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The Affordable Home Program is a program which funds loans utilizing FHA financing and does not provide any form of down-payment or closing cost assistance (“DPA”). This program would be ideal for the Mortgagor who is in a position to provide his or her own funds at closing. This loan would also need to meet applicable FHA financing requirements and the requirements of the Master Servicer. The Mortgagor must be a first time homebuyer and this program cannot be coupled or combined with any other IHCDA program.
“Acquisition Cost” has the meaning set forth in Section 3 of this Program Guide.

“Commitment Expiration Date” means the date on which IHCDA’s commitment under the Program expires.

“FHA financing” means financing provided through the Federal Housing Administration of the United States Department of Housing and Urban Development (“FHA”) home loan program.

“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 unless purchasing in a targeted area.

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

“IHCDA Online” means the online system used by IHCDA and participating lenders to access, manage and verify the program being utilized.

“Master Servicer” means U.S. Bank, N.A.

“Mortgagor” means any person or persons meeting the qualifications of the Program and this Program Guide, and includes any Co-Mortgagors.

“Participating Lender” means a lender that has signed the Affordable Home Mortgage Origination and Sale Agreement page.

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

“Program Guide” means this IHCDA 2019 Affordable Home Program Guide

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

“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.

“Subject Property” is the property the Mortgagors are purchasing and will reside in.

“Targeted Area” has the meaning set forth in Section 1 of this Program Guide.
INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
AFFORDABLE HOME PROGRAM
EXECUTIVE SUMMARY

This Executive Summary provides a summary of the information that is discussed in this Program Guide.

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

A. Both IHCDA and the Participating Lender reserve their rights to request any additional documentation needed to make an accurate determination of eligibility on any given file.

B. IHCDA cannot email, fax or mail any document, including any mortgage documents provided by the Participating Lender containing the Mortgagor’s Social Security Number.

C. Reservations for loans will only be taken between 9:00 am and 5:00 pm E.S.T. (Monday – Friday)

D. A rate sheet will appear in IHCDA Online when a Participating Lender reserves a loan.

E. All reservations must be for FHA thirty (30) year fixed rate mortgages.

F. All loans must be underwritten to and meet FHA guidelines and IHCDA guidelines.

G. A Mortgagor must not have had an ownership interest in his or her principal residence within the past three (3) years. This restriction is waived for Mortgagors who purchase in targeted areas and when the Mortgagor is an eligible veteran.

H. Household size will be determined by the number of Mortgagor(s), along with dependents listed on the Uniform Residential Loan Application (URLA Form 1003) and any/all individuals expected to cohabitate in the residence.

I. The Mortgagor must meet special income guidelines. Income limits vary by county and are dependent on family size.

J. Household income will be determined for Mortgagor(s) only based off qualifying gross annual income provided by the Participating Lender on the Uniform Residential Loan Application (URLA Form 1003).

K. Participating Lender must disclose all forms of qualifying gross annual income for Mortgagor(s) on the Uniform Residential Loan Application (URLA Form 1003) and as described in Section Two of this Program Guide.

L. The cost of purchasing the home must fall under the federally determined acquisition limits. Acquisition limits vary by county.

M. The property may be a one (1) unit or two to four (2 - 4) unit dwelling.

N. The home must be used as the Mortgagor’s principal residence.

O. If a Mortgagor is purchasing a property that it is renting or has rented previously, the Participating Lender must supply a current lease agreement, purchase agreement, appraisal and a thirty-six (36) month chain of title with the IHCDA Affidavit. If there is no current lease agreement, then a submission of a signed buyer/seller agreement encompassing all terms of the rental agreement, since the buyer has occupied the rental, may be submitted in lieu of lease agreement. In addition, no amount of the rent paid can be applied towards the lowering of the purchase price and/or cannot be
used towards the purchase of the property in any fashion.

P. Mortgagor and Co-Mortgagor tax transcripts are required.

Q. The purchase price of the property cannot exceed the fair market value (appraised value).

R. The Mortgagor(s) must have a minimum FICO credit score that meets the requirement set forth by the Master Servicer. Verification of current FICO credit scores, for FHA financing, must be verified with the Master Servicer.

S. The Mortgagor may not receive down payment assistance from IHCDA for any purchase made through this Program, however it may receive down payment assistance from any other source that is approved by the Master Servicer.

T. The reservation fee for reserving a loan through the Program is a flat, non-refundable fee of $100.00.

U. Co-signers of the Mortgagor are allowed. Non-occupying Co-Mortgagors are allowed. IHCDA does not include Co-signer and Non-occupying Co-Mortgagor income in the total household income but will include all occupying Mortgagor(s) income. The Participating Lender should exclude the Co-signer and Non-occupying Co-Mortgagor information from the IHCDA Affidavit that is being submitted to IHCDA.

V. Repair escrows are allowed (must follow guidelines issued by the Master Servicer).

W. An FHA case number must be assigned to each loan.

X. In accordance with FHA Mortgagee Letters 99-18, 2004-04 and 2005-01, Participating Lender must advise each Mortgagor of the importance of obtaining an independent home inspection for any home it plans to purchase.

Y. A Mortgage Rider is required to be recorded with the mortgage.

Z. Federal Recapture Tax may apply.

AA. The First Mortgage may not be closed prior to the Committed Approval date shown in IHCDA Online. If there is a violation of the foregoing, the originating Participating Lender shall retain the First Mortgage. 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.

BB. The maximum amount that can be charged on each loan with respect to Origination fees will be limited to one percent (1%) regardless who is paying it. In addition, the maximum amount a lender may charge in lender fees will be limited to one thousand dollars ($1,000), without respect to who is paying them.

CC. Final Approval from IHCDA and purchase by Master Servicer must occur by the Commitment Expiration Date (60 days from the date of reservation).

DD. If there are any conflicts between the FHA guidelines, as applicable 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.

EE. Any employee, agent, or associate of the Participating Lender caught forging or altering documentation or otherwise misrepresenting information will be suspended from the Program and the pertinent information may be turned over to the proper state and local authorities.

FF. IHCDA strongly encourages Participating Lenders to print this program guide from
http://www.in.gov/myichda/2401.htm

1.
INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
AFFORDABLE 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”.

A. EXPLANATION OF TARGET AND NON-TARGET 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 property to be designated as within a Targeted Area.

2019 IRS SECTION 42(d)(5)(B) QUALIFIED CENSUS TRACTS

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<tr>
<th>County</th>
<th>Census Tract</th>
</tr>
</thead>
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<tr>
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<tr>
<td></td>
<td>0020.00 0021.00 0025.00 0026.00</td>
</tr>
</tbody>
</table>
A Mortgagor 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 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. This requirement does not apply to all members of the household only to those persons executing the loan documents. However, Mortgagors acquiring residences in Targeted Areas and eligible veterans are exempt from the First-Time Homebuyer requirement.

B. OWNERSHIP INTEREST

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 Mortgagor (whether or not created by the Mortgagor) that would constitute a present ownership interest if held directly by the Mortgagor; or

g. Ownership of a factory-made home permanently affixed to real property and taxed as real estate.

Interests that do not constitute ownership interest include:

a. A remainder interest;

b. A 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 factory-made home not permanently affixed to real property and taxed as personal property.
C. MUST BE INCOME ELIGIBLE

Mortgagors applying for financing through the Program must meet income limits for the Affordable Home Program which are based on the income limits of the county in which the residence to be purchased is located. The IHCDA website contains the county-by-county income limits.

Income will be determined for Mortgagor(s) using qualifying Gross Annual Income provided on the Uniform Residential Loan Application (URLA Form 1003) and as described below. IHCDA and/or the Participating Lender can request any additional information either needs to make this determination. NOTE: All sources of income shown below must be included on the URLA Form 1003.

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 in which the mortgagor(s) is responsible of informing the lender if this income is received;

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 except special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

D. ALIENS

The Participating Lender is required to determine the Mortgagor's residency status, in accordance with Fannie Mae, Freddie Mac, Ginnie Mae or the Master Servicer’s guidelines.
A. TYPES OF PROPERTIES ALLOWED

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

The proceeds of the loans must be used to acquire the principal residence of the Mortgagor. The residence must meet the following requirements:

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

2. The property must be:
   - A one (1) unit or two to four (2 - 4) unit house; one unit must be occupied by the Mortgagor of the units.
   - A condominium; or
   - A townhome following the specific product guide; or
   - A planned unit development; or
   - A manufactured home permanently affixed to a permanent foundation.

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.

B. ACQUISITION COST

1. 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 Mortgagor (or a related party for the benefit of the Mortgagor) 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 program; for example, 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 program;

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

   D. Property taxes, if not prorated between ownership by Mortgagor and seller (e.g., Mortgagor pays next installment due); and

   E. The cost of the land, or if a gift the appraised value, is to be added to the Acquisition Cost if the Mortgagor has owned the land for less than two (2) years prior to construction of residence.
2. 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 paid by the Mortgagor;
      (h) Structural and systems or pest inspections; and
      (i) Other related costs of financing the residence.

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

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

3. 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.

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

5. If the residence is a two – four (2 – 4) unit dwelling, then one (1) unit must be occupied by the Mortgagor(s) as his or her principal residence.

6. All appraisals must be conducted by a licensed appraiser in accordance with the U.S. Department of Housing and Urban Development (HUD) Handbook No. 4150.1 Rev-1.
A. MORTGAGE FINANCING ELIGIBILITY

The proceeds of the loans secured under the Program must be used to acquire the principal residence of the Mortgagor. 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 associated with the residence but (i) not necessary to maintain the basic livability of the residence and which (ii) provides, other than incidentally a source of income to the Mortgagor; 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. Land sale contracts and leases with the option to purchase will be considered existing financing, regardless of whether or not they have been recorded.

3. No assumptions will be allowed on any IHCDA loans.

B. NOTES REGARDING MORTGAGE FINANCING

1. The Participating Lender should remember to ensure that the Mortgagor qualifies for the Program before beginning the financing process.

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 Mortgagor 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.
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 MORTGAGOR IS ADVISED TO CONSULT WITH A TAX SPECIALIST TO DETERMINE WHETHER HE OR SHE IS RESPONSIBLE FOR PAYING THE FEDERAL RECAPTURE TAX.

The law mandates a “recapture” of some of the benefit of the program if a Mortgagor meets all three (3) of the following criteria: (1) the property ceases to be the principal residence in 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 adjusted qualifying income for Mortgagor’s family size that year.

If Federal Recapture Tax is owed, it is computed and paid to the IRS for the tax year in which the home is sold. If Federal Recapture Tax must be repaid, it will never exceed the lesser of 6.25% of the original loan amount or one-half (1/2) of the gain on the sale of the home.

The most that a Mortgagor will ever be required to pay when a Mortgagor sells his or her home within the first nine (9) years of purchasing it is 6.25% of the highest principal amount of the mortgage loan that was federally subsidized during the life of the loan or fifty percent (50%) of the gain on the sale of the home. 6.25% of the principal amount of the mortgage loan is the amount considered to be the federally subsidized amount. When a Mortgagor sells his or her home is as important as the amount a Mortgagor receives for the sale of his or her home and his or her income at the time of the sale. The actual Federal Recapture Tax, if any, can only be determined when the Mortgagor sells his or her home.

Remember:
• If a Mortgagor 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 Mortgagor’s family size that year, there is no Federal Recapture Tax due.

A Mortgagor 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 Mortgagor transfers his or her home to his or her spouse or his or her former spouse incident to a divorce and a Mortgagor has no gain or loss included in his or her income as a result of the transfer.
• A Mortgagor refinances his or her home (unless Mortgagor later meets the recapture rules).
• Mortgagor’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 Mortgagor 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 Mortgagor sold his or her home and made a net profit, then a Mortgagor 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 Mortgagor a Notice to Mortgagor 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. Mortgagor should keep this notice for future reference in calculating the Federal Recapture Tax.

**How much do I owe?**
The amount of recapture tax a Mortgagor 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 Mortgagor 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:

<table>
<thead>
<tr>
<th>Disposition Within # Months of Closing</th>
<th>Holding Period Percentage</th>
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</thead>
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<td>20%</td>
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<tr>
<td>13 - 24</td>
<td>40%</td>
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<td>25 - 36</td>
<td>60%</td>
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<td>100%</td>
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</tr>
<tr>
<td>97 - 108</td>
<td>20%</td>
</tr>
<tr>
<td>109 or More</td>
<td>No Recapture Tax</td>
</tr>
</tbody>
</table>

Again, a Mortgagor 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](http://www.irs.gov)).
SAMPLE LETTER

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

April 00, 2019    Series:          Affordable 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 Mortgagor(s) of Maximum Recapture Tax
and of Method to Compute Recapture on Dispositions of Home

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

<table>
<thead>
<tr>
<th>Disposition Within Months of Closing</th>
<th>Holding Period Percentage</th>
<th>Adjusted Qualifying Income On date of Disposition, for Family Size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2 or Less</td>
</tr>
<tr>
<td>1 - 12</td>
<td>20%</td>
<td>62,900</td>
</tr>
<tr>
<td>13 - 24</td>
<td>40%</td>
<td>66,045</td>
</tr>
<tr>
<td>25 - 36</td>
<td>60%</td>
<td>69,347</td>
</tr>
<tr>
<td>37 - 48</td>
<td>80%</td>
<td>72,814</td>
</tr>
<tr>
<td>49 - 60</td>
<td>100%</td>
<td>76,454</td>
</tr>
<tr>
<td>61 - 72</td>
<td>80%</td>
<td>80,276</td>
</tr>
<tr>
<td>73 - 84</td>
<td>60%</td>
<td>84,289</td>
</tr>
<tr>
<td>85 - 96</td>
<td>40%</td>
<td>88,503</td>
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<tr>
<td>97 - 108</td>
<td>20%</td>
<td>92,928</td>
</tr>
<tr>
<td>109 or More</td>
<td>No Recapture Tax</td>
<td></td>
</tr>
</tbody>
</table>

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 or 50% of the gain on the sale of the residence.

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 $5000.00 or more, your income percentage is one hundred percent (100%). If it is greater than zero (0) but less than $5000.00, it must be divided by $5000.00. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is $1000.00/$5000.00, your income percentage is twenty percent (20%).

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

1. If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.
2. If your home is destroyed by fire, storm, flood, or other casualty, there generally is no recapture tax if, within two (2) years, you purchase additional property for use as your principal residence or construct a new home on the site of the home financed with your original subsidized mortgage loan.

3. In general, except as provided in future regulations, if two (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 individual based on each individual’s interests in the home.

4. If you repay your loan in full during the nine (9) year recapture period and you sell your home during this period, your holding period percentage may be reduced under the special rule in Section 143(m)(4)(c)(ii) of the Internal Revenue Code.

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

Sincerely,

Authorized Officer
A. INTEREST RATE CHANGE

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

B. NOTIFICATION OF RATE CHANGE

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

The Participating Lender should refer to the reservation confirmation prior to submitting the IHCDA Affidavit to confirm the correct interest rate for the loan.

It is the Participating Lender’s responsibility to check IHCDA Online to determine the current interest rate prior to applying for a loan on behalf of a Mortgagor.
A. FEES

IHCDA RESERVATION FEE:

Flat non-refundable fee of $100.00. The reservation fee must be received prior to IHCDA reviewing for approval.

The Participating Lender may ACH wire the reservation fee to IHCDA. IHCDA will forward the ACH wire information to the Participating Lender once a signed Mortgage Origination and Sale Agreement (MOSA) is received and approved by IHCDA. The Participating Lender may submit up to thirteen (13) reservation fees per ACH wire. The Participating Lender must have a reservation number from IHCDA Online before submitting fees.

If a Participating Lender is unable to submit the reservation fee by ACH wire they may submit Mortgagor’s certified funds or Participating Lender’s check payable to IHCDA. A separate check must be made out for each reservation fee. IHCDA does not accept cash, coins or personal checks from the mortgagor.

Any reservation fee overages will be refunded after the loan is purchased by the Master Servicer.

ORIGINATION FEES AND ALLOWABLE LENDER FEES:

The maximum amount that can be charged on each loan with respect to Origination fees will be limited to one percent (1%) regardless who is paying it. In addition, the maximum amount a lender may charge in lender fees will be limited to one thousand dollars ($1,000), without respect to who is paying them.

EXTENSION FEE:

Extensions may be granted. Contact IHCDA for extension requests at ExtensionRequests@ihcda.in.gov. Extensions requested prior to or on the Commitment Expiration Date (60 days from the date of reservation) 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, Mortgagor would receive the higher rate of the current interest rate and the original interest rate.

IHCDA TRAINING FEES:

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

IHCDA RESERVATION FEE REFUNDS:

Reservation fees are non-refundable.

Extension fees are non-refundable and can be paid by any party.

PARTICIPATING LENDER COMPENSATION:

The Participating Lender shall receive one and three quarters percent (1.75%) of the mortgage amount which is payable upon sale of the loan to the Master Servicer.
A. 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 Mortgagor meets the other eligibility requirements of the Program. Note: a Participating Lender cannot reserve a loan that it cannot close in its own name.

A reservation is important: the Mortgagor cannot execute IHCDA documents without an IHCDA reservation number.

B. RESERVATION REQUEST

1. The Participating Lender must make reservation requests using IHCDA Online online system. All reservations will be accepted on a first-come, first-served basis and are always subject to availability of funds. IHCDA Online will confirm the reservation number immediately.

2. Once the Participating Lender submits a reservation the interest rate will be locked in.

C. MODIFICATIONS

A Participating Lender must request any change to a Mortgagor’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) via email.

2. Change of Address. A Participating Lender must ensure that the property is eligible for financing before it places a reservation. Continuous requests for address changes can result in higher interest rates for Mortgagors. If the file has not been reviewed by an IHCDA underwriter, then the Participating Lender should send its request to any member of the IHCDA Homeownership Department. At that time, the Participating Lender can choose to keep the original locked rate and the commitment expiration date 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 IHCDA 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 (Mortgagor). IHCDA will not allow the transfer of a reservation from one Mortgagor to another Mortgagor.

4. Transfer of Reservation (Participating Lender). IHCDA will allow a transfer of a reservation from one Participating Lender to another. The original Participating Lender must submit an e-mail stating that the reservation and the reservation fees are to be transferred to the new Participating Lender. The new Lender must be a Participating Lender with the Program and submit an e-mail requesting an exception code to re-reserve a new loan. The original reservation will be canceled allowing the new Participating Lender to reserve the loan. The Mortgagor will receive the current interest rate and for the day when the new reservation is locked. The reservation fee will be transferred to the new reservation number, if applicable. The
new Participating Lender must upload an IHCDA Affidavit to IHCDA for review. The new Participating Lender cannot close the loan without receiving approval from IHCDA with the new Participating Lender’s name specified on the documents.

D. 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. The Mortgagor will receive the higher of the current interest rate and the original interest rate if a termination occurs.

E. 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 the Homeownership Department as soon as possible.

F. 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 Mortgagor, the Participating Lender will be required to relock the interest rate on the loan. Therefore, Mortgagor will receive the higher rate of the current interest rate and the original interest rate.
Participating Lenders are encouraged to pre-qualify Mortgagors for credit eligibility whenever possible; the Uniform Residential Loan Application (URLA Form 1003) can be dated prior to the date of the purchase agreement.

A. SUBMISSION

The Participating Lender is responsible for performing a thorough investigation to determine whether both the Mortgagor and the property meet Program requirements. To obtain preliminary approval needed to close the reservation fee must be received and the following documentation uploaded and approved:

- IHCDA Homeownership Affidavit
- Certificate of Completion from FrameWork (if applicable)

B. AFFIDAVIT UPLOAD (APPROVAL)

All files will be reviewed in the order that they are received and the reservation fees have been applied. IHCDA will underwrite all files within a reasonable amount of time from the date that the file is uploaded into IHCDA Online. Participating Lenders are encouraged to check IHCDA Online regularly for the status of the affidavit.

When IHCDA determines that the affidavit is complete and in compliance with Program requirements, IHCDA will change the status to reflect Closing Upload in IHCDA Online. IHCDA Online will show a date on which the loan expires which is known as the Commitment Expiration Date (60 days from the date of reservation), 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.

C. AFFIDAVIT UPLOAD (INCOMPLETE)

If IHCDA needs additional information or if the Affidavit is incomplete, the status will show “Incomplete” in IHCDA Online. IHCDA will review the application conditions within a reasonable amount of time from the date the conditions are uploaded.
A. 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 IHCDA Online. The Commitment Expiration Date is sixty (60) days after the date of reservation on all loans. Extensions may be granted. Contact IHCDA for extension requests at ExtensionRequests@ihcda.in.gov.

B. SUBMISSION

After the loan closing, the Participating Lender will upload in IHCDA Online the executed closing package which consists of the following:

- IHCDA Closing Checklist
- Final Mortgagor and Loan Originator Signed 1003
- Final Signed IHCDA Informational Statement
- 3 Years of Tax Transcripts
- Signed Purchase Agreement/Counters/Amendments
- Appraisal
- Signed Closing Disclosure
- Mortgage, page 1 only
- Signed IHCDA Mortgage Rider
- Mortgage Note

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

E-signatures are not permitted on IHCDA produced documents.

C. CLOSING PACKAGE UPLOAD (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 received. Participating Lenders are encouraged to check IHCDA Online regularly for the status of its closing packages.

When IHCDA determines that the closing package is complete and in compliance with Program requirements, IHCDA will change the status to reflect Closing Package Review “Approved” in IHCDA Online. IHCDA Online will show a date on which the loan expires which is known as the Commitment Expiration Date (60 days from date of reservation), 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.

D. CLOSING PACKAGE UPLOAD (INCOMPLETE)

If IHCDA needs additional information or if there are incomplete documents, the status will be considered “Incomplete” and will reflect as such in IHCDA Online. IHCDA will review the closing conditions within a reasonable amount of time from the date the condition is uploaded.
INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
AFFORDABLE HOME PROGRAM
CANCELLED/REJECTED/TERMINATED LOANS
SECTION 11

A. CANCELLATION

If the Participating Lender fails to receive final approval from both IHCDA and the Master Servicer by the Commitment Expiration Date (60 days from date of reservation), IHCDA will cancel the reservation. If the reservation is canceled by IHCDA, the Participating Lender may request reinstatement of the reservation. Reinstatements will be approved at IHCDA’s sole discretion, and subject to the availability of funds. The Participating Lender has thirty (30) days to reinstate the reservation.

B. DENIED RESERVATION

IHCDA may post a “rejected” status in IHCDA Online if the information included indicates that either the Mortgagor or the property or both do not meet Program requirements. IHCDA will cancel rejected loans thirty (30) days after the date it is given a “Rejected” status in IHCDA Online. Any funds previously allocated to the property shall be made available for other loan applications.

C. PERMANENT TERMINATION POLICY

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