home after nine (9) years of purchasing it, 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).

SAMPLE LETTER

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
30 SOUTH MERIDIAN STREET, SUITE 1000
INDIANAPOLIS, INDIANA 46204-34 13

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 IncomeOn 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 reference 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 of the table on page one (1) 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 (0) 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 one hundred percent (100%). If it is greater than zero (0) 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 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 (2) or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is determined separately for each person 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 AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS PROGRAM
FEE SCHEDULE

IHCDA RESERVATION FEE:

0.125% of the first mortgage amount

CLOSING PACKAGE LATE SUBMISSION FEE:

Closing packages received more than thirty (30) days after closing must be submitted with a fee equal to 0.25% of the total mortgage amount.

EXTENSION FEE:

0.25% of the First Mortgage Amount for one (1) thirty (30) day extension.

There are no extensions for Application/Closing Missing Documents.

REINSTATEMENT FEES:

Termination Reinstatement	$500.00

IHCDA TRAINING FEES:

Off site at Participating Lender location	No Charge
On site at IHCDA offices	No Charge
Program Guide (may be printed from website)	No Charge

IHCDA RESERVATION FEE REFUNDS:

The full 0.125% IHCDA reservation fee will be refunded upon the Participating Lender's request for termination of the reservation if the application package has not been reviewed by IHCDA. **Reinstatement, extension, late submission fees are not to be paid by the Borrower and are not refundable.**

If IHCDA has reviewed the application package, 0.25% of the reservation fee will be retained by IHCDA and the remaining amount will be refunded to the Participating Lender upon termination or denial.

PARTICIPATING LENDER FEE STRUCTURE:

Participating Lender Annual Fee:

$500.00 (Fee waived for one(1) year if new to the First Home/Plus Program)

$500.00 for Recurring Lenders

$125.00 for Additional office or branch (offices that require separate user ID's)

The Participating Lender Annual fee for the First Home/Plus Program is non-refundable. The fee will be collected from Participating Lenders at the beginning of the year. Participating Lenders choosing to sign up later in the year will be required to pay fees at time of sign-up. All Participating Lenders are required to execute the Mortgage Origination and Sales Agreement and Program Registration Form. A Program Registration Form must be executed for each participating branch of the Participating Lender. Corporate and closing contact offices of Participating Lenders may receive bulletins and may print the Program Guide from the IHCDA website without paying a fee by completing a Corporate or Closing Contact Program Registration Form.

PARTICIPATING LENDER COMPENSATION:

Participating Lenders receive 1.40% of the first mortgage amount which is payable upon sale of the loan to the master servicer.

In addition, the originator of the loan is allowed to receive a 1% origination fee as well as $600.00 in fees paid to the Participating Lender (which does not include third-party fees). Participating Lenders' fees charged to the Borrower must not exceed $600.00. Items paid to a third party must be noted as such on the HUD- 1 Settlement Statement to not be included in the $600.00.

ACCEPTABLE FORM OF PAYMENT:

A SEPARATE CHECK MUST BE ENDORSED FOR EACH FEE. IHCDA DOES NOT ACCEPT CASH OR COINS.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS PROGRAM
RESERVATION REQUEST PROCEDURES

PRELIMINARY ELIGIBILITY REVIEW

Before making a reservation request, 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 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 MORTGAGE 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

1. Reservation requests must be 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.** IHSF will confirm the reservation number immediately. At the time of reservation, the Participating Lender must provide a check (Borrower's certified funds or Participating Lender's check) payable to IHCDA for the applicable reservation fee (See Section 7 for the Fee Schedule). A SEPARATE CHECK MUST BE ENDORSED FOR EACH RESERVATION FEE. IHCDA DOES NOT ACCEPT CASH OR COINS. Any reservation fee overages will be refunded after the loan is purchased by the Master Servicer.

2. **PARTICIPATING LENDER SHOULD SUBMIT RESERVATION FEES WITH THE APPLICATION PACKAGE. IF THE PARTICIPATING LENDER SUBMITS THE RESERVATION FEE BEFORE IT SUBMITS THE APPLICATION PACKAGE, IT MUST ATTACH A COPY OF THE 1003 TO THE CHECK OR REFERENCE THE RESERVATION NUMBER. IF THE FEES ARE NOT RECEIVED, THE PARTICIPATING LENDER WILL BE NOTIFIED THAT THE RESERVATION FEES ARE DUE AND THE APPLICATION PACKAGE WILL BE HELD BY IHCDA FOR FIVE (5) DAYS. IF THE FEES ARE NOT RECEIVED WITHIN THE FIVE (5) DAY PERIOD, IHCDA WILL RETURN THE APPLICATION PACKAGE TO THE PARTICIPATING LENDER.**

3. IHCDA will not review any application packages until it receives the reservation fee.

MODIFICATIONS

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

1. **Increase in Mortgage.** Requests for increases in loan amounts will be subject to the availability of funds, and will not be approved until IHCDA receives the balance of the reservation fee due. Participating Lenders should include the purchase price and loan amount (original and revised) by written request or via email. **<u>Mortgage decreases can be made at the time the closing package is received,</u>**

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 Participating Lender should contact the Homeownership Department 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 Homeownership Department 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. If the IHCDA interest rate in effect at the time that the new reservation is approved is lower than the interest rate on the original reservation, the Borrower will receive the lower rate. However, if the IHCDA interest rate in effect at the time that the new reservation is approved is higher than that in effect when the original reservation was approved the Borrower will receive the original interest rate.

2. Transfer of Reservation (Borrower). IHCDA will not allow a transfer of a reservation from one (1) Borrower to another.

3. Transfer of Reservation (Participating Lender). IHCDA will allow a transfer of a reservation from one (1) 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 he or she 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. At the time of new reservation; if the IHCDA interest rate is lower the Borrower will receive the lower rate. However, at the time of new reservation, if the IHCDA interest rate is higher than originally reserved the Borrower will receive the original IHCDA rate. The reservation fee will be transferred to the new reservation number, if applicable. Commitment expiration 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.

4. **Interest Rate.** Once a Borrower has been reserved at one (1) interest rate, the rate cannot be changed unless there is a change of property or change of Participating Lender. If the IHCDA rate is lower than at time of original reservation in the above-referenced scenarios; borrower may then receive lower rate.

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 Homeownership coordinator 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:

1. Borrower name(s);
2. Reservation number;
3. Property address;
4. Loan amount;
5. Amount of reservation fee submitted; and
6. Reason for cancellation

A Borrower whose reservation is cancelled cannot transfer from the First Home or First Home/Plus Programs to the MCC program.

REFUND CHECKS ARE PROCESSED EVERY OTHER TUESDAY.

REINSTATEMENT OF CANCELED RESERVATIONS

A Borrower whose reservation has been canceled cannot be re-reserved. Instead, the reservation must be reinstated. A request to reinstate a Borrower must be made in writing before the request can be considered by IHCDA. Any reservation canceled for thirty (30) days or more cannot be reinstated without paying the flat $500 termination reinstatement fee. (See Section 7 for the Fee Schedule).

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS PROGRAM
APPLICATION PACKAGE SUBMISSION

Participating Lenders are encouraged to pre-qualify Borrowers for credit eligibility whenever possible; the unified residential loan application (1003) can be dated prior to the date of the purchase agreement, however, **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 following information must be submitted to IHCDA to obtain the preliminary approval needed to close:

- Reservation Fee
- Document Order Checklist - **Original** (MRB-1)
- Loan Application - **Copy** (1003)
- MRB-ALL Preliminary
- Income verification documentation in the form of (1) one (1) copy of certified tax return transcripts for the past three (3) consecutive years for each member of Borrower's household, eighteen (18) years old or older, utilizing IRS Form 4506T; <u>and</u> (2) one (1) copy of current pay stub (not dated more than thirty (30) days before the date that the application was submitted to IHCDA) for each member of Borrower's household, eighteen (18) years old or older. **-Copy**
- Divorce Decree, if applicable-**Copy**
- Purchase Agreement, fully executed – **Copy**
- Appraisal
- Third-party inspection report by a State-licensed and IHCDA approved home inspector- **Copy (DPA loans only)**
- Copy of Certificate of Completion of Homeownership Training from IHCDA University – **Copy for each Borrower**
- Lead Based Paint Acknowledgment – **Original** (MRB-11 **(DPA only)**
- Receipt of third-party inspector's certification of completion of HUD's Lead Based Paint Visual Assessment Course – **Copy (DPA only)**

The application package must be submitted in a legal size file folder and "Acco" fastened to the right inside cover. PLEASE DO NOT USE STAPLES.

If the loan amount has changed since the date it was reserved, the Participating Lender should make note of it on the file and enclose the additional reservation fees, if applicable. As IHCDA will change the interest rate from time to time, Participating Lenders should refer to its reservation confirmation to verify the interest rate.

CERTIFIED TAX RETURNS

All tax returns must be certified by the IRS, therefore the Participating Lender must either submit certified tax return transcripts utilizing IRS Form 4506T or certified tax returns utilizing IRS Form 4506.

EXTENSIONS

Subject to the availability of funds, IHCDA will review and consider requests for extensions at the time any are requested. Extensions will be granted solely at the discretion of IHCDA and will only be considered upon IHCDA's receipt of:

(a) A written request **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 in Section 7 of this Program Guide.

CANCELLATION AND REINSTATEMENT

<u>If the reservation is "Terminated" it is considered permanently cancelled and may only be reinstated subject to availability of funds, upon written request and the Participating Lender's payment of reinstatement fee in the amount of $500.00.</u>

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

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

(b) A reinstatement fee in the amount of $500.00 plus any fees needed to make the loan current (i.e., extension and or reinstatement fees); and

(c) An extension fee (for each thirty (30) day extension requested). A fee schedule is included in Section 7 of this Program Guide.

APPLICATION PACKAGE SUBMISSION (APPROVAL)

All files will be reviewed in the order that they are received. IHCDA will underwrite all files within a reasonable amount of time from the date that the file is submitted into the IHSF. There is approximately a 24-48 hour turnaround on application conditions. All files will be reviewed in the order that they are received. Any mail received by IHCDA before 12:00 (noon) EST will be stamped as being received that day. If the mail is received after 12:00 (noon) EST, it will not be stamped or 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 reviewing applications and underwriting. **Participating Lenders must check the IHSF for the status of each reservation it requests.**

When IHCDA determines that the application package is complete and in compliance with Program requirements, IHCDA will change the status to reflect "Approved" in the IHSF. The Participating Lender must correct any conditions and provide a closing package to IHCDA before the Commitment Expiration Date shown in the IHSF online system. Further, the closing package must indicate that there have not been any material changes that would result in the ineligibility of the Borrower or property.

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 IHSF. The application and closing package must be approved by the Commitment Expiration Date shown on your reservation confirmation or in the IHSF.

PERMANENT TERMINATION

If IHCDA cannot approve the loan by the Commitment Expiration Date, the reservation will be cancelled. IHCDA will cancel reservations on the 15th and 30th of each month.

At the time of cancellation, the Participating Lender has thirty (30) additional days to reinstate the file and pay the reinstatement fee in accordance with the Cancellation and

Reinstatement section described earlier in this section. If on the 31st day after cancellation the reservation 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 REINSTATEMENTS AND DESCRIBING THE REASON(S) THE PARTICIPATING LENDER DID NOT ACT WITHIN THE APPROPRIATE AMOUNT OF TIME, AT WHICH TIME THE PARTICIPATING LENDER MUST PAY A REINSTATEMENT FEE IN THE AMOUNT OF $500.00. 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 in Section 7 of this Program Guide.

DENIED RESERVATION

The IHSF online system will post the status "Rejected" 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 in 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 shall be calculated in accordance with the fee schedule found in Section 7 of this Program Guide.

PARTICIPATING LENDER REPORTS

Participating Lenders are now able to view all loan statuses on-line in the IHSF. Initially, IHCDA's contact person at the Participating Lender shall have access to IHSF, and this person will be able to create additional user accounts and set varying levels of access.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS PROGRAM
CLOSING PACKAGE SUBMISSION

DUE DATE

The loan closing package must be submitted to IHCDA and receive final approval from IHCDA prior to the "Commitment Expiration Date" listed in IHSF. The Commitment Expiration Date is ninety **(90)** days after the date of reservation on ALL loans **EXCEPT** for new construction loans, which expire one hundred **(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 first mortgage amount will be assessed and must be paid by the Participating Lender prior to obtaining final approval.

SUBMISSION

After the loan closing, the Participating Lender shall forward 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 (MRB-7) **- Original**
(3) Copy of final loan application (typed and signed) (FNMA 1003) **- Copy**
(4) MRB-ALL – **Original with signatures**
(5) Authorization for Sellers Signature (if appl.) **- Copy**
(6) HUD - 1 Settlement Statement **- Copy**
(8) Conditions on the appraisal **- Copy**

The closing package must be submitted in a <u>legal size</u> file folder and "Acco" fastened to the right inside cover. PLEASE DO NOT USE STAPLES.

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

CLOSING PACKAGE SUBMISSION EXTENSION

Requests for one (1) thirty (30) day extension of the closing package submission will be considered by IHCDA on a case-by-case basis and be granted at the sole discretion of IHCDA if and only if funds remain available. IHCDA will only consider a request for extension after receiving the following:

1. A written request detailing the **specific reasons** for the extension request, prior to the Commitment Expiration Date shown in IHSF; and

2. An extension fee (for one (1) thirty (30) day extension). A fee schedule is included in Section 7 of this Program Guide.

CANCELLATION

If the Participating Lender fails to deliver the closing package and/or receive Final Approval on the loan by the Commitment Expiration Date, the reservation will be cancelled. IHCDA will cancel reservations on the 15th and the 30th of each month. If the closing package is not delivered to IHCDA and/or does not receive final approval from IHCDA, before cancellation, the applicable extension fee must be paid by the Participating Lender in order to close the loan through the Program. 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 IHCDA's receipt of:

1. A written request for reinstatement and submission of the closing package;

2. The reinstatement fee; and

3. An extension fee (for each thirty (30) day extension requested). A fee schedule is included at the end of Section 7.

Once the reservation is canceled the Participating Lender has thirty (30) days to reinstate the reservation, subject to the availability of funds. If reinstatement has not occurred by the 30th day, the reservation will be **permanently** terminated at which time the Participating Lender must pay a reinstatement fee in the amount of $500.00 in order to reinstate the loan. See Section 6 of this Program Guide 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 a final approval and notice to the Master Servicer or sub-servicer.

FOR ALL DPA LOANS RESERVED ON MAY 2, 2007 AND AFTER, THE ORIGINAL SECOND MORTGAGE NOTE, A COPY OF THE SECOND MORTGAGE AND A COPY OF THE HUD SETTLEMENT STATEMENT IS TO BE SENT DIRECTLY TO THE MASTER SERVICER FOR PROCESSING.

CLOSING PACKAGE SUBMISSION (PENDED)

If IHCDA requires additional information or the closing package is incomplete, the closing package will be considered "incomplete" and the status will show as such in IHSF. The additional information or corrected documents must be submitted to IHCDA within thirty (30) days of the original closing package review date shown in IHSF online system or prior to the Commitment Expiration date whichever comes first. If the file is "updated" electronically, the documents still must be submitted to IHCDA within thirty (30) days from the original Commitment Expiration Date shown in IHSF. 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 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).

PERMANENT TERMINATION

If the Participating Lender fails to resolve a pended closing package within thirty (30) days of the date that the closing package was received as shown in IHSF, the reservation will be canceled. Reservations will be canceled on the 15th and the 30th of each month without any 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 30th day the loan is not reinstated, the reservation will be

permanently terminated at which time the Participating Lender must pay a reinstatement fee in the amount of $500.00 in order to reinstate the loan. Once the reservation is permanently terminated, IHCDA will refund the appropriate fees to the originating Participating Lender.

DENIED RESERVATION

The IHSF online system will post the status "Rejected" if the information included in the closing package indicates that the loan does not meet Program requirements. IHCDA will terminate denied loans ten (10) days from the date that loan was shown as "Rejected" in the IHSF and any funds previously allocated to the property shall be made available for use for other loans. 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 7 of this Program Guide.

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 only be paid by either of the following: 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

The Participating Lender must indicate 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 MRB-ALL

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

Seller's Affidavit

If a power of attorney of the seller executes 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 certify that the Participating Lender believes the information included therein to be correct. The Participating Lender's representative must sign and date as a witness and certify 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.**

SALE TO THE MASTER SERVICER OR SUB-SERVICER

The Master Servicer is to purchase the loan within thirty (30) days of the date of closing unless otherwise approved by IHCDA.

The Master Servicer is instructed to purchase loans daily.

In the event that the first mortgage cannot be purchased by the Master Servicer or sub-servicer, the originating Participating Lender will be required to retain the first mortgage. If the first mortgage is made in conjunction with IHCDA's First Home/Plus DPA program, the originating Participating Lender will retain both the first and second mortgage and shall return the DPA funds to IHCDA.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
FIRST HOME AND FIRST HOME/PLUS PROGRAM
DOWN PAYMENT ASSISTANCE - FIRST HOME/PLUS PROGRAM ONLY

The First Home/Plus Program offers DPA in the form of a loan secured by a second mortgage to certain qualified Borrowers ("Second Mortgage").

A. REQUIREMENTS FOR SECOND MORTGAGES

1. LOANS RESERVED AFTER APRIL 1, 2011

DPA funds may only be used on FHA, FHA Disability, VA Disability and USDA Disability.

For all loans reserved after April 1, 2011, there will be no loan forgiveness associated with the Second Mortgage. If the Borrower refinances or sells the home as described more fully in Section B (below), the Borrower, will be obligated to repay the full unpaid principal balance of the Loan, or the Net Proceeds (as defined below) from the sale of the Property, if applicable, whichever is less. The "Net Proceeds" is defined as the amount of the sales price that Borrower received for selling the Property minus the Borrower's payoff amount for the first mortgage on the Property and the amount of closing costs that the Borrower paid upon the sale of the Property.

3. SECOND MORTGAGE FUNDING REQUEST

An eligible Borrower may receive DPA by way of a second mortgage equal to six percent (6%) of the sales price or the appraised value of the property, whichever is less, capped at $7,500. For all disability loans, the DPA is capped at ten percent (10%) up to a maximum of $14,999.00. To ensure that DPA funds are available at the time of closing, Participating Lenders must complete a Second Mortgage Funding Request and submit the request to IHCDA no less than ten (10) business days prior to the scheduled closing date. The form must be faxed to IHCDA at (317) 233-2558. Upon receipt of the form, IHCDA will submit a request for the Second Mortgage funds from HUD and forward the funds to the designated party for the closing.

If the Participating Lender wishes to close the loan in less than ten (10) business days, it must advance the funds for the Second Mortgage loan. The Participating Lender should complete the Second Mortgage funding request to reflect this circumstance.

REPAIR ESCROWS ARE NOT ALLOWED ON DPA LOANS. HOWEVER ESCROWS WILL BE ALLOWED PER FHA GUIDELINES DUE TO WEATHER RELATED ISSUES ONLY (THIS DOES INCLUDE SEED AND SOD). IN THESE ESCROW SITUATIONS THE PARTICIPATING LENDER MUST FUND THE DPA AND IHCDA WILL

REIMBURSE THE PARTICIPATING LENDER ONCE A FINAL INSPECTION IS RECEIVED.

BEFORE CONTACTING IHCDA, THE PARTICIPATING LENDER SHOULD VERIFY THAT IT HAS NOT RECEIVED THE FUNDS, AS THEY MAY HAVE BEEN WIRED A DAY OR TWO (2) PRIOR TO CLOSING.

Neither the first nor Second Mortgage shall be closed prior to the date that IHCDA issues a preliminary approval as indicated in the IHSF under the status of "Application Package Review Approved." <u>If the first or Second Mortgage does close prior to the date that IHCDA issues preliminary approval, the Participating Lender shall retain the first and Second Mortgages. Additionally, the Participating Lender must immediately return the funds associated with the Second Mortgage to IHCDA.</u>
In the event that the first mortgage is not purchased, for any reason, by the Master Servicer or sub-servicer, the originating Participating Lender shall keep the first and Second Mortgages and return the funds associated with Second Mortgage to IHCDA.

B. REPAYMENT OF SECOND MORTGAGES

The unpaid balance of the Second Mortgage loan is due upon maturity. Maturity is defined as the first to occur of the following:

a) if Borrowers does not continue to utilize the property as its primary address throughout the Affordability Period (as defined below);
b) if Borrower sells or refinances the property;
c) if the Borrower violates any other terms and conditions contained in the Promissory Note and/or loan agreement, the Second Mortgage, or any other agreement made between IHCDA and Borrower and related to the loan; or
d) if Borrower is in default under the terms of its first mortgage on the property and foreclosure proceedings have been initiated; and
e) if it becomes evident to IHCDA that any representation or warranty made by the Borrower at the time it applied for the loan was false, misleading, or fraudulent.

The Affordability Period is the time period referenced in the Affordability Table that corresponds to the amount of the DPA received by Borrower from IHCDA (the "Affordability Period").

Affordability Table	
DPA/Loan Amount	**Affordability Period**
Under $15,000.00	5 years
$15,000.00 to $25,000.00	10 years

The Participating Lender or Borrower must contact the Master Servicer directly in the case of a payoff on any loan that was reserved on or after May 2, 2007.

IHCDA will not allow the Second Mortgage to be subordinated at any time to any claim except the original first mortgage. Participating Lender should explain this to the Borrower.