

NEXT HOME

PROGRAM GUIDE

July 2011

ihcda

**Indiana Housing &
Community Development
Authority**



**INDIANA HOUSING AND COMMUNITY
DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM GUIDE
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**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME 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 Next Home 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.

“IHCDA” means Indiana Housing and Community Development Authority.

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

“Master Servicer” means Bank of America.

“MCC” means Mortgage Credit Certificate.

“NH” means Next Home.

“Participating Lender” means a lender that has signed a Next Home Program Registration Form and a Next Home Mortgage Origination Agreement with IHCDA.

“Program” means the Next Home Program, unless specifically indicated to the contrary in this Program Guide].

“Program Guide” means the IHCDA 2011 Next Home Program Guide for IHCDA’s Next Home 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.

“Relock” means that the interest rate of a loan will need to be re-established at the higher of the current interest rate and the original interest rate.

“Second Mortgage” has the meaning set forth in Section 10 of this Program Guide.

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

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
EXECUTIVE SUMMARY**

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

NEXT HOME CAN BE COMBINED WITH THE MORTGAGE CREDIT CERTIFICATE PROGRAM (MCC). PARTICIPATING LENDER MUST FOLLOW MCC GUIDELINES IN THIS CASE (PLEASE REFERENCE THE MCC PROGRAM GUIDE) WITH THE FOLLOWING EXCEPTIONS.

- 1. THE PARTICIPATING LENDER MUST SELL THE MCC LOAN TO THE MASTER SERVICER, BANK OF AMERICA.**
- 2. THE PARTICIPATING LENDER MUST USE THE CURRENT NEXT HOME INTEREST RATE.**
- 3. ALL LOANS MUST BE FHA 30 YEAR FIXED RATE MORTGAGES.**
- 4. THE PARTICIPATING LENDER MUST USE MCC INCOME LIMITS (WHICH ARE LOWER THAN NEXT HOME PROGRAM INCOME LIMITS).**
- 5. THE PARTICIPATING LENDER MUST INCLUDE APPRAISALS IN THE APPLICATION PACKAGE.**
- 6. THE BORROWER MUST EXECUTE A SECOND MORTGAGE AND SECOND MORTGAGE NOTE.**
- 7. THE PARTICIPATING LENDER MUST HAVE THE LOAN APPROVED BY THE MASTER SERVICER AND RECEIVE FINAL APPROVAL FROM IHCD WITHIN SIXTY (60) DAYS AFTER THE COMMITMENT EXPIRATION DATE.**
- 8. THE PARTICIPATING LENDER MUST REFER TO SECTION 6 OF THE NEXT HOME PROGRAM GUIDE FOR LOAN EXTENSION FEES AND PARTICIPATING LENDER COMPENSATION.**

WHAT A PARTICIPATING LENDER SHOULD KNOW ABOUT A BORROWER AND HIS OR HER HOME:

1. The Borrower must meet special **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 Borrower does not have to be a first-time homebuyer.
3. The Borrower **must have a FICO credit score of 650 or higher**.
4. The home must be used as the Borrower's **principal residence**. (Please see Section 3 of this Program Guide for a complete explanation.)

DPA

1. DPA may only be used with FHA financing.
2. DPA may be used for down payment assistance, closing costs, and prepaids.
3. The amount of DPA cannot exceed four percent (4%) of the lower of the purchase price or appraised value.
4. A Borrower using DPA funds is not eligible to receive any cash back at closing.
5. Income limits are one hundred twenty-five percent (125%) of area median income (AMI) and one hundred forty percent (140%) of AMI in targeted areas. (Please see Section 1 of this Program Guide for a list of targeted areas.)
6. If a loan is refinanced or sold during the Affordability Period, as defined in Section 6 of this Program Guide, the Second Mortgage is due and payable in full immediately.
7. A Borrower may contribute additional cash resources for down payment and closing costs.
8. If a Borrower is purchasing a property that it is renting or has rented previously, the Participating Lender must supply a lease agreement or a title commitment with the application package.
9. **REPAIR ESCROWS ARE ALLOWED.**
10. The purchase price of the property cannot exceed the fair market value (appraised value).

PARTICIPATING LENDERS WILL NEED TO KNOW THE FOLLOWING:

1. **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.**
2. Reservations for the Next Home will only be taken between 9:00 am and 6:00 pm E.S.T.
3. A rate sheet will appear in the IHSF when a Participating Lender reserves a loan. The IHSF will reflect the current interest rate at all times.
4. The reservation fee for reserving a loan through the Program is .125% of the loan amount.
5. **THE PARTICIPATING LENDERS MUST BE MORTGAGE BANKER. A MORTGAGE BROKER IS ONLY PERMITTED TO BE PARTICIPATING LENDER 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 LOAN TO THE MASTER SERVICER.**
6. The Participating Lender may charge a one percent (1%) origination fee in addition to the \$1,000.00 in allowable lender paid fees. The Participating Lender fees charged to the Borrower must not exceed \$1,000.00. Items paid to a third party must be noted as such on the HUD-1 Settlement Statement to not be included in the \$1,000.00.
7. All loans must be sold to the Master Servicer or sub-servicer. After the loans are sold, the Participating Lender is paid one percent (1%) of the first mortgage amount.

8. **ALL LOANS MUST BE UNDERWRITTEN TO AND MEET FHA GUIDELINES.**
9. **ALL LOANS MUST HAVE PRELIMINARY APPROVAL FROM IHCDA PRIOR TO CLOSING.**
10. **All loans reserved through IHCDA must close in the name of the Participating Lender in which the reservation was made.**
11. **In accordance with FHA Mortgagee Letter 2004-04, the Participating Lender must advise the Borrower of the importance of it obtaining an independent home inspection.**
12. **Co-Signers.** Co-signers of the 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 NH/MCC documents, the Purchase Agreement, or the Second Mortgage or the Second Note. Therefore, even **when the Participating Lender submits an application package where there will be a co-signer it should only submit the Borrower's.**
13. **A Mortgage Rider is required on all loans. The mortgage rider should be attached to the FIRST MORTGAGE AND RECORDED WITH THE FIRST MORTGAGE.**
14. **Final Approval from IHCDA and purchase by Master Servicer** must occur by the Commitment Expiration Date.
15. The Participating Lender may fax conditions to IHCDA; any fees owed by the Participating Lender must be overnighted to IHCDA or can be sent in with the closing package, whichever is applicable.
16. IHCDA **cannot** email, fax or mail any document, including any mortgage documents provided by the Participating Lender containing the **Borrower's Social Security Number.**
17. Each Borrower that meets the definition of a first-time homebuyer must complete Homeownership training. Homeownership training is not required if the Borrower is **NOT** a first-time homebuyer (as defined in Section 2 of this Program Guide). The only acceptable Homeownership training program is **IHCDA University**, which may be accessed at <http://www.in.gov/ihcda>.
18. An FHA case number must be assigned to each loan.
19. All reservations must be for **thirty (30) year fixed rate** mortgages.
20. **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.**
21. **IHCDA reserves the right to request any documentation needed to make an accurate determination on any given file.**
22. **IHCDA STRONGLY ENCOURAGES PARTICIPATING LENDERS TO PRINT THIS PROGRAM GUIDE FROM www.in.gov/ihcda.**

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
GEOGRAPHIC ELIGIBILITY**

Certain geographic areas in Indiana have been designated as “Targeted Areas”. Areas in the State not designated as Targeted Areas are referred to as “Non-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 United States Department of Treasury and the Secretary of the United States 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			
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
Marion cont.	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
NEXT HOME PROGRAM
BORROWER ELIGIBILITY**

BORROWER ELIGIBILITY

A Borrower applying for financing must meet the following eligibility requirements:

Must be income eligible. Borrowers applying for financing through the Program must meet income limits for the Next Home Program which are based on the income limits of the county in which the residence to be purchased is located. The IHEDA website contains the county-by-county income limits.

Income eligibility includes certain sources of income that a lender typically does not consider in determining eligibility or creditworthiness for conventional financing. However, the income standards for the Program 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 shall not be included when calculating the Borrower's household size for the purpose of determining whether the Borrower's Gross Annual Income falls within the 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 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.
- (A) **Borrower must have a FICO credit score of 650 or higher.**
- (B) **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 IHCDCA with a copy of a divorce decree signed by a judge in order to be considered "legally divorced" for the purposes of the Program. A legal separation agreement or a petition for dissolution will not suffice.
- (C) **Exception 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 for an existing home **AND** within sixty (60) days of completion in the case of a newly constructed home.
- (D) **Training.** Borrower must successfully complete the IHCDCA University Homeownership training program, if Borrower is 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. Homeownership training is **NOT** required if Borrower is not a first-time homebuyer. IHCDCA University is available via the IHCDCA website. This is the only Homeownership Training program that will be accepted. A certificate of completion or achievement is required in the loan application package of a Borrower that is a first-time homebuyer.
- (E) **Co-Signers.** Co-signers of Borrower are allowed on the loan. Notwithstanding the foregoing, co-signers are not eligible to appear on the deed, the mortgage documents, or allowed to sign any of the Program documents, the Purchase Agreement, the Second Mortgage, or the Second Note with respect to the DPA. **Co-signers are only allowed to sign the First Mortgage Note, therefore, when submitting an application package to IHCDCA for a loan where there will be a co-signer, the Participating Lender must exclude the co-signer's information from the application package that is being submitted to IHCDCA.**
- (F) **Conflicts.** If there are any conflicts between the FHA guidelines and the Program guidelines, please contact IHCDCA. IHCDCA will also address all questions regarding tax compliance. All other questions should be directed to the Master Servicer.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
PROPERTY ELIGIBILITY**

Property standards are determined by the type of financing the Borrower is using.

The proceeds of the loans must be used to acquire the principal residence of the Borrower. 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.
3. The amount paid to the seller for consideration for the property cannot be higher than it would be had the sale occurred without the benefit of the Program.
4. **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.
5. 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.
6. In accordance with FHA Mortgagee Letter 2004-04, the Participating Lender must advise the Borrower of the importance of it obtaining an independent home inspection.
7. 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.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME 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 on 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 the loan must receive final approval from IHCDA and be purchased by the Master Servicer within sixty (60) 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.**
 - B. Conditional land sale contracts may be considered existing financing.
3. The closing date of the loan **cannot** precede the Committed Approval Date shown in IHSF.
4. **NO ASSUMPTIONS WILL BE ALLOWED ON ANY IHCDA LOANS.**
5. **PARTICIPATING LENDERS MAY USE DPA ON FHA FINANCING ONLY**

NOTES REGARDING MORTGAGE FINANCING

1. The Participating Lender should remember to ensure that the Borrower qualifies 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 their website at <http://www.incap.org>.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
INTEREST RATE CHANGES**

INTEREST RATE CHANGE PROCEDURES

The interest rate may change throughout the day, based on fluctuations in the market interest rate.

NOTIFICATION OF RATE

A rate sheet will appear in the IHSF when the Participating Lender accesses the IHSF to reserve a loan.

The Participating Lender should refer to the reservation confirmation prior to submitting an application package to confirm the correct interest rate for the loan.

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

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
FEE SCHEDULE**

IHCDA RESERVATION FEE:

0.125% of the first mortgage amount.

EXTENSION FEE:

Extensions may be granted. Contact IHCDA for extension requests. Thirty (30) day extensions **PRIOR** to or on the Commitment Expiration Date will be granted for an extension fee, which will be determined by the Master Servicer. If an extension is requested **AFTER** the Commitment Expiration Date the Participating Lender will be required to Relock the interest rate on the loan. Therefore, Borrower will receive the higher rate of the current interest rate and the original interest rate.

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 to the Participating Lender upon its request for termination of the reservation, if the application package has not been reviewed by IHCDA. **Extension fees are non-refundable and cannot be paid by the Borrower.**

If IHCDA has reviewed an application package that has been terminated, 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 of the reservation.

PARTICIPATING LENDER COMPENSATION:

The Participating Lender shall receive one percent (1%) of the first mortgage amount which is payable upon sale of the loan to the master servicer.

In addition, the Participating Lender is allowed to receive an origination fee in an amount not to exceed one percent (1%) as well as \$1,000.00 in fees paid to the Participating Lender (which does not include third-party fees). The amount of fees charged to a Borrower by a Participating Lender cannot exceed \$1,000.00. Items paid to a third party must be noted as such on the HUD-1 Settlement Statement and are not included in the \$1,000.00 amount.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME 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 or a Non-Targeted Area and whether the Borrower meets other the eligibility requirements of the Program. **NOTE: A PARTICIPATING LENDER CANNOT RESERVE A LOAN THAT IT CANNOT CLOSE IN ITS OWN NAME, EXCEPT IN THE CASE OF MORTGAGE BROKER GOING THROUGH A SUPPORTING LENDER AND CLOSING THE LOAN IN THAT SUPPORTING LENDER'S NAME.**

A RESERVATION IS IMPORTANT: THE BORROWER CANNOT EXECUTE IHCDAs DOCUMENTS WITHOUT AN IHCDAs RESERVATION NUMBER.

RESERVATION REQUEST

1. The Participating Lender must make reservation requests 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 IHCDAs for the applicable reservation fee (See Section 6 for the Fee Schedule). A SEPARATE CHECK MUST BE MADE OUT FOR EACH RESERVATION FEE. IHCDAs DOES NOT ACCEPT CASH OR COINS. Please round all amounts **up** to the next dollar amount. Any reservation fee overages will be refunded after the loan is purchased by the Master Servicer.
2. **PARTICIPATING LENDER SHOULD SUBMIT ITS RESERVATION FEES AND THE PRE-APPLICATION PRIOR TO OR WITH THE APPLICATION PACKAGE. IF FEES ARE NOT RECEIVED, THE PARTICIPATING LENDER WILL BE NOTIFIED THAT THE RESERVATION FEES ARE DUE AND THE APPLICATION PACKAGE WILL BE HELD BY IHCDAs FOR FIVE (5) DAYS. IF THE FEES ARE NOT RECEIVED WITHIN THE FIVE (5) DAY PERIOD, IHCDAs WILL RETURN THE FILE TO THE PARTICIPATING LENDER.**
3. IHCDAs will not review any application packages until it receives the reservation fee.
4. Once the Participating Lender submits a reservation the interest rate will be locked in.

MODIFICATIONS

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

1. **Increases in Mortgage Amount.** Requests will be subject to the availability of funds, and will not be approved until IHCDAs receives the balance of the reservation fee owed. The Participating Lender should submit the purchase price and loan amounts (original and revised) in writing or via email to IHCDAs. **Decreases to the mortgage amount can be requested when the closing package is submitted to IHCDAs.**

2. **Change of Address.** The Participating Lender must submit these type of requests to IHCDA in writing along with a new reservation check list and the reason for the change. If the file has not been underwritten by IHCDA the Participating Lender should contact IHCDA and the appropriate changes can be made at that time. In this case the Commitment Expiration Date will **not** change. If the file has been underwritten by IHCDA, the Participating Lender will need to contact the particular IHCDA underwriter associated with the file. IHCDA will change the address and a new application package will need to be submitted by the Participating Lender to IHCDA for preliminary approval. Thirty (30) day extensions requested **PRIOR** to or on the Commitment Expiration Date will be granted for an extension fee, which will be determined by the Master Servicer. If an extension is requested **AFTER** the Commitment Expiration Date the Participating Lender will be required to Relock the interest rate on the loan. Therefore, Borrower will receive the higher rate of the current interest rate and the original interest rate.

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

4. **Transfer of Reservation (Participating Lender).** I 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 Lender must submit a letter stating that it will accept the transfer of the reservation and submit a reservation request. The original reservation will be canceled allowing the new Participating Lender to reserve the loan. The Borrower will receive the higher rate of the current interest rate and the original interest rate. The reservation fee will be transferred to the new reservation number, if applicable. The new Participating Lender must submit a new application file to IHCDA. The new Participating Lender cannot close the loan without receiving approval from IHCDA with the new Participating Lender's name specified on the documents.

LOCKED INTEREST RATE.

Once the Participating Lender submits a reservation the interest rate will be locked in, this interest rate cannot be changed unless there is a change in the Participating Lender or termination of the loan. In both cases, the Borrower will receive the higher of the current interest rate and the original interest 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 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**). 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

REFUND CHECKS ARE PROCESSED EVERY OTHER TUESDAY.

CANCELLATION OF LOAN IN ORDER TO TAKE ADVANTAGE OF ADJUSTMENTS IN INTEREST RATES

If the Participating Lender cancels an existing reservation or allows for it to expire in what appears to be an attempt to obtain a lower interest rate for the Borrower, the Participating Lender will be required to Relock the interest rate on the loan. Therefore, Borrower will receive the higher rate of the current interest rate and the original interest rate.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
APPLICATION PACKAGE SUBMISSION**

Participating Lenders are encouraged to pre-qualify Borrowers for credit eligibility whenever possible; the unified residential loan application (URLA) 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 following information must be submitted to IHCDA to obtain preliminary approval needed to close:

- Reservation Fee
- Document Order Checklist - **Original** (NH-1 dated July 2011)
- Loan Application - **Copy** (FNMA 1003)
- NH-ALL Preliminary
- Paystubs for all individuals intending to live in the home with income
- Three (3) years of Federal Tax Returns
- Divorce Decree, if applicable-**Copy**
- Purchase Agreement, fully executed – **Copy**
- Appraisal
- Copy of Certificate of Completion of Homeownership Training from IHCDA University – **Copy for each Borrower, if applicable**

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 reservation date, the Participating Lender should make note of it on the file and enclose the additional reservation fees, if applicable. As the interest rate will change from time to time, Participating Lenders should refer to its reservation confirmation to verify the interest rate.

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 logged into IHSF. There is a 24-48 hour turnaround on application conditions. **Participating Lenders are encouraged to check IHSF regularly for the status of its application packages.**

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. **IHSF** will show a date on which the loan expires which is known as the Commitment Expiration Date, and the Participating Lender must have received final approval from IHCDA and the loan must be purchased by the Master Servicer on or before such date. Further, the closing package must indicate that there have been no material changes that would result in Borrower or property ineligibility in the Program.

APPLICATION PACKAGE SUBMISSION (PENDED)

If IHCD A 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.

If IHCD A cannot approve the application package by the Commitment Expiration Date shown in IHSF, IHCD A will cancel the reservation the Thursday following this date.

Contact IHCD A for extension requests. The Master Servicer will determine the amount of the extension fee. A request for a thirty (30) day extension on a reservation will be considered a relock and the borrower will receive the higher of the current interest rate and the original interest rate.

DENIED RESERVATION

IHCD A may post a “rejected” status in IHSF if the information included in the application package indicates that either the Borrower or the property or both do not meet Program requirements. IHCD A will cancel rejected loans thirty (30) days after the date the application is given “rejected” status in IHSF. Any funds previously allocated to the property shall be made available for other loan applications. IHCD A 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 located in Section 6 of this Program Guide.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
CLOSING PACKAGE SUBMISSION**

DUE DATE

The loan closing package must be final approved by IHCD and purchased by the Master Servicer prior to the "Commitment Expiration Date" listed on IHSF. The Commitment Expiration Date is **sixty (60)** days after the date of reservation on ALL properties. Extensions may be granted. Contact IHCD for extension requests.

SUBMISSION

After the loan closing, the Participating Lender shall forward to IHCD the executed closing package, which consists of the following:

- (1) Balance of reservation fees (if appl.)
- (2) Closing transmittal letter (NH-7 dated 2011) - **Original**
- (3) Copy of final loan application (typed and signed) (FNMA 1003) - **Copy**
- (4) NH-ALL (final dated 2011) - **Original with signatures**
- (5) Authorization for Sellers Signature (if appl.) - **Copy**
- (6) HUD - 1 Settlement Statement - **Copy**
- (7) Second Mortgage Note - **Original**
- (8) Second Mortgage - **Copy**

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

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

CLOSING PACKAGE SUBMISSION EXTENSION

Requests for thirty (30) day extension of the Commitment Expiration Date will be considered by IHCD on a case-by-case basis and granted at the sole discretion of IHCD and only if funds remain available IHCD will only consider a request for extension after receiving:

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

CANCELLATION

If the Participating Lender fails to have final approval from both IHCD and the Master Servicer by the due date, IHCD will cancel the reservation.

CLOSING PACKAGE SUBMISSION (APPROVAL)

If IHCD determines the closing package is in compliance with the Program requirements, IHCD will issue a final approval and notice to the Master Servicer or sub-servicer.

THE ORIGINAL SECOND MORTGAGE NOTE AND ORIGINAL SECOND MORTGAGE (AFTER RECORDING) IS TO BE SENT DIRECTLY TO IHCD.

CLOSING PACKAGE SUBMISSION (PENDED)

If IHCD A requires additional information or the closing package is incomplete, the closing package will be considered **“incomplete”** and the status will show such in IHSF.

DENIED RESERVATION

IHCD A may post a “rejected” status in IHSF if the information included in the closing package indicates that the loan does not meet the Program requirements. IHCD A 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 6.

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 NH-ALL

The Borrower must read, and with the Participating Lender’s assistance, complete all sections of the NH-ALL. The Borrower must sign the Final Original copy of the NH-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 correct. The Participating Lender cannot sign and date the NH-ALL prior to the date of the Borrower’s signature.

Seller’s Affidavit

If a power of attorney of the seller signs the NH-ALL, evidence of the seller’s authorization of the power of attorney to act on behalf of the seller must be included with the closing package. 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

In the event that the first mortgage cannot be purchased by the Master Servicer or sub-servicer, the Participating Lender shall be required to retain the first mortgage.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
DOWN PAYMENT ASSISTANCE**

The Next Home Program offers DPA in the form of a loan secured by a Second Mortgage to certain qualified Borrowers (“Second Mortgage”).

DPA funds may only be used on FHA financing. The funds may be used for down payment, closing costs and prepaids.

An eligible Borrower may receive DPA by way of a second mortgage in an amount not to exceed four percent (4%) of the sale price or the appraised value of the property, whichever is less.

There will be a two (2) year affordability period associated with the Second Mortgage (the “Affordability Period”). If the Borrower refinances or sells the home within this period, the Second Mortgage is due and payable in full immediately.

REPAIR ESCROWS ARE ALLOWED.

Neither the First nor the Second Mortgages may be closed prior to the Committed Approval Date shown in the IHSF. If there is a violation of the foregoing, the originating Participating Lender shall retain the First and Second Mortgages. If the first mortgage is not purchased by the Master Servicer or sub-servicer, for any reason, the originating Participating Lender shall retain the First Mortgage.

INSTRUCTIONS

Second Mortgage Execution Information

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

- (1) if Borrowers does not continue to utilize the property as its primary address throughout the two (2) year Affordability Period
- (2) if Borrower sells or refinances the property during the Affordability Period;
- (3) if the Borrower violates any other terms and conditions contained in the second note, the second mortgage, or any other agreement made between IHCDA and Borrower and related to the loan;
- (4) if Borrower is in default under the terms of its first mortgage on the property and foreclosure proceedings have been initiated during the two (2) year Affordability Period;
- (5) 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 Participating Lender or Borrower must contact the Master Servicer directly in the case of a payoff on the First Mortgage and contact IHCDA for a payoff on the Second Mortgage.

Forgiveness of the debt is covered in the Promissory Note.

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