ihcda

Indiana Housing & Community Development Authority

2016

NEXT HOME

PROGRAM GUIDE

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM GUIDE
TABLE OF CONTENTS

PREAMBLE **PAGE iii**

DEFINITIONS **PAGE iv**

EXECUTIVE SUMMARY **PAGE vi**

NEXT HOME AND MORTGATE CREDIT CERTIFICATE COMBINED **EXECUTIVE SUMMARY**

SECTION 1
GEOGRAPHIC ELIGIBILTY **PAGE 9**
A. Explanation of Target and Non-Target Areas

SECTION 2
MORTGAGOR ELIGIBILITY **PAGE 11**
A. Definition of Income Eligibility
B. Aliens

SECTION 3
PROPERTY ELIGIBILITY **PAGE 13**
A. Type of Properties Allowed
B. Acquisition Cost

SECTION 4
MORTGAGE ELIGIBILITY **PAGE 15**
A. Mortgage Financing Eligibility
B. Notes Regarding Mortgage Financing

SECTION 5
INTEREST RATE CHANGES **PAGE 16**
A. Interest Rate Change
B. Notification of Rate Change

SECTION 6
FEE SCHEDULE **PAGE 17**
A. Listing of Various Fees

SECTION 7
RESERVATION PROCEDURE **PAGE 18**
A. Preliminary Eligibility Review
B. Reservation Request
C. Modifications
D. Locked Interest Rate
E. Participating Lender's Cancellation of a Reservation
F. Cancellation to Take Advantage of Adjustment in Interest Rate

SECTION 8
APPLICATION PROCEDURE **PAGE 20**
A. Submission
B. Application Package Approval
C. Application Package Pended

SECTION 9
CLOSING PROCEDURE **PAGE 21**
A. Due Date
B. Submission
C. Closing Package Approval
D. Closing Package Pended

SECTION 10
CANCELLED/REJECTED/TERMINATED LOANS **PAGE 22**
A. Cancellation
B. Denied Reservation
C. Permanent Termination Policy

SECTION 11
DOWN PAYMENT PROCEDURE **PAGE 23**

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
PREAMBLE

The Next Home Program has provided the IHCDA Homeownership Department an opportunity to develop several variations of this program. The Purpose of this Preamble is to provide brief descriptions of the different variations of the Next Home Program.

The Next Home Program is a program that provides down payment assistance ("DPA") that can be used with either FHA or Conventional financing. The FHA component ("NH-FHA") allows for DPA in an amount not to exceed three and a half percent (3.5%) of the lower of the purchase price or appraised value while the Conventional component ("NH-CONV") only allows for DPA in an amount not to exceed three percent (3%) of the lower of the purchase price or appraised value. When using either of the aforementioned financing options please be mindful that these loans must meet the requirements set forth in this Program Guide along with the requirements of the Master Servicer. To further illustrate this point, when using Conventional financing with LTVs greater than 95% condominiums are not allowed and the Mortgagor cannot own any other real estate. In addition, the Master Servicer will underwrite any loan using Conventional financing that has an LTV greater than 95%.

Due to the variations in the type of financing that can be provided through this Program, it is important that you not only review the requirements set forth in this Program Guide, but also review the requirements of Fannie Mae or Ginnie Mae, as applicable to the particular type of financing, and the requirements of the Master Servicer. The NH-FHA and the NH-CONV abbreviations will be used throughout this Program Guide to carve out differences in the general information provided in this guide as applicable to the two (2) different types of financing.

Next Home/MCC Program is a program that allows for the combination of the Next Home Program and the MCC Program (NH/MCC). This program can also be used with either Conventional or FHA financing. As previously mentioned; loans originated through the combination of these programs will be required to meet the requirements of Fannie Mae or Ginnie Mae, as applicable and the requirements of the Master Servicer. Mortgagors participating in the NH/MCC must meet the requirements of the MCC Program and be a first time homebuyer.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
DEFINITIONS

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

"Mortgagor" means any person or persons meeting the qualifications of the Next Home Program and the Program Guide, and includes any Co-Mortgagors.

"Commitment Expiration Date" means the date on which IHCDA's commitment under the Program expires.

"Conventional financing" means financing provided through a Federal National Mortgage Association ("Fannie Mae") home loan program.

"DPA" means down payment assistance.

"FHA financing" means financing provided through a 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.

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

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

"Master Servicer" means US Bank, N.A.

"MCC" means Mortgage Credit Certificate.

"NH-FHA" means the Next Home Program using FHA financing.

"NH-CONV" means the Next Home Program using Conventional financing.

"NH/MCC" means the Next Home Program with MCC.

"NH/MCC-FHA" means Next Home Program with MCC using FHA financing.

NH/MCC-CON" means Next Home Program with MCC using Conventional financing.

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

"Program" means the Next Home Program, distinctions associated with the type of financing will be noted with the identifiers listed above. .

"Program Guide" means the IHCDA 2016 Next Home Program Guide which applies to the following variations NH and NH/MCC.

"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.

“Second Mortgage” has the meaning set forth in Section 11 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.

NH-FHA and NH-CONV CAN BE COMBINED WITH THE MORTGAGE CREDIT CERTIFICATE PROGRAM (MCC). THE PARTICIPATING LENDER MUST FOLLOW MCC GUIDELINES IN THIS CASE THAT ARE CONTAINED IN THE MCC PROGRAM GUIDE, WITH THE FOLLOWING EXCEPTIONS:

1. THE PARTICIPATING LENDER MUST SELL THE MCC LOAN TO THE MASTER SERVICER.
2. THE PARTICIPATING LENDER MUST USE THE CURRENT NEXT HOME PROGRAM INTEREST RATE.
3. ALL LOANS MUST BE FHA OR CONVENTIONAL, AS APPLICABLE, 30 YEAR FIXED RATE MORTGAGES.
4. THE PARTICIPATING LENDER MUST USE MCC INCOME AND ACQUISITION LIMITS.
5. THE MORTGAGOR MUST EXECUTE A SECOND MORTGAGE AND SECOND MORTGAGE NOTE.
6. THE PARTICIPATING LENDER MUST HAVE THE LOAN PURCHASED BY THE MASTER SERVICER AND RECEIVE FINAL APPROVAL FROM IHCDA WITHIN SIXTY (60) DAYS AFTER THE DATE OF RESERVATION.
7. THE PARTICIPATING LENDER MUST REFER TO SECTION 6 OF THE NEXT HOME PROGRAM GUIDE FOR EXTENSION FEES.

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. The Participating Lender must be a mortgage banker. A mortgage broker is only permitted to be a Participating Lender if it can fully service a loan, open, fund and close a loan in its name or if it uses a Participating Lender to submit its loan to the Master Servicer.

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

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

E. A rate sheet will appear in the IHSF when a Participating Lender reserves a loan.

F. All reservations must be for FHA or Conventional thirty (30) year fixed rate mortgages.

G. All loans must be underwritten to and meet FHA or Conventional guidelines.

H. The Mortgagor does not have to be a first-time homebuyer unless using NH/MCC.

I. IHCDA recommends that each Mortgagor that meets the definition of a first-time homebuyer complete Homeownership training through Framework on the IHCDA website, which may be accessed at **https://ihcda.frameworkhomeownership.org**. The fee charged for this training will be reimbursed to the Mortgagor at closing.

J. Household size will be determined by the number of Mortgagor and Co-Mortgagor(s) along with all dependents listed on the Uniform Residential Loan Application (URLA Form 1003).

K. The Mortgagor(s) must meet special income guidelines. Income limits vary by county and are dependent on family size.

L. Household income will be determined for Mortgagor and Co-Mortgagor(s) only based off qualifying Gross Annual Income provided by the Participating Lender on the Uniform Residential Loan Application (URLA Form 1003).

M. Participating Lender must disclose all forms of qualifying income for Mortgagor and Co-Mortgagor(s) on the Uniform Residential Loan Application (URLA Form 1003).

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

O. The home must be used as the Mortgagor's principal residence.

P. If a Mortgagor is purchasing a property that it is renting or has rented previously, the Participating Lender must supply a lease agreement or a title commitment and/or a chain of title with the application package.

Q. Tax transcripts are not needed unless using the NH/MCC loan program.

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

S. The Mortgagor must have a minimum FICO credit score of 660 for FHA financing and loans using Conventional financing that have LTVs less than or equal to 95% must have a minimum FICO credit score of 680. However, loans using Conventional financing and having LTVs greater than 95% must be underwritten by the Master Servicer and meet it's requirements therefore the FICO credit score that is required may vary**.**

T. DPA may be used for down payment assistance, closing costs, and pre-paids.

U. The amount of DPA cannot exceed three and a half percent (3.5%) of the lower of the purchase price or appraised value with FHA financing or three percent (3%) of the lower of the purchase price or appraised value with Conventional financing.

V. A Mortgagor may contribute additional cash resources for down payment and closing costs.

W. A Mortgagor using DPA funds is not eligible to receive any cash back at closing, except what can be documented as an investment made by the Mortgagor.

X. The second mortgage will be funded directly by IHCDA once the loan has reached the stage of Application Package Review "Approved". The Participating Lender is required to input the Title Insurance Company's ACH/routing information into IHSF when registering the loan. The funds will be ACH/wired to the Title Company closing the loan. Please allow twenty-four (24) business hours from the time of "Approval" for the funds to be received.

Y. If the loan does not close within three (3) business days of the original closing date, the Participating Lender must return the funds associated with the second mortgage to IHCDA. In addition, if the Master Servicer is unable to purchase the loan, the Participating Lender must return the funds associated with the second mortgage to IHCDA within thirty (30) days after receiving notification from the Master Servicer that it is unable to purchase the loan.

Z. If a loan is refinanced, foreclosed upon, or sold during the Affordability Period, as defined in Section 11 of this Program Guide, the Second Mortgage is due and payable in full immediately.

AA. The reservation fee for reserving a loan through the Program is a flat fee of $100.00.

BB. Co-signers of the Mortgagor are allowed, except for Conventional loans having LTV's greater than 95%. Non-occupying Co-Mortgagors are allowed. IHCDA does not include Co-signer and Co-Mortgagor income in total household income. Participating Lender should exclude the Co-signer and Co-Mortgagor information from the application package that is being submitted to IHCDA.

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

DD. An FHA case number must be assigned to each loan that has FHA financing.

EE. 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.

FF. A Mortgage Rider is not required on loans.

GG. All loans must be sold to the Master Servicer or sub-servicer. After the loans are sold, the Participating Lender will be paid one percent (1%) of the first mortgage amount.

HH. Final Approval from IHCDA and purchase by the Master Servicer must occur by the Commitment Expiration Date.

II. Conflicts. If there are any conflicts between the FHA and/or Conventional 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.

JJ. 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 will be turned over to the proper state and local authorities.

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
GEOGRAPHIC ELIGIBILITY
SECTION 1

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

A. 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 within a Targeted Area.

2014 IRS SECTION 42(d)(5)(B) QUALIFIED CENSUS TRACTS

County	Census Tract				
Allen	0005.00	0006.00	0012.00	0013.00	0016.00
	0017.00	0021.00	0023.00	0028.00	0030.00
	0031.00	0043.00	0044.00		
Clark	0503.03	0504.03			
Delaware	0004.00	0005.00	0006.00	0009.02	0012.00
	0016.00	0020.00			
Elkhart	0026.00				
Floyd	0702.00	0708.01			
Grant	0002.00				
Henry	9765.00				
Howard	0002.00	0004.00	0012.00		
Jay	9630.00				
Lake	0102.01	0102.03	0102.05	0103.02	0105.00
	0110.00	0111.00	0113.00	0114.00	0116.00
	0119.00	0121.00	0122.00	0123.00	0205.00
	0206.00	0301.00	0302.00	0303.00	0310.00
	0412.00				

LaPorte	0413.00				
Madison	0005.00	0008.00	0009.00		
Marion	3103.05	3226.00	3308.03	3308.04	3308.05
	3401.08	3404.00	3407.00	3412.00	3416.00
	3417.00	3419.03	3423.00	3503.00	3505.00
	3508.00	3510.00	3519.00	3521.00	3523.00
	3524.00	3526.00	3527.00	3528.00	3535.00
	3547.00	3548.00	3549.00	3550.00	3551.00
	3557.00	3559.00	3564.00	3569.00	3572.00
	3573.00	3574.00	3581.00	3601.01	3603.02
	3604.01	3907.00			
Monroe	0002.01	0002.02	0006.01	0016.00	
Randolph	9516.00				
Shelby	7106.01				
St. Joseph	0004.00	0005.00	0006.00	0017.00	0019.00
	0020.00	0021.00	0024.00	0028.00	0029.00
	0030.00	0034.00			
Tippecanoe	0004.00	0054.00	0055.00	0105.00	
Vanderburgh	0011.00	0012.00	0013.00	0014.00	0019.00
	0020.00	0021.00	0025.00	0026.00	

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

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

A. Must be income eligible.

Mortgagor(s) 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 IHCDA website contains the county-by-county income limits.

Income will be determined for Mortgagor and Co-Mortgagor(s) only based off qualifying Gross Annual Income provided on the Uniform Residential Loan Application (URLA Form 1003). The "Gross Annual Income" is defined below. IHCDA and/or the Participating Lender can request any additional information either needs to make this determination.

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

B. Aliens. U.S. citizenship is not required under current Fannie Mae and Ginnie Mae guidelines. However, the Participating Lender is required to determine the Mortgagor's residency status, in

accordance with Fannie Mae, Ginnie Mae or the Master Servicer's guidelines, as applicable. IHCDA and/or the Participating Lender may request any additional immigration documentation needed to verify or make a determination on residency status or household size.

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

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. A one (1) or two to four (2 - 4) family unit dwelling. If the dwelling contains two (2), three (3) or four (4) units, then (a) one unit is occupied by the mortgagor of the units, (b) the units were first occupied at least five (5) years before the MCC-linked mortgage (but not necessarily occupied on the date hereof), and (c) if the dwelling is located in a Targeted Area, clause (b) above shall not apply if the family income of the Mortgagor meets the applicable income requirements; or

   B. A condominium having LTVs less than or equal to 95%; or

   C. A 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. Manufactured Homes are not allowed.

B. ACQUISITION COST

1. The "Acquisition Cost" of the residence must not exceed the applicable Program acquisition cost limits. Valid for NH/MCC_only. 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 through the Program;

   C. If the residence is in need of repair and the repairs are necessary to make the residence habitable, to meet local building codes, or to meet Program requirements, the reasonable cost of making the repairs whether or not financed through the Program;

   D. 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);

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

F. The cost of the land, **or** if a gift the appraised value, is to be added to the Acquisition Cost if the 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;

      (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. 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 (for NH-FHA and NH-CONV, having an LTV less than or equal to 95%) however; for conventional loans (NH-CONV) with LTVs greater than 95%, appraisals must comply with the Master Servicer's guidelines.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
MORTGAGE FINANCING ELIGIBILITY
SECTION 4

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 appurtenant to the residence but not necessary to maintain the basic livability of the residence or which 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 will be considered existing financing, regardless of whether or not they have been recorded.

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

4. Participating Lenders may provide DPA using Conventional or FHA financing.

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 Mortgagor 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 their website at http://www.incap.org.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
INTEREST RATE CHANGES
SECTION 5

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 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 Mortgagor.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
FEE SCHEDULE
SECTION 6

A. FEES

IHCDA RESERVATION FEE:

Flat fee of $100.00.

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 the IHSF 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 or coins.

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

EXTENSION FEE:

Extensions may be granted. Contact IHCDA for extension requests at **ExtensionRequests@ihcda.in.gov**. Thirty (30) day extensions prior to or on the Commitment Expiration Date will be granted for an extension fee, which will be determined by IHCDA. If an extension is requested after the Commitment Expiration Date the Participating Lender may be required to Relock the interest rate on the loan. Therefore, Mortgagor would receive the higher rate of the current interest rate and the original interest rate.

IHCDA TRAINING FEES:

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

IHCDA RESERVATION FEE REFUNDS:

Reservation fees are non-refundable.

Extension fees are non-refundable.

PARTICIPATING LENDER COMPENSATION:

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

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

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, except in the case of a mortgage broker that uses a Participating Lender to submit its loan to the Master Servicer.

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

B. 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.

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 stating that it will accept the transfer of the reservation. The original reservation will be canceled allowing the new Participating Lender to reserve the loan. The Mortgagor 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.

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. In both cases, the Mortgagor will receive the higher of the current interest rate and the original interest rate.

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.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
APPLICATION PACKAGE SUBMISSION
SECTION 8

Participating Lenders are encouraged to pre-qualify Mortgagors for credit eligibility whenever possible; the Unified Residential Loan Application (URLA Form 1003) 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.

A. SUBMISSION

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

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

B. 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 received. 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.

C. APPLICATION PACKAGE SUBMISSION (PENDED)

If IHCDA needs additional information or if the application package is incomplete, the application package will be considered "pended" and the status will show "Incomplete" in IHSF. IHCDA will review the application conditions within a reasonable amount of time from the date the conditions are received.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
CLOSING PACKAGE SUBMISSION
SECTION 9

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 IHSF. The Commitment Expiration Date is sixty (60) days after the date of reservation on all properties. Extensions may be granted. Contact IHCDA for extension requests at **ExtensionRequests@ihcda.in.gov**.

B. SUBMISSION

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

- Final Mortgagor and Loan Originator Signed 1003 (Copy)
- Final Signed IHCDA Homeownership Informational Certificate "Info Cert" Document (Copy)
- 3 Years of Tax Transcripts (Copy, required for NH/MCC only)
- Signed Purchase Agreement/Counters/Amendments (Copy)
- Appraisal (Copy)
- Signed Closing Disclosure (Copy)
- Signed IHCDA Second Mortgage (Copy)
- Signed IHCDA Promissory Note (Copy)

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

C. CLOSING 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 received. Participating Lenders are encouraged to check IHSF 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 "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.

D. CLOSING PACKAGE SUBMISSION (PENDED)

If IHCDA needs additional information or if the closing package is incomplete, the closing package will be considered "pended" and the status will show "Incomplete" in IHSF. IHCDA will review the closing conditions within a reasonable amount of time from the date the condition is received.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
CANCELLED/REJECTED/TERMINATED LOANS
SECTION 10

A. CANCELLATION

If the Participating Lender fails to receive final approval from both IHCDA and the Master Servicer by the Commitment Expiration Date, 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 IHSF 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 IHSF. 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 IHSF, a Participating Lender cannot reinstate the loan. If the Participating Lender wishes to originate a Next 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.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
DOWN PAYMENT ASSISTANCE
SECTION 11

SECOND MORTGAGE

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

DPA funds may be provided with FHA financing or Conventional financing. The funds may be used for down payment, closing costs and pre-paids.

An eligible Mortgagor may receive DPA in an amount not to exceed three and a half percent (3.5%) of the lower of the purchase price or appraised value (using FHA financing) or DPA in an amount not to exceed three percent (3%) of the lower of the purchase price or appraised value (using Conventional financing).

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

Neither the First nor the Second Mortgages may be closed prior to the Committed Approval Date shown in the IHSF. If there is a violation of the foregoing, the originating Participating Lender shall retain the First and Second Mortgages. If the first mortgage is not purchased by the Master Servicer or sub-servicer, for any reason, the originating Participating Lender shall retain the First Mortgage and Second Mortgage. The Participating Lender will also be required to reimburse IHCDA in the amount of the second mortgage within thirty (30) days.

INSTRUCTIONS

Second Mortgage Execution Information

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

(1) if Mortgagor does not continue to utilize the property as its principal residence throughout the two (2) year Affordability Period
(2) if Mortgagor sells or refinances the property during the Affordability Period;
(3) if the Mortgagor violates any other terms and conditions contained in the second note, the second mortgage, or any other agreement made between IHCDA and Mortgagor and related to the loan;
(4) if Mortgagor 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 Mortgagor at the time it applied for the loan was false, misleading, or fraudulent.

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

Forgiveness of the debt is covered in the Promissory Note.

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