

**NEXT HOME**

**PROGRAM GUIDE**

**July 2011**

**ihcda**

**Indiana Housing &  
Community Development  
Authority**



**INDIANA HOUSING AND COMMUNITY  
DEVELOPMENT AUTHORITY  
NEXT HOME PROGRAM GUIDE  
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**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY  
NEXT HOME PROGRAM  
DEFINITIONS**

“Acquisition Cost” has the meaning set forth in Section 3 of this Program Guide.

“Borrower” means any person or persons meeting the qualifications of the Next Home Program and the Program Guide, and includes any co-borrowers.

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

“DPA” means down payment assistance.

“IHCDA” means Indiana Housing and Community Development Authority.

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

“Master Servicer” means Bank of America.

“MCC” means Mortgage Credit Certificate.

“NH” means Next Home.

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

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

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

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

“Qualified Census Tract” has the meaning set forth in Section 1 of this Program Guide.

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

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

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

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

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

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

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

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

1. The Borrower must meet special **income guidelines**. Income limits vary by county and are dependent on family size. (Please see Section 2 of this Program Guide for a complete explanation.)
2. The Borrower does not have to be a first-time homebuyer.
3. The Borrower **must have a FICO credit score of 650 or higher**.
4. The home must be used as the Borrower's **principal residence**. (Please see Section 3 of this Program Guide for a complete explanation.)

## **DPA**

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

## **PARTICIPATING LENDERS WILL NEED TO KNOW THE FOLLOWING:**

1. **Income eligibility includes certain sources of income that a lender typically does not consider in determining eligibility or creditworthiness for non-federally-assisted conventional financing.**
2. Reservations for the Next Home will only be taken between 9:00 am and 6:00 pm E.S.T.
3. A rate sheet will appear in the IHSF when a Participating Lender reserves a loan. The IHSF will reflect the current interest rate at all times.
4. The reservation fee for reserving a loan through the Program is .125% of the loan amount.
5. **THE PARTICIPATING LENDERS MUST BE MORTGAGE BANKER. A MORTGAGE BROKER IS ONLY PERMITTED TO BE PARTICIPATING LENDER IF IT CAN FULLY SERVICE A LOAN, OPEN, FUND AND CLOSE A LOAN IN ITS NAME OR IF IT USES A PARTICIPATING LENDER TO SUBMIT ITS LOAN TO THE MASTER SERVICER.**
6. The Participating Lender may charge a one percent (1%) origination fee in addition to the \$1,000.00 in allowable lender paid fees. The Participating Lender fees charged to the Borrower must not exceed \$1,000.00. Items paid to a third party must be noted as such on the HUD-1 Settlement Statement to not be included in the \$1,000.00.
7. All loans must be sold to the Master Servicer or sub-servicer. After the loans are sold, the Participating Lender is paid one percent (1%) of the first mortgage amount.

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

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

Certain geographic areas in Indiana have been designated as “Targeted Areas”. Areas in the State not designated as Targeted Areas are referred to as “Non-Targeted Areas”.

**TARGETED AREAS ARE EITHER:**

- 1) A Qualified Census Tract: seventy percent (70%) or more of the families have an income which is eighty percent (80%) or less of the statewide median family income.
- 2) An “Area of Chronic Economic Distress” as designated by the State and approved by the Secretary of the United States Department of Treasury and the Secretary of the United States Department of Housing and Urban Development.

Targeted Areas include the following counties in the State of Indiana:

Brown	Clinton	Crawford	Daviess	Dearborn
Decatur	Fayette	Franklin	Fulton	Greene
Jackson	Jasper	Jefferson	Knox	Lawrence
Miami	Ohio	Orange	Owen	Parke
Perry	Pike	Rush	Scott	Shelby
Spencer	Vermillion	Vigo	Washington	Wayne

***Targeted Areas include the following census tracts within counties that themselves are not Targeted Areas. The property appraiser must note the qualifying census tract information on the appraisal for a census tract to be designated as a Targeted Area.***

COUNTY	Census Tract Areas					
Allen	0006.00	0012.00	0013.00	0014.00	0015.00	0016.00
	0017.00	0018.00	0020.00	0023.00	0027.00	0028.00
	0029.00	0035.00	0042.00	00113.03	0010.00	0011.00
Bartholomew	0101.00					
Delaware	0001.00	0002.00	0003.00	0004.00	0006.00	0007.00
	0009.02	0010.00	0019.01			
Floyd	0708.01					
Grant	0002.00					
Henry	9763.00					
Howard	0002.00	0012.00				
Jefferson	0002.00	0003.00	0004.00	0006.00	0010.00	0011.00
	0014.00	0015.00	0017.00	0018.00	0021.00	0023.00
	0024.00	0027.00	0028.00	0030.00	0035.00	0037.00
	0041.00	0043.01	0043.02	0049.00	0050.00	0051.00
	0053.00	0056.00	0059.00	0062.00	0065.00	0066.00
	0128.02					
Knox	9550.00	9553.00	9554.00			
Lake	0102.02	0102.03	0103.01	0103.02	0105.00	0106.00
	0107.00	0108.00	0109.00	0110.00	0111.00	0113.00
	0114.00	0116.00	0117.00	0119.00	0120.00	0122.00
	0123.00	0127.00	0206.00	0207.00	0218.00	0301.00
	0302.00	0303.00	0304.00	0310.00	0204.00	0121.00
LaPorte	0401.00					
Madison	0005.00					

Marion	3226.00	3308.01	3412.00	3416.00	3426.00	3501.00
Marion cont.	3503.00	3504.00	3507.00	3508.00	3509.00	3510.00
	3511.00	3512.00	3515.00	3516.00	3517.00	3521.00
	3523.00	3505.00	3527.00	3528.00	3531.00	3532.00
	3533.00	3535.00	3536.00	3539.00	3542.00	3544.00
	3545.00	3547.00	3548.00	3550.00	3551.00	3556.00
	3557.00	3559.00	3564.00	3569.00	3571.00	3572.00
	3573.00	3574.00	3581.00	3601.01	3601.02	3603.02
	3549.00					
Monroe	000100	0000201	000202	0003.01	0006.00	0009.01
	0016.00					
St. Joseph	0006.00	0010.00	0017.00	0019.00	0020.00	0021.00
	0023.00	0027.00	0029.00	0001.00	0028.00	
Tippecanoe	0004.00	0006.00	0053.00	0054.00	0055.00	0103.00
	0105.00					
Vanderburgh	0012.00	0013.00	0014.00	0017.00	0018.00	0019.00
	0020.00	0021.00	0026.00			
Vigo	0001.00	0003.00	0005.00	0006.00	0008.00	0002.00
	0019.00					
Wayne	0002.00					

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

**BORROWER ELIGIBILITY**

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

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

**Income eligibility includes certain sources of income that a lender typically does not consider in determining eligibility or creditworthiness for conventional financing. However, the income standards for the Program must be followed. The "Gross Annual Income" (as defined below) of the Borrower must be determined, along with the Gross Annual Income of any other person eighteen (18) years old and older who intends to reside at the property and is not a full-time student. Additionally, the Gross Annual Income of any other person who is legally married to the Borrower must be included into the Gross Annual Income of the Borrower.**

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

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

1. Child support, alimony and separate maintenance payments;
2. Periodic payments for trust, annuities, inheritances, insurance policies, pensions, retirement funds and lotteries;
3. All public assistance payments (excluding Medicaid and food stamps) including any amount by which educational grants, scholarships, and/or Veteran Administration educational benefits exceed expenses for tuition, fees, books, and equipment and reasonable rent and utility costs for a student living away from home;
4. Interest and dividends;
5. Payments in lieu of earnings, including social security, unemployment benefits, worker's compensation, severance pay, disability or death benefits;

6. Income from partnerships;
  7. Rental income from property owned;
  8. Recurring monetary contributions or gifts regularly received from a person not living in the residence; and
  9. All regular pay, special pay and allowances of a member of the Armed Forces not including hazardous duty pay.
- (A) **Borrower must have a FICO credit score of 650 or higher.**
- (B) **Requirement of a Divorced Borrower.** The income of a Borrower's spouse must be included in the Gross Annual income for the household, unless a Borrower is legally divorced from his or her spouse. A Borrower must provide IHCD A with a copy of a divorce decree signed by a judge in order to be considered "legally divorced" for the purposes of the Program. A legal separation agreement or a petition for dissolution will not suffice.
- (C) **Exception of Residency. Borrower must reasonably expect to reside in the property as his or her principal residence within sixty (60) days** after the loan closing date for an existing home **AND** within sixty (60) days of completion in the case of a newly constructed home.
- (D) **Training.** Borrower must successfully complete the IHCD A University Homeownership training program, if Borrower is a first-time homebuyer. A "First-Time Homebuyer" is someone who has not, at anytime during the three (3) years preceding the date of the loan closing, had an ownership interest in his/her principal residence. Homeownership training is **NOT** required if Borrower is not a first-time homebuyer. IHCD A University is available via the IHCD A website. This is the only Homeownership Training program that will be accepted. A certificate of completion or achievement is required in the loan application package of a Borrower that is a first-time homebuyer.
- (E) **Co-Signers.** Co-signers of Borrower are allowed on the loan. Notwithstanding the foregoing, co-signers are not eligible to appear on the deed, the mortgage documents, or allowed to sign any of the Program documents, the Purchase Agreement, the Second Mortgage, or the Second Note with respect to the DPA. **Co-signers are only allowed to sign the First Mortgage Note, therefore, when submitting an application package to IHCD A 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 IHCD A.**
- (F) **Conflicts.** If there are any conflicts between the FHA guidelines and the Program guidelines, please contact IHCD A. IHCD A will also address all questions regarding tax compliance. All other questions should be directed to the Master Servicer.

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

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

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

1. The property must be located in the State of Indiana.
2. The property must be:
  - A. A single-family house, which term, for the purposes of FHA financing only, includes a manufactured home permanently affixed to real estate; or
  - B. A condominium or planned unit development.
3. The amount paid to the seller for consideration for the property cannot be higher than it would be had the sale occurred without the benefit of the Program.
4. **The Borrower must reasonably expect to reside in the property as his principal residence within sixty (60) days** after the loan closing date on existing homes or within sixty (60) days of completion for a newly constructed home.
5. No more than ten percent (10%) of the total area of the principal residence can reasonably be used as:
  - A. The principal place of business for, or connected with, any trade or business on an exclusive or regular basis;
  - B. A place where inventory is held for use in the trade or business of the selling of products at wholesale or retail, unless the residence is the sole fixed location of such trade or business; or
  - C. A place used on a regular basis in a trade or business.
6. In accordance with FHA Mortgagee Letter 2004-04, the Participating Lender must advise the Borrower of the importance of it obtaining an independent home inspection.
7. All appraisals must be conducted by a licensed appraiser in accordance with the US Department of Housing and Urban Development (HUD) Handbook No. 4150.1 Rev-1. The purchase price of the property cannot exceed the appraised value of the property.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY  
NEXT HOME PROGRAM  
MORTGAGE FINANCING ELIGIBILITY**

**MORTGAGE FINANCING ELIGIBILITY**

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

1. The loans cannot finance the following:
  - A. Acquisition of personal property;
  - B. Land not appurtenant to the residence;
  - C. Land appurtenant to the residence but not necessary to maintain the basic livability of the residence and which provides, other than incidentally, a source of income to the Borrower; or
  - D. Settlement and financing costs that are in excess of that considered usual and reasonable.
2. IHCDA funds cannot refinance an existing loan or replace existing financing on the property.
  - A. Financing includes deeds of trust, pledges, agreements to hold title in escrow, and any other form of ownership financing. **A construction loan carrying a term of less than two (2) years is acceptable. Financing consisting of construction-to-permanent loans are allowed under the Program, but the loan must receive final approval from IHCDA and be purchased by the Master Servicer within sixty (60) days from the date of reservation. Because construction-to-permanent loans will close prior to construction, the application package must still be submitted to IHCDA for preliminary approval prior to the closing date.**
  - B. Conditional land sale contracts may be considered existing financing.
3. The closing date of the loan **cannot** precede the Committed Approval Date shown in IHSF.
4. **NO ASSUMPTIONS WILL BE ALLOWED ON ANY IHCDA LOANS.**
5. **PARTICIPATING LENDERS MAY USE DPA ON FHA FINANCING ONLY**

**NOTES REGARDING MORTGAGE FINANCING**

1. The Participating Lender should remember to ensure that the Borrower qualifies for the Program before beginning the financing process. The Participating Lender should not delay checking eligibility for reasons of obtaining a reservation, as IHCDA has continuous lending capabilities.
2. IHCDA encourages the Participating Lender to provide information to the Borrower concerning an energy efficiency rating being performed on the property

prior to purchase. This rating could result in the Borrower qualifying for an energy efficient mortgage. Brochures detailing how to have a rating performed may be obtained by calling the Indiana Community Action Association at (317) 638-4232 or by visiting their website at <http://www.incap.org>.

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

**INTEREST RATE CHANGE PROCEDURES**

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

**NOTIFICATION OF RATE**

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

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

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

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

**IHCDA RESERVATION FEE:**

0.125% of the first mortgage amount.

**EXTENSION FEE:**

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

**IHCDA TRAINING FEES:**

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

**IHCDA RESERVATION FEE REFUNDS:**

The full 0.125% IHCDA reservation fee will be refunded to the Participating Lender upon its request for termination of the reservation, if the application package has not been reviewed by IHCDA. **Extension fees are non-refundable and cannot be paid by the Borrower.**

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

**PARTICIPATING LENDER COMPENSATION:**

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

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

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

**PRELIMINARY ELIGIBILITY REVIEW**

Before making a reservation request, the Participating Lender is required to receive a fully executed Purchase Agreement. The Participating Lender should then determine if the home is located in a Targeted Area or a Non-Targeted Area and whether the Borrower meets other the eligibility requirements of the Program. **NOTE: A PARTICIPATING LENDER CANNOT RESERVE A LOAN THAT IT CANNOT CLOSE IN ITS OWN NAME, EXCEPT IN THE CASE OF MORTGAGE BROKER GOING THROUGH A SUPPORTING LENDER AND CLOSING THE LOAN IN THAT SUPPORTING LENDER'S NAME.**

**A RESERVATION IS IMPORTANT: THE BORROWER CANNOT EXECUTE IHCD A'S DOCUMENTS WITHOUT AN IHCD A 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 IHCD A for the applicable reservation fee (See Section 6 for the Fee Schedule). **A SEPARATE CHECK MUST BE MADE OUT FOR EACH RESERVATION FEE. IHCD A 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 IHCD A FOR FIVE (5) DAYS. IF THE FEES ARE NOT RECEIVED WITHIN THE FIVE (5) DAY PERIOD, IHCD A WILL RETURN THE FILE TO THE PARTICIPATING LENDER.**
3. IHCD A will not review any application packages until it receives the reservation fee.
4. Once the Participating Lender submits a reservation the interest rate will be locked in.

**MODIFICATIONS**

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

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

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

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

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

#### **LOCKED INTEREST RATE.**

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

#### **PARTICIPATING LENDER'S CANCELLATION OF A RESERVATION**

If the Participating Lender determines that it will not close a loan for which it has received a reservation number, the Participating Lender should notify in writing as soon as possible. All refunds will be issued to the Participating Lender and mailed to the Participating Lender's contact (**checks will not be made out to or mailed to the Borrower**). To obtain a refund of the reservation fee, the following information must be included in the letter:

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

#### **REFUND CHECKS ARE PROCESSED EVERY OTHER TUESDAY.**

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

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

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

Participating Lenders are encouraged to pre-qualify Borrowers for credit eligibility whenever possible; the unified residential loan application (URLA) can be dated prior to the date of the purchase agreement. **NOTE: IHCDA'S DOCUMENTS CANNOT BE DATED PRIOR TO THE DATE OF THE RESERVATION.**

**DUE DATE AND SUBMISSION**

The Participating Lender is responsible for performing a thorough investigation to determine whether both the Borrower and the property meet Program requirements. The following information must be submitted to IHCDA to obtain preliminary approval needed to close:

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

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

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

**APPLICATION PACKAGE SUBMISSION (APPROVAL)**

All files will be reviewed in the order that they are received. IHCDA will underwrite all files within a reasonable amount of time from the date that the file is logged into IHSF. There is a 24-48 hour turnaround on application conditions. **Participating Lenders are encouraged to check IHSF regularly for the status of its application packages.**

When IHCDA determines that the application package is complete and in compliance with Program requirements, IHCDA will change the status to reflect “Approved” in the IHSF. **IHSF** will show a date on which the loan expires which is known as the Commitment Expiration Date, and the Participating Lender must have received final approval from IHCDA and the loan must be purchased by the Master Servicer on or before such date. Further, the closing package must indicate that there have been no material changes that would result in Borrower or property ineligibility in the Program.

**APPLICATION PACKAGE SUBMISSION (PENDED)**

If IHCD A needs additional information or if the application package is incomplete, the application package will be considered “pended” and the status will show “Incomplete” in IHSF. The application and closing package must be approved by the Commitment Expiration date shown on your reservation confirmation.

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

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

### **DENIED RESERVATION**

IHCD A may post a “rejected” status in IHSF if the information included in the application package indicates that either the Borrower or the property or both do not meet Program requirements. IHCD A will cancel rejected loans thirty (30) days after the date the application is given “rejected” status in IHSF. Any funds previously allocated to the property shall be made available for other loan applications. IHCD A will retain a portion of the reservation fee and the remainder of the reservation fee will be refunded to the Participating Lender within fourteen (14) days. Refunds are calculated in accordance with the fee schedule located in Section 6 of this Program Guide.

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

**DUE DATE**

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

**SUBMISSION**

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

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

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

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

**CLOSING PACKAGE SUBMISSION EXTENSION**

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

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

**CANCELLATION**

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

**CLOSING PACKAGE SUBMISSION (APPROVAL)**

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

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

## **CLOSING PACKAGE SUBMISSION (PENDED)**

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

## **DENIED RESERVATION**

IHCD A may post a “rejected” status in IHSF if the information included in the closing package indicates that the loan does not meet the Program requirements. IHCD A will retain a portion of the reservation fee and the remainder of the reservation fee will be refunded to the Participating Lender. For refund information see the fee schedule at the end of Section 6.

## **FORMS:**

### **Transmittal Letter**

The Participating Lender must indicate whether the property is new construction or existing housing and whether the property is located in a Targeted or Non-Targeted Area. A list of Targeted Areas may be found in Section 1 of this Program Guide.

### **Final NH-ALL**

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

### **Seller’s Affidavit**

If a power of attorney of the seller signs the NH-ALL, evidence of the seller’s authorization of the power of attorney to act on behalf of the seller must be included with the closing package. The Participating Lender’s representative must sign and date as a witness and certify that the Participating Lender believes the information included therein to be correct. The Participating Lender cannot sign and date prior to the date of the seller’s signature. **PLEASE CHECK THIS DOCUMENT CAREFULLY AS IT IS OFTEN DIFFICULT TO LOCATE THE SELLER AFTER CLOSING.**

## **SALE TO THE MASTER SERVICER OR SUB-SERVICER**

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

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

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

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

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

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

**REPAIR ESCROWS ARE ALLOWED.**

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

***INSTRUCTIONS***

**Second Mortgage Execution Information**

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

- (1) if Borrowers does not continue to utilize the property as its primary address throughout the two (2) year Affordability Period
- (2) if Borrower sells or refinances the property during the Affordability Period;
- (3) if the Borrower violates any other terms and conditions contained in the second note, the second mortgage, or any other agreement made between IHCDA and Borrower and related to the loan;
- (4) if Borrower is in default under the terms of its first mortgage on the property and foreclosure proceedings have been initiated during the two (2) year Affordability Period;
- (5) if it becomes evident to IHCDA that any representation or warranty made by the Borrower at the time it applied for the loan was false, misleading, or fraudulent.

**The Participating Lender or Borrower must contact the Master Servicer directly in the case of a payoff on the First Mortgage and contact IHCDA for a payoff on the Second Mortgage.**

Forgiveness of the debt is covered in the Promissory Note.

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

**LOAN DELIVERY AND PURCHASE**

**INDIANA HOUSING  
COMMUNITY DEVELOPMENT AUTHORITY  
NEXT HOME PROGRAM**

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# LOAN PURCHASE PROCEDURES

## Submission of Mortgage Loans

The closed loan purchase file must be purchased by the Master Servicer prior to the "Commitment Expiration Date" listed on the Indiana Housing Single Family online system (IHSF). The Commitment Expiration Date is **sixty (60) days** after the date of reservation on **all** properties. Thirty (30)-Day extensions may be granted. Contact IHEDA for extension requests. In addition, the closed loan purchase file must be purchased by Bank of America within 90 days after the Note date and prior to the "Commitment Expiration date" listed on the Indiana Housing Single Family online system (IHSF).

If Bank of America does not receive a closed loan purchase file within these timeframes, then the loan will automatically be cancelled.

Lenders are responsible for servicing mortgage loans prior to purchase by Bank of America. Mortgage loans must be current in payments of principal, interest, taxes, and insurance at the time of purchase.

## Purchase of Mortgage Loans

Bank of America will review loans within five days of receipt. Complete loans will be approved for purchase the same day, and lenders may retrieve wire details from the Correspondent Lending Web site within 24 to 48 hours.

## Purchase Information

### **Purchase Price**

(Paid to the lender by Bank of America)

Base Price	100.00%
Servicing Release Premium	1.00%
Second Mortgage (if applicable)	Varies
<b>Total</b>	<b>101.00%</b>

## Net Escrow Funds from Purchase Wire

With the exception of any escrow payments that are the lender's responsibility per Bank of America policy, the following items will be netted from the lender's purchase wire proceeds:

- Escrows deposited with the lender
- Escrow amounts included in any payments due the lender

## **Fees to Bank of America from Lender**

### **First Mortgage Funding Fee**

\$150 (Bank of America nets at purchase)

### **Second Mortgage Funding Fee**

\$150 (Bank of America nets at purchase)

### **Tax Service Fee**

\$84 (Bank of America nets at purchase)

### **Flood Certification Fee**

\$10 (Bank of America nets at purchase—no fee if using LandSafe)

## **Delivery of Closed Loans**

Since this is a first and second mortgage program, lenders should send two separate files together in one envelope (one file for the first mortgage and one file for the Down Payment & Closing Cost Loan Program, if applicable). First and second mortgage loans cannot be purchased separately. And, any necessary compliance documents should be placed on the left side of the first mortgage loan purchase file.

Closed loan purchase files must be submitted via mail in a legal-sized manila folder. Write the loan program name, borrower's name, and Bank of America loan number legibly on the front of the loan file. All documents must be "acco" fastened according to either the:

- 1) FHA Loan Stacking Sheet;
- 2) Second Mortgage Loan Stacking Sheet, if applicable.

The stacking sheets list all the documents required for submission of a closed loan package to Bank of America for purchase. The file must be delivered with the documents in the order shown on the applicable stacking sheet.

Loan packages must be sent to the following address. Conditions or separate "piecemeal" documentation may either be faxed to **888.200.5572** or sent to the following address, according to document requirements:

<p style="text-align: center;"><b>Bank of America, N.A.</b> Correspondent Lending 31303 Agoura Road Mail Stop CA6-917-02-05 Westlake Village, CA 91361</p>
--

**Bank of America will review each file to verify that all documentation is complete and that the loan file is in conformity with the terms and conditions of this Lender's Manual and the origination agreement.**

All applicable affidavits must be accurately completed and included in the file submitted to Bank of America. Neither the housing agency nor Bank of America has the ability to alter or waive any applicable affidavits.

## **Suspended Loans**

Immediately after a purchase review is done, suspense conditions are available to lenders on The Web site. To access a suspension report, go to the Web site Home Page and select the "Reports" link. Then, click on "Funding Suspensions." This report lists any documents needed to complete the file or any corrections that need to be made to documents before the loan may be purchased.

Conditions required prior to loan purchase or separate "piecemeal" documentation must be clearly identified with the Bank of America loan number and the lender loan number, and must include a copy of the Web site report.

**The most common suspensions occur for:** a missing note; incorrect endorsement to the note; incomplete copy of the Mortgage/Deed of Trust; missing Riders to the Mortgage/Deed of Trust; incomplete assignments; missing final HUD-1s; missing or incomplete hazard, tax, mortgage insurance, or flood information; and incorrect recapture tax table.

## **Cancellation Policy**

Our goal is to work with clients to clear suspensions quickly and fund all loans possible in a timely manner. As Program Administrator, it is our responsibility to ensure lenders are fulfilling their obligation to originate and sell loans quickly and to maintain the integrity of the housing finance agency's pipeline at all times. To clarify, here is the process for handling "aged" loans:

1. If, after continuous communication of outstanding suspense items, the lender is still unable to clear the conditions for purchase after 60 days from the original suspension notification, the loan will be cancelled and returned.
2. Once the loan reaches 55 days on suspension, a comment will be included on the suspension report notifying the lender that the loan will be cancelled if conditions are not received by the 60<sup>th</sup> day. The lender will also be called by a Bank of America, N.A. suspense coordinator and Bank of America management again notifying the lender of the pending action. If a commitment to resolve the outstanding issues is made as a result of the call, the Bank of America, N.A. suspense coordinator will make a note to follow up with the lender if the conditions are not received by the date committed to by the lender.
3. If all efforts to resolve the outstanding conditions are ultimately exhausted, the loan will be canceled and returned.
4. Government-insured mortgage loans must be purchased by Bank of America no later than 90 calendar days after the Note date and prior to the "Commitment Expiration date" listed on the Indiana Housing Single Family online system (IHSF).

## Payment History

If any payment on a mortgage loan is due in the month prior to purchase by Bank of America, a payment history is required. This is necessary in order to assist in the accurate purchase of the principal and escrow balances, taking into account any adjustments that have been made after the initial disbursement. All mortgage loans must be current at the time of purchase, as evidenced by a payment history.

## Original Note Endorsements

All first mortgage Notes must be endorsed to Bank of America and must include:

- The wording, "Pay to the order of **Bank of America, N.A.** without recourse"
- Name of the lender
- Typed name and corporate title of officer signing the endorsement
- Signature of authorized corporate officer

Second mortgage Notes are drawn under the Housing Finance Authority's name and do not require any endorsement.

<p><b>SAMPLE ENDORSEMENT</b></p> <p>Pay to order of Bank of America, N.A. without recourse</p> <p>_____</p> <p style="text-align: center;">(Name of Corporation)</p> <p>By: _____</p> <p style="text-align: center;">(Signature of Corporate Officer)</p> <p>Title: _____</p> <p style="text-align: center;">(Printed Name and Corporate Title)</p>
---

## Assignments (First Mortgages)

First mortgage loans may be registered via the Mortgage Electronic Registration System (MERS) in lieu of a standard Assignment of Mortgage, thus eliminating the need for a paper assignment. Use of MERS is permitted by Nevada Housing Division but not mandatory. For more information about MERS, refer to the Introduction section of this Lender's Manual.

Non-MERS corporate assignments must be assigned to **Bank of America, N.A.** and must be executed by an officer of the lender (assistant vice president or higher, or in accordance with lender board resolutions).

## **Certified “True and Correct” Copies Required**

On FHA loans, Bank of America requires copies of select collateral and income documentation to be certified as “true and correct” when delivered for purchase. Documents in the loan package that must be certified are:

- Security Instrument (Deed of Trust/Mortgage)
- Riders to the Security Instrument
- All Assignments
- Other documents applicable to the Note and/or the Security Instrument (for example, Power of Attorney)

## **Escrow/Impound Accounts**

Escrow, or impound, accounts are required for this program, regardless of LTV, for the payment of taxes, mortgage insurance, and hazard and flood insurance (if applicable).

## **Aggregate Analysis**

The Real Estate Settlement Procedures Act (RESPA) regulates the amounts that lenders may hold in impound/escrow accounts established for the payment of real estate taxes and insurance. RESPA requires impound/escrow accounts to be established using the aggregate analysis method.

With the aggregate analysis method, the total annual disbursements of all items impounded (i.e., property insurance, mortgage insurance, and property taxes) is calculated, and then divided into 12 equal installments.

When an escrow account is established at the time of loan closing, the lender must provide borrowers a disclosure detailing the anticipated disbursements from the impound/escrow account for the 12 months following loan closing. The disclosure must also state the amount of the monthly impound/escrow payment that will be made by the borrowers. If the exact amounts of the disbursements are not known at the time of loan closing, the statement is to be prepared using the lender’s best estimates.

Although lenders have the option of analyzing the impound/escrow account at closing or within 45 days of settlement, Bank of America requires a copy of the initial escrow account statement. For new construction loans, estimated taxes should be based on the value of the improved property.

For additional information, please refer to the Client Guide.

## **Wire Detail Report**

Lenders should carefully review the information contained on the wire detail report for accuracy. If changes or adjustments are required, the lender should immediately notify Bank of America in any of the following ways:

- Fax the required adjustments to the Wire Desk at 805.577.3434
- Call 800.669.6680 and select the appropriate option.
- Send an e-mail, detailing the adjustments, to: [fund.wire@bankofamerica.com](mailto:fund.wire@bankofamerica.com)

# MONTHLY MORTGAGE INSURANCE PREMIUM REQUIREMENTS

## Government Loans

### **Mortgage Insurance Premium (MIP) on Government Loans**

On government loans, the first premium due to HUD on the monthly MIP is due with the first loan payment. Lenders are responsible for payment of the monthly MIP, from the initial MIP payment **through the month that Bank of America purchases the loan**. If the mortgage loan is purchased prior to the first payment due date, Bank of America will be responsible for all monthly MIP payments on the mortgage loan.

#### **Example 1**

A mortgage loan was closed by the lender on December 15, with the first loan payment due on the note on February 1. The MIP premium for one month was collected at closing and is reflected on the HUD-1. Bank of America purchases the loan on January 20, at the balance remaining after the February 1 payment is applied. (The first payment due to Bank of America from the borrower is March 1.) Even though the February 1 escrow payment will be made to the lender, Bank of America amortizes the loan for the February payment and assumes responsibility for making the MIP payment. Therefore, the MIP amount showing collected on the HUD-1 is due to Bank of America, along with the February payment, and will be deducted from the wire amount.

#### **Example 2**

The lender closed the mortgage loan on February 1, with the first loan payment due on the note on March 1. Bank of America purchases the mortgage loan on March 20. The lender is responsible for the payment of the March MIP installment. Bank of America will pay the April installment.

#### **Example 3**

The lender closed the mortgage loan on September 1, with the first loan payment due on the note on October 1. Bank of America purchases the mortgage loan on February 20. The lender is responsible for all MIP premiums due from September 1 to February 1. Bank of America assumes responsibility for making the MIP payment with the March installment.

# **LENDER UNDERWRITING GUIDELINES**

**INDIANA HOUSING  
COMMUNITY DEVELOPMENT AUTHORITY  
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# LENDER UNDERWRITING GUIDELINES

**For additional information regarding underwriting guidelines and Bank of America credit overlays, refer to the Correspondent Lending Client Guide.  
[www.bankofamerica.com/correspondent](http://www.bankofamerica.com/correspondent)**

## **Mortgage Loans: General Information**

Lenders must originate all mortgage loans in accordance with the loan origination, eligibility, and credit underwriting standards in effect during the origination period according to the applicable loan product.

- **FHA:** 203(b); 203(b)(2); 234(c); 203(h); and other acceptable FHA loan programs

Loan files must be submitted utilizing the applicable guidelines:

- The Client Guide (available on the Correspondent Lending Web site)
- Indiana Housing CDA Program Guide
- Any additional guidelines listed in this section
- Mortgage Origination and Sale Agreement (MOSA)

## **Underwriting Guidelines**

### **AUS Underwriting**

Bank of America will purchase loans underwritten and approved by Fannie Mae Desktop Underwriter (DU), Freddie Mac Loan Prospector (LP), or Bank of America CLUES, as applicable.

Lenders who do not have direct access to DU or LP have the option of using CLOUT. Using CLOUT enables lenders to run loans directly through DU, LP, and CLUES.

### **Manual Underwriting**

Manual underwriting is acceptable per the guidance provided in the Client Guide.

### **Additional Requirements**

For a complete list of imposed credit overlays, please refer to the Client Guide and the Government Overlay resource document.

- Product Info & Guidelines -> Seller's Guide (Client Guide)
- Product Info & Guidelines -> Sales Training and Tools -> Resources -> Government Credit Overlays

Government-insured mortgage loans must be purchased by Bank of America no later than 90 calendar days after the Note date and prior to the "Commitment Expiration Date" listed on the Indiana Housing Single Family online system (IHSF).

Non-Traditional credit reports are not acceptable. Borrower(s) must meet the minimum credit score requirements established for the program.

**Verbal VOE:** A Verbal VOE must be obtained as part of the underwriting in each loan file, regardless of the AUS findings. Verification is required within 10 calendar days prior to the closing date (i.e., the date the borrower signs the note) for salaried borrowers and within 30 calendar days for self-employed borrowers. The Verbal VOE must provide the name and title of the person who confirmed the employment, the date of the call, the source of the phone number, the borrower's current employment status, the borrower's job title, the borrower's date of hire and the probability of continued employment (optional if employer won't provide).

**IRS Transcripts:** IRS transcripts for the time period covered by the required income documentation must be obtained prior to loan closing for all borrowers.

**Excessive Commissions:** Any aggregate real estate sales commission greater than 8% of the sales price of the subject property is considered an excessive real estate commission. The portion of the aggregate commission greater than 8% must be deducted from the sales price for underwriting purposes.

**90-Day Waiver:** Correspondent Lending will allow the 90-day waiver for all property sellers, including private sale transactions, but prohibits FHA financing for properties owned less than 90 days if the sales price is greater than a 20% increase over the seller's acquisition cost. The 90 days is calculated from the seller's acquisition date to the purchase contract date of the new transaction.

**Short Sales/Short Payoffs:** Bank of America prohibits guidelines per HUD in ML 09-52. Borrowers with previous short sales/short payoffs are treated the same as borrowers with a previous foreclosure, even if the borrower was current on their mortgage/installment debts prior to the short sale/payoff.

## **Credit Scores**

Under this program, the representative FICO score is **650** for all FHA loans.

## **Temporary Buy-Downs**

Under this program, buy-downs are not permitted.

**FINAL COLLATERAL DELIVERY**

**INDIANA HOUSING  
COMMUNITY DEVELOPMENT AUTHORITY  
NEXT HOME PROGRAM**

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# FINAL COLLATERAL DELIVERY

## Post Purchase Documentation

Correspondent Lending accepts original and original recorded documents. In some instances, Correspondent Lending accepts photocopies of documents. Refer to the chart below for post-purchase documentation requirements and photocopy acceptance:

Document	Photocopy Allowed	Additional Requirements
<b>Recorded Deed of Trust</b> (or applicable security instrument)	Yes	All pages with complete recording information including county stamp.
<b>Recorded Corporate Assignment</b> (or its equivalent)	Yes	All pages with complete recording information including county stamp.
<b>Title Policy</b> (or its equivalent in states where title insurance is not offered)	Yes	All pages of the title policy and endorsements.
<b>Mortgage Insurance or Loan Guarantee Certificate</b>	No	N/A

### **Escrow Holdback**

For document information, refer to Client Guide Section 5.10, Escrow Holdbacks.

### **Corporate Assignments**

Corporate assignments must be recorded following the Bank of America standard requirements. Refer to Client Guide Section 2.07, Purchase Documentation for specific information.

### **Follow-up Documentation**

All follow-up documentation should be delivered to Correspondent Lending within 120 days from the date of purchase. If the required documentation is not received, Correspondent Lending provides each Client with a Monthly Outstanding Document Report.

### **Overnight Mailing Address**

Send trailing documents delivered by messenger or overnight mail to:

Bank of America, N.A.  
Attn: Florida Document Processing  
4951 Savarese Circle - Mail Code: FL1-907-01-11  
Tampa, FL 33634

### **Outstanding Document Report**

The Monthly Outstanding Document Report lists loans with documents outstanding over 90 days from purchase. The documents listed (trailing documents) include the Title Policy, Deed of Trust/Mortgage, and Interim Assignment.

The Monthly Outstanding Document Report is updated daily and available online at <https://dms.bankofamerica.com>. A password is required for access. For additional information or to obtain a password, contact the Document Procurement Department at **213.345.1331** and through email at [pccs.businessrelations@bankofamerica.com](mailto:pccs.businessrelations@bankofamerica.com).

If documents sent to Correspondent Lending are not removed from the report, contact the Document Procurement Department to prevent billing errors.

For government loans, Correspondent Lending will provide Clients with additional monthly follow-up reports. Refer to Client Guide Section 12.01, FHA Mortgage Insurance Program for information about the government monitoring reports.

### **Loan Document Procurement Policy**

Bank of America will assume full responsibility for procuring any post-closing loan documents (including title policies, mortgages, and assignments) not received within 360 days from the date of loan purchase by Correspondent Lending. If a document is not on record with the county or title company, the client shall be obligated to assist Bank of America in locating the document.

Aged documents, over 360 days, are automatically deleted from the Monthly Outstanding Document Report. Clients are then billed for the outsourced procurement fees.

All fees associated with procuring these documents, including any out-of-pocket, third-party fees such as title premiums and recording fees, will be charged to the Client. All fees assessed for procuring outstanding documents are listed on the Recording Fee Detail/Post Closing Documents invoice included in the Client's monthly billing statement.

Fees associated with the document procurement process are:

- \$50.00 per title policy
- \$25.00 per recorded document, such as mortgages and assignments

Neither efforts by Bank of America to obtain outstanding documents or its assumption of the responsibility for procuring outstanding documents will relieve Clients of their obligation under this Client Guide to provide documents to Correspondent Lending. Further, any actions taken by Bank of America to procure outstanding documents, and any fees paid by the Client to Correspondent Lending in connection with such efforts, shall not release the Client from its repurchase and indemnification obligations under the Correspondent Loan Purchase Agreement and this Client Guide for failing to deliver such documents.