

ihcda

Indiana Housing &
Community Development
Authority



2013

NEXT HOME

PROGRAM GUIDE

**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.

“First-Time Homebuyer” is someone who has not, at any time during the three (3) years preceding the date of the loan closing, had a present ownership interest in his or her principal residence.

“IHCDA” means the Indiana Housing and Community Development Authority.

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

“Master Servicer” means US Bank, N.A.

“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 2013 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 the 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). THE 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, US BANK, N.A.**
- 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.**
- 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 IHCDA WITHIN SIXTY (60) DAYS AFTER THE DATE OF RESERVATION.**
- 8. THE PARTICIPATING LENDER MUST REFER TO SECTION 6 OF THE NEXT HOME PROGRAM GUIDE FOR LOAN EXTENSION FEES.**

NEXT HOME MAY BE USED WITH CONVENTIONAL FINANCING. THE PARTICIPATING LENDER MUST FOLLOW NEXT HOME GUIDELINES IN THIS CASE WITH THE FOLLOWING EXCEPTIONS.

- 1. The amount of DPA cannot exceed three percent (3%) of the lower of the purchase price or appraised value.**
- 2. Participating Lenders may do Next Home/MCC Conventional financing.**
- 3. A borrower does not have to be a first time home buyer, however, no ownership of other real estate at the time of closing is allowed.**
- 4. All loans must be underwritten to and meet Fannie Mae guidelines.**

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 detailed explanation of income verification requirements.)**

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 more detailed 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. If a loan is refinanced or sold during the Affordability Period, as defined in Section 10 of this Program Guide, the Second Mortgage is due and payable in full immediately.
6. A Borrower may contribute additional cash resources for down payment and closing costs.
7. If a Borrower is purchasing a property that it is renting or has rented previously, the Participating Lender must supply a lease agreement and a title commitment with the application package.
8. **REPAIR ESCROWS ARE ALLOWED (MUST FOLLOW GUIDELINES ISSUED BY THE MASTER SERVICER).**
9. 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 subsidized financing.**
2. Reservations for the Next Home Program will only be taken between 9:00 am and 5:00 pm E.S.T.
3. A rate sheet will appear in the IHSF when a Participating Lender reserves a loan.
4. The reservation fee for reserving a loan through the Program is .125% of the loan amount.
5. **THE PARTICIPATING LENDER MUST BE A MORTGAGE BANKER. A MORTGAGE BROKER IS ONLY PERMITTED TO BE A 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. 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.
7. **ALL LOANS MUST BE UNDERWRITTEN TO AND MEET FHA GUIDELINES.**
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. **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.**
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, 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 IHCDA for a loan where there will be a co-signer, the Participating Lender should exclude the co-signer's information from the application package that is being submitted to IHCDA.**
12. **A Mortgage Rider is not required on Next Home loans.**
13. **Final Approval from IHCDA and purchase by Master Servicer** must occur by the Commitment Expiration Date.
14. 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 for that loan.
15. IHCDA **cannot** email, fax or mail any document, including any mortgage documents provided by the Participating Lender containing the **Borrower's Social Security Number**.
16. IHCDA requires that each Borrower that meets the definition of a first-time homebuyer must complete Homeownership training through IHCDA University, which may be accessed at <http://ihcda.knowledgefactor.com/>.
17. 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 **FHA thirty (30) year fixed rate** mortgages.
20. **Any employee, agent, or associate of the Participating Lender caught forging or otherwise altering 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. **The second mortgage will be funded directly by IHCDA. The Participating Lender is required to electronically request the funds from IHCDA after the loan has reached the stage of Committed and Approved. The funds will be ACH/wired to the Title Company closing the loan. The Participating Lender is responsible for ensuring that the Title Insurance Company's ACH/routing information is entered into IHSF. Please allow two (2) to three (3) business days for this information to be processed.**
23. **If the loan does not close within three (3) days of the original closing date, the Participating Lender must return the funds associated with the second mortgage to IHCDA on the fourth day after the original closing date. In addition, if the Master Servicer is unable to purchase the loan, the Participating Lender must return the funds associated with the second mortgage to IHCDA within thirty (30) days after receiving notification from the Master Servicer that it is unable to purchase the loan.**

24. **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
SECTION 1**

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 also 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.

2013 IRS SECTION 42(d)(5)(B) QUALIFIED CENSUS TRACTS
(2010 Decennial Census and 2006-2010 American Community Survey Data; OMB Metropolitan Area Definitions, December 1, 2009)

STATE: Indiana

COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	
Allen County	<u>5.00</u>	<u>6.00</u>	<u>7.01</u>	<u>10.00</u>	<u>12.00</u>	<u>16.00</u>	<u>17.00</u>	<u>20.00</u>	<u>21.00</u>	<u>23.00</u>	<u>28.00</u>	<u>29.00</u>
	<u>30.00</u>	<u>31.00</u>	<u>38.00</u>	<u>43.00</u>	<u>44.00</u>	<u>106.04</u>	<u>112.01</u>	<u>113.03</u>	<u>113.04</u>	<u>9800.01</u>		
Bartholomew County	<u>108.00</u>											
Blackford County	<u>9753.00</u>											
Cass County	<u>9512.00</u>	<u>9513.00</u>										
Clark County	<u>501.00</u>	<u>502.00</u>	<u>505.03</u>	<u>505.04</u>	<u>509.03</u>							
Dearborn County	<u>803.00</u>											
Delaware County	<u>4.00</u>	<u>6.00</u>	<u>7.00</u>	<u>9.02</u>	<u>10.00</u>	<u>12.00</u>	<u>28.00</u>					
Elkhart County	<u>19.01</u>	<u>21.02</u>	<u>23.00</u>	<u>26.00</u>	<u>27.00</u>							
Fayette County	<u>9541.00</u>	<u>9544.00</u>										
Floyd County	<u>702.00</u>	<u>705.00</u>	<u>708.01</u>	<u>709.02</u>								
Franklin County	<u>9697.00</u>											
Grant County	<u>2.00</u>	<u>4.00</u>	<u>6.00</u>									
Henry County	<u>9763.00</u>	<u>9765.00</u>										
Howard County	<u>2.00</u>	<u>3.00</u>	<u>4.00</u>	<u>9.00</u>	<u>12.00</u>							
Jackson County	<u>9679.01</u>											

Knox County	<u>9550.00</u>	<u>9553.00</u>	<u>9554.00</u>										
LaGrange County	<u>9704.01</u>												
Lake County	<u>102.01</u>	<u>102.03</u>	<u>102.05</u>	<u>103.02</u>	<u>103.04</u>	<u>104.00</u>	<u>105.00</u>	<u>106.00</u>	<u>109.00</u>	<u>110.00</u>	<u>111.00</u>	<u>113.00</u>	
	<u>114.00</u>	<u>115.00</u>	<u>116.00</u>	<u>117.00</u>	<u>119.00</u>	<u>120.00</u>	<u>121.00</u>	<u>122.00</u>	<u>123.00</u>	<u>124.00</u>	<u>125.00</u>	<u>126.00</u>	
	<u>127.00</u>	<u>128.00</u>	<u>203.00</u>	<u>204.00</u>	<u>205.00</u>	<u>206.00</u>	<u>207.00</u>	<u>208.00</u>	<u>215.00</u>	<u>218.00</u>	<u>301.00</u>	<u>302.00</u>	
	<u>303.00</u>	<u>304.00</u>	<u>306.00</u>	<u>309.00</u>	<u>310.00</u>	<u>411.00</u>	<u>412.00</u>	<u>415.00</u>	<u>416.00</u>				
LaPorte County	<u>401.00</u>	<u>403.00</u>	<u>409.00</u>	<u>413.00</u>	<u>430.00</u>								
Lawrence County	<u>9513.00</u>												
Madison County	<u>3.00</u>	<u>4.00</u>	<u>5.00</u>	<u>8.00</u>	<u>9.00</u>	<u>10.00</u>	<u>11.00</u>	<u>119.00</u>					
Marion County	<u>3103.05</u>	<u>3103.06</u>	<u>3103.09</u>	<u>3209.03</u>	<u>3225.00</u>	<u>3226.00</u>	<u>3308.03</u>	<u>3308.04</u>	<u>3308.05</u>	<u>3308.06</u>	<u>3309.00</u>	<u>3401.02</u>	
	<u>3401.08</u>	<u>3403.00</u>	<u>3404.00</u>	<u>3406.00</u>	<u>3407.00</u>	<u>3411.00</u>	<u>3412.00</u>	<u>3416.00</u>	<u>3417.00</u>	<u>3419.03</u>	<u>3419.04</u>	<u>3423.00</u>	
	<u>3424.00</u>	<u>3425.00</u>	<u>3426.00</u>	<u>3503.00</u>	<u>3504.00</u>	<u>3505.00</u>	<u>3508.00</u>	<u>3509.00</u>	<u>3510.00</u>	<u>3512.00</u>	<u>3517.00</u>	<u>3519.00</u>	
	<u>3521.00</u>	<u>3523.00</u>	<u>3524.00</u>	<u>3526.00</u>	<u>3527.00</u>	<u>3528.00</u>	<u>3535.00</u>	<u>3536.00</u>	<u>3545.00</u>	<u>3547.00</u>	<u>3548.00</u>	<u>3549.00</u>	
	<u>3550.00</u>	<u>3551.00</u>	<u>3554.00</u>	<u>3556.00</u>	<u>3557.00</u>	<u>3559.00</u>	<u>3564.00</u>	<u>3569.00</u>	<u>3570.00</u>	<u>3571.00</u>	<u>3572.00</u>	<u>3573.00</u>	
	<u>3574.00</u>	<u>3576.00</u>	<u>3578.00</u>	<u>3580.00</u>	<u>3581.00</u>	<u>3601.01</u>	<u>3601.02</u>	<u>3602.01</u>	<u>3603.02</u>	<u>3604.01</u>	<u>3604.02</u>	<u>3604.04</u>	
	<u>3608.00</u>	<u>3702.02</u>	<u>3803.00</u>	<u>3804.02</u>	<u>3805.02</u>	<u>3806.00</u>	<u>3810.01</u>	<u>3812.04</u>	<u>3905.00</u>	<u>3907.00</u>	<u>3910.00</u>		
Marshall County	<u>205.00</u>												
Miami County	<u>9525.00</u>												
Monroe County	<u>1.00</u>	<u>2.01</u>	<u>2.02</u>	<u>3.01</u>	<u>3.02</u>	<u>6.01</u>	<u>6.02</u>	<u>16.00</u>					
Montgomery County	<u>9571.00</u>												
Morgan County	<u>5109.00</u>												
Orange County	<u>9514.00</u>												
Perry County	<u>9526.00</u>												
Porter County	<u>509.00</u>												
Pulaski County	<u>9591.00</u>												
St. Joseph County	<u>4.00</u>	<u>5.00</u>	<u>6.00</u>	<u>7.00</u>	<u>9.00</u>	<u>10.00</u>	<u>17.00</u>	<u>19.00</u>	<u>20.00</u>	<u>21.00</u>	<u>23.00</u>	<u>24.00</u>	
	<u>27.00</u>	<u>28.00</u>	<u>29.00</u>	<u>30.00</u>	<u>31.00</u>	<u>34.00</u>	<u>35.00</u>	<u>115.01</u>					
Shelby County	<u>7106.01</u>	<u>7106.02</u>											
Starke County	<u>9540.00</u>												
Tippecanoe County	<u>1.00</u>	<u>4.00</u>	<u>7.00</u>	<u>15.01</u>	<u>53.00</u>	<u>54.00</u>	<u>55.00</u>	<u>103.00</u>	<u>105.00</u>	<u>111.00</u>			
Vanderburgh County	<u>1.00</u>	<u>8.00</u>	<u>10.00</u>	<u>11.00</u>	<u>12.00</u>	<u>13.00</u>	<u>14.00</u>	<u>17.00</u>	<u>19.00</u>	<u>20.00</u>	<u>21.00</u>	<u>23.00</u>	
	<u>25.00</u>	<u>26.00</u>	<u>37.02</u>	<u>104.03</u>									
Vermillion County	<u>205.00</u>												
Vigo County	<u>3.00</u>	<u>4.00</u>	<u>5.00</u>	<u>6.00</u>	<u>9.00</u>	<u>11.00</u>	<u>13.00</u>	<u>18.00</u>	<u>19.00</u>	<u>111.00</u>			
Wayne County	<u>2.00</u>	<u>5.00</u>	<u>10.00</u>										
Wells County	<u>404.00</u>												

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
BORROWER ELIGIBILITY
SECTION 2**

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. 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 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, except, special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
25. **Borrower must have a FICO credit score of 650 or higher.**
26. **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" for the purposes of the Program. If a Borrower cannot provide IHCDA with the divorce decree that meets the requirements referenced above, its loan will be underwritten as if both parties are still married. A legal separation agreement or a petition for dissolution will not suffice.
27. **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.
28. **Training.** Borrower must successfully complete the IHCDA University Homeownership training program, if Borrower is a first-time homebuyer. A "First-Time Homebuyer" is someone who has not, at any time 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. 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 the loan application package of a Borrower that is a first-time homebuyer.
29. **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 IHCDA 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 IHCDA.**
30. **Conflicts.** If there are any conflicts between the FHA guidelines and the Program guidelines, please contact IHCDA. IHCDA will also address all questions regarding tax compliance. All other questions should be directed to the Master Servicer.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
PROPERTY ELIGIBILITY
SECTION 3**

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, for the purposes of FHA financing only could include a manufactured home permanently affixed to real estate and taxed as such; 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 "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 MCC 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 MCC loan;
 - 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 prorated 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 of residence.

5. Acquisition cost does not include:

- A. Usual and reasonable settlement and financing costs including:
 - (a) Title and transfer costs;

- (b) Title insurance;
- (c) Survey fees and other similar costs;
- (d) Credit reference fees;
- (e) Legal fees;
- (f) Appraisal expenses;
- (g) Usual and reasonable financing points;
- (h) Structural and systems or pest inspections; and
- (i) Other related costs of financing the residence.

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

C. The imputed value of “sweat equity” performed by the Borrower or members of the Borrower’s immediate family.

6. 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.

7. No more than ten percent (10%) of the total area of the 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.

8. A residence used as an investment property or a recreational home would not qualify as a principal residence.

9. 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.

10. 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
SECTION 4**

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. IHCD funds cannot refinance an existing loan or replace existing financing on the property.
 - A. Conditional land sale contracts will 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 IHCD 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 IHCD has continuous lending capabilities.
2. IHCD 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
SECTION 5**

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
SECTION 6**

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 IHCDA. If an extension is requested **AFTER** the Commitment Expiration Date the Participating Lender may be required to Relock the interest rate on the loan. Therefore, Borrower would 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.**

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.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
RESERVATION REQUEST PROCEDURES
SECTION 7**

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 the other 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 A MORTGAGE BROKER THAT USES A PARTICIPATING LENDER TO SUBMIT ITS LOAN TO THE MASTER SERVICER.**

A RESERVATION IS IMPORTANT: THE BORROWER CANNOT EXECUTE IHCDA'S DOCUMENTS WITHOUT AN IHCDA 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 IHCDA for the applicable reservation fee (See Section 6 for the Fee Schedule). **A SEPARATE CHECK MUST BE MADE OUT FOR EACH RESERVATION FEE. IHCDA 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 IHCDA FOR FIVE (5) DAYS. IF THE FEES ARE NOT RECEIVED WITHIN THE FIVE (5) DAY PERIOD, IHCDA WILL RETURN THE FILE TO THE PARTICIPATING LENDER.**
3. IHCDA 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 for increases in loan amounts will be subject to the availability of funds. Participating Lenders should include the purchase price and loan amount (original and revised) by written request or via email. **Mortgage decreases can be made at the time the closing package is received.**

2. **Change of Address.** A Participating Lender must ensure that the property is eligible for an FHA financing before it places a reservation. Continuous requests for address changes can result in higher interest rates for borrowers. If the file has not been reviewed by an IHCD A underwriter, then the Participating Lender should send its request to Marquet Smith or Jason Cane in the IHCD A Homeownership Department. At that time, the Participating Lender can choose to keep the original locked rate and the commitment expiration will remain the same or the Participating Lender may decide to cancel the reservation and create a new reservation at the current rate and obtain a new commitment expiration date. If the file has already been reviewed by an IHCD A underwriter, then the Participating Lender must contact the appropriate underwriter. The Participating Lender will still have the choice to either keep the original locked rate and the commitment expiration date or create a new reservation at the current rate and obtain a new commitment expiration date.

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

4. **Transfer of Reservation (Participating Lender).** IHCD A 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. 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 IHCD A. The new Participating Lender cannot close the loan without receiving approval from IHCD A 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 via ACH wire. 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

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

If the Participating Lender cancels an existing reservation or allows 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
SECTION 8**

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 Jan 2013)
- Loan Application - **Copy** (FNMA 1003)
- NH-ALL Preliminary
- Current Paystubs from all Residents with Income, Including Full-Time Students over the age of 18 – **Copy (within last 30 days)**
- Zero Income Affidavit – **Signed Copy** (if applicable dated Jan 2013)
- Legal Documentation of Child Support/Custody/Guardianship – **Copy** (if applicable)
- Judge Signed, Final Divorce Decree – **Copy** (if applicable)
- Three (3) years Certified 4506T Tax Transcripts - **Copy**
- Purchase Agreement, fully executed – **Copy**
- Appraisal - **Copy**
- Certificate of Completion from IHCDA University – **Copy (recommended for First Time Homebuyers 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 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 IHCDCA needs additional information or if the application package is incomplete, the application package will be considered “pending” 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 IHCDCA cannot approve the application package by the Commitment Expiration Date shown in IHSF, IHCDCA will cancel the reservation the Thursday following this date.

Contact IHCDCA for extension requests. IHCDCA will determine the amount of the extension fee. A request for a thirty (30) day extension on a reservation must be received before the Commitment expiration date.

PERMANENT TERMINATION POLICY

Once a reservation shows a status of “Terminated” in IHSF, a Participating Lender cannot reinstate the loan. If the Participating Lender wishes to do a Next Home loan with the same borrower and same property address they must wait sixty (60) days from the date of termination to reserve the new loan. In which case the borrower will receive the current interest rate. If a loan is “Terminated”, and the borrower chooses to use a different Participating Lender the new lender may reserve the loan at any time and the borrower will receive the current interest rate.

DENIED RESERVATION

IHCDCA 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. IHCDCA 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. IHCDCA will retain a portion of the reservation fee and the remainder of the reservation fee will be refunded to the Participating Lender. 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
SECTION 9**

DUE DATE

The loan closing package must be final approved by IHCDA **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 IHCDA for extension requests.

SUBMISSION

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

- (1)** Balance of Reservation Fees (if applicable)
- (2)** Closing Transmittal Letter (NH-7 dated Jan 2013) - **Original**
- (3)** Final Signed Loan Application - (FNMA 1003) - **Copy**
- (4)** NH-ALL – **Original with signatures** (dated Jan 2013)
- (5)** Authorization for Sellers Signature (if appl.) - **Copy**
- (6)** Signed HUD-1 Settlement Statement – **Copy**
- (7)** Initial Fee Worksheet to HUD-1 Adjusted Origination Charge
- (8)** **Copy** of Second Mortgage Promissory Note
- (9)** **Copy** of Second Mortgage
- (10)** Conditions from Preliminary Approval

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.

IHCDA 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 IHCDA on a case-by-case basis and granted at the sole discretion of IHCDA and only if funds remain available IHCDA will only consider a request for extension after receiving:

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 IHCDA **and** the Master Servicer by the due date, IHCDA will cancel the reservation.

CLOSING PACKAGE SUBMISSION (APPROVAL)

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

THE ORIGINAL SECOND MORTGAGE (AFTER RECORDING) IS TO BE SENT DIRECTLY TO THE MASTER SERVICER.

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:

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. The Participating Lender will also be required to reimburse IHCD A in the amount of the second mortgage within thirty (30) days.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
DOWN PAYMENT ASSISTANCE
SECTION 10**

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 and Second Mortgage. The Participating will also be required to reimburse IHCDA in the amount of the second mortgage within thirty (30) days.

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 principal residence 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 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.