

Conference call in number for Webinar

1-800-992-0185, code 3752212#

2016 Homeownership Programs & Underwriting Training

Review of programs and the new processes, procedures and guidelines

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Indiana Housing & Community Development Authority

WEBINAR PRESENTATION INFO

A copy of this presentation will be emailed to each individual who participated in this training along with;

- IHCDA RESPA TILA statement

HOMEOWNERSHIP MISSION STATEMENT

“To assist all Hoosiers with the opportunity to achieve the dream of homeownership.”

HOMEOWNERSHIP VISION STATEMENT

“To promote responsible homeownership opportunities by offering programs that help Hoosiers through below-market interest rates, down payment assistance and tax benefits.”

Mortgage Credit Certificate “MCC”

WHAT IS A MORTGAGE CREDIT CERTIFICATE?

A Mortgage Credit Certificate allows the homebuyer to claim a tax CREDIT for a portion of the mortgage interest paid per year. The MCC is a dollar-for-dollar reduction against a borrowers federal tax liability

The tax credit is based on the first mortgage amount. The tax credit amount ranges between 20% and 35% of the interest paid on the mortgage each year. The remaining portion of the mortgage interest continues to qualify as an itemized tax deduction

- The maximum credit per year is \$2,000
- Annual amount the borrower receives will change as the mortgage loan amount decreases but the tax credit percentage never changes

MCC UNDERWRITING CRITERIA

- First-time homebuyer, unless purchasing in a Targeted area
- Acquisition Limits
- Income Limits
- 30-year fixed, conforming loans
 - FHA, Conventional, VA or USDA financing
- Lender sets the rate
- Qualifying Income

MCC CREDIT RATES

Mortgage of
\$50,000 & under
35%

Mortgage of
\$50,001 – \$70,000
30%

MCC Credit
Rates

Mortgage of
\$70,001 - \$90,000
25%

Mortgage of
\$90,001 & above
20%

HOW DOES THE MCC BENEFIT THE BORROWER?

OPTION 1 –

The borrower may chose to take the tax credit at the end of the year, when they file their federal taxes

Example

$$\$110,000 \times 5.25\% \times 20\% = \$1,155$$

(MTG Amount x Interest Rate x MCC Rate = Eligible Tax Credit Amount)

The borrower would be able to claim \$1,155 as the tax credit

OPTION 2 -

The borrower may chose to revise their W-4 withholdings form to increase their take home pay. The tax credit is divided out over 12-months.

Example

$$\begin{aligned} \$110,000 \times 5.25\% \times 20\% = \\ \$1,155/12 = \$96.25 \end{aligned}$$

(MTG Amount x Interest Rate x MCC Rate = Eligible Tax Credit Amount/12-months = Additionally Monthly Income)

The borrower would increase their take home pay by \$96.25/month

Affordable Home

WHAT IS AFFORDABLE HOME?

Opportunity to receive a below-market interest rate!

PROGRAM HIGHLIGHTS

- 660 minimum FICO score
- First-time homebuyer, unless purchasing in a Targeted area
- FHA, 30-year fixed
- IHEDA sets the rate
- Borrower must bring their own down payment or receive from an FHA approved source
- Participating Lenders can only charge 1% origination fee plus \$1,000 in customary lender fees, regardless of who pays these fees
- Recapture Tax applies
- US Bank - Master Servicer

AFFORDABLE HOME UNDERWRITING CRITERIA

- First-time homebuyer, unless purchasing in a Targeted area
- Cannot be combined with MCC
- Purchase Price Limits
- Income Limits
- FHA, 30-year fixed ONLY
- Qualifying Income
- Lender may only charge 1% origination fee
- Rider attached to 1st Mortgage

Helping to Own “H2O”

WHAT IS H2O?

First-time homebuyers now have the opportunity to receive combined benefit of a below-market interest rate **AND** down payment assistance!

PROGRAM HIGHLIGHTS

- 660 minimum FICO score
- First-time homebuyer, unless purchasing in a Targeted area
- 100% financing
- FHA, 30-year fixed
- IHEDA sets the rate
- Down payment assistance GRANT of 3.5%
 - **THIS GRANT DOES NOT HAVE TO BE RE-PAID!**
- Participating Lenders can only charge 1% origination fee plus \$1,000 in customary lender fees, regardless of who pays these fees
- Recapture Tax applies
- US Bank - Master Servicer

H2O

UNDERWRITING CRITERIA

- First-time homebuyer, unless purchasing in a Targeted area
- Cannot be combined with MCC
- Purchase Price Limits
- Income Limits
- FHA, 30-year fixed ONLY
- Qualifying Income
- DPA of 3.5% based off of purchase price or appraised value (whichever is less)
- Lender may only charge 1% origination fee
- Rider attached to 1st Mortgage

Next Home & Next Home/MCC Combo: FHA

PROGRAM HIGHLIGHTS

- 660 minimum FICO score
- First-time homebuyers
 - Next Home/MCC Combo
- Current homeowners
 - Next Home ONLY
- Previous homeowners
 - Next Home ONLY
- FHA, 30-year fixed
- IHCDA sets the rate
- Down payment assistance of 3.5% in the form of a 2nd Mortgage
- Affordability period, forgiven in 2 years
 - No interest and No payments
- Recapture Tax applies on Next Home/MCC Combo loans
 - Does not apply on Next Home stand-alone
- US Bank – Master Servicer

NEXT HOME & NEXT HOME/MCC COMBO (FHA) – UNDERWRITING CRITERIA

Next Home

- Income limits
- Qualifying Income
- DPA 3.5%
- Purchase Price cannot exceed the Appraised Value
- No funds back at closing

Next Home/MCC

- First-time homebuyer
 - unless in a Targeted area
- Purchase Price limits
- Income limits
- Qualifying Income
- DPA 3.5%
- Purchase Price cannot exceed the Appraised Value
- No funds back at closing

Next Home & Next Home/MCC Combo: Conventional

PROGRAM HIGHLIGHTS

- 680 minimum FICO score
- Cannot hold ownership in any other Real Estate
- Conventional, 30-year fixed
- IHCDA sets the rate
- Down Payment assistance of 3% in the form of a 2nd Mortgage
- Affordability period, forgiven in 2 years
 - No interest and No payments
- Recapture Tax applies on Next Home/MCC Combo loans
 - Does not apply on Next Home stand-alone loans
- US Bank – Master Servicer

NEXT HOME & NEXT HOME/MCC COMBO (CONV) – UNDERWRITING CRITERIA

Next Home

- Income limits
- Qualifying Income
- DPA 3%
- Purchase Price cannot exceed the Appraised Value
- No funds back at closing

Next Home/MCC

- First-time homebuyer
 - unless in a Targeted area
- Purchase Price limits
- Income limits
- Qualifying Income
- DPA 3%
- Purchase Price cannot exceed the Appraised Value
- No funds back at closing

My Home & My Home/MCC Combo: Conventional

PROGRAM HIGHLIGHTS

- 680 minimum FICO score
- First-time & non first-time homebuyers
 - Non first-time homebuyers cannot hold ownership in any other Real Estate
- Borrower provides their own 3% down payment assistance
- 30-year fixed mortgage
- US Bank underwrites all loans with LTV's greater than 95%
- Can be combined with MCC program – MUST follow MCC guidelines, including first-time homebuyer
- IHEDA sets the rate
- US Bank – Master Servicer

MY HOME & MY HOME/MCC COMBO (CONV) – UNDERWRITING CRITERIA

MY Home

- Income limits
- Qualifying Income
- Purchase Price cannot exceed the Appraised Value

MY Home/MCC

- First-time homebuyer
 - unless in a Targeted area
- Purchase Price limits
- Income limits
- Qualifying Income
- Purchase Price cannot exceed the Appraised Value

PROGRAM LOCKS

NEXT HOME, NEXT HOME/MCC COMBO, AFFORDABLE HOME, H2O, MY HOME & MY HOME/MCC COMBO

- Lender will lock loan for 60 days with IHEDA
- Extensions can be granted at the discretion of the Master Servicer, as well as the fee for extending
- If there is a property change, loan must be relocked**
- Relocks must occur if a lock expires**
- If cancellation occurs and is outside of original 60 day lock period, lender must relock**
- If Borrower changes lender, loan must be relocked**

**** ALL RELOCKS ARE AT WORST CASE PRICING ****

Fees

Reservation Fees

made payable by ACH, lender check, cashiers check or money order

\$100.00

Next Home, Next Home with MCC combo, Affordable Home, H2O, MY Home and MY Home with MCC combo

\$500.00

MCC (stand-alone)

Extension Fees

MCC stand-alone

Due if the commitment date expires prior to the loan receiving **final approval from IHCD

30-day extension only, .25% of the final loan amount **made payable to IHCD** (this fee cannot be paid by the mortgagor)

Next Home, Next Home with MCC combo, Affordable Home, H2O, MY Home & MY Home with MCC combo

Extension must be requested if the commitment date expires prior to the loan being **purchased by US Bank

Extension options:

ExtensionRequests@ihcda.in.gov

Rate Lock Extension

7 days
15 days
22 days
30 days

Extension fee

.09375
.18750
.28125
.37500

Choices can be singular or a combination.



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RECAPTURE TAX: MCC, Affordable Home, H2O

- **Recapture tax is in accordance with Section 143(m) of the Internal Revenue Code for mortgages that are Federally Subsidized**
- **A “Notice to Borrower(s) of Maximum Recapture Tax and Method to compute Recapture Tax in Disposition of Home” is sent to each borrower once the loan has received final approval**
 - IHEDA will not calculate the Recapture Tax amount, if any, upon sale of home
 - If borrower needs assistance they would need to consult their tax advisor of the IRS
- **Borrowers must pay “Recapture Tax” when the following THREE conditions occur:**
 - Property is sold within the first 9-years, of the closing date
 - A net profit on the sale of the property is made
 - The household income is above the current income limit at the time of sale of the property

PROGRAM REQUIREMENTS

'CHEAT-SHEET'

	MCC	NEXT HOME	NEXT HOME W/MCC	MY HOME	MY HOME W/MCC	AFFORDABLE HOME	H2O
FIRST TIME HOMEBUYER REQ	●		●		●	●	●
INCOME LIMIT	●	●	●	●	●	●	●
ACQUISITION LIMIT	●		●		●	●	●
CREDIT SCORE REQUIREMENT		●	●	●	●	●	●
DOWN PAYMENT ASSISTANCE		●	●				●
30 YEAR FIXED INTEREST RATE	●	●	●	●	●	●	●
FHA ELIGIBLE	●	●	●			●	●
VA ELIGIBLE	●						
USDA ELIGIBLE	●						
CONV ELIGIBLE	●	●		●	●		
FEDERAL TAX BENEFIT	●		●		●		
SOLD TO US BANK		●	●	●	●	●	●
MAXIMUM 1% ORIGINATION						●	●

Underwriting Procedures & NEW Guidelines

NEW HIGHLIGHTS

- **Using Qualifying Income based off of the 1003 FOR MORTGAGOR/CO-MORTGAGOR ONLY**
 - Paystubs are no longer required
 - May be requested if there is a discrepancy
 - For program qualification, Lender will only use qualifying income on the 1003
- **3-Years Tax Transcripts are only required on MCC, Next Home/MCC Combo, Affordable Home, H2O, and My Home/MCC Combo loans**
 - Tax Transcripts are no longer required on the stand-alone products of Next Home and My Home
- **Multi-unit dwellings of 1 unit or 2-4 unit dwellings are now acceptable**
 - Loans must be underwritten to all Fannie, Freddie and Ginnie specifications
 - One unit must be occupied by the mortgagor of the units
 - The units were first occupied at least five years before the mortgage (but not necessarily occupied on the date hereof) **MCC-linked mortgages ONLY**
 - If the dwelling is located in a Targeted-Area, the above guideline does not apply if the mortgagor income meets the applicable income requirements

NEW PROCESS

APPLICATION

- Lender submits, via email, the “Homeownership Affidavit” and FrameWork HB Certificate (if applicable) **once the loan is reserved** for an approval to close

Homeownershipdocs@ihcda.in.gov

CLOSING

- Lender submits a full package **after the loan has closed** with all required documents completed and signed for final approval
 - “2016 IHCDA Closing Package Checklist” will be used as a guide for submitting proper documentation

Basic IHCDA Underwriting Criteria

1. Qualifying Income on 1003
2. Income Limits
3. Purchase Price Limits, when applicable
4. First-time homebuyer, when applicable
5. Purchase Price cannot exceed appraised value, except on MCC stand-alone program
6. Dwelling must be one (1) parcel on MCC attached programs, Affordable Home & H2O ONLY
 - Next Home & My Home stand-alone programs are exempt from this guideline

THE APPLICATION PACKAGE

1. Lender makes reservation in IHSF
2. Lender submits reservation fee via:
 1. ACH (ACH account number and routing number is given to Lender only after a signed MOSA is approved)
 2. Mails Certified check/Lender check/money order to IHCDA. If sending checks/money orders you must submit the IHCDA Invoice along with the fee. The IHCDA Invoice is located in the Loan Documents section of the IHSF system (personal checks are not accepted).
3. Lender emails the IHCDA Homeownership Affidavit and the Frame Work homeownership training certificate
4. If applicable, \$75 Frame Work fee is only refunded, via the DPA wire, under the NH or NH/MCC & H2O programs **IF** the certificate is submitted with the Affidavit at application
5. Lender to check IHSF system for status of loan within **24 business hours**
6. Upon “Committed Approval” status
 1. Lender requests DPA funds to be wired (if applicable)
 2. Requests should be made no more than 3 business days before closing but must allow **48 business hours** for wire to be received
7. Lender closes the loan

ACH BENEFITS

THINGS TO CONSIDER BY SWITCHING TO THE ACH PROCESS

- Saving money! Lenders do not have to pay a FedEx or UPS overnight/next-day fee to submit a reservation fee. **This is a \$15-30 expense saved PER FILE!**
- Faster processing! The homeownership affidavit will be reviewed instantly instead of waiting 24-48 hours for a mailed check to be received & applied to the loan by IHCDA
- Convenience! Lenders can take any type of acceptable payment (ie: credit card, cash, personal check) from the borrower and then ACH the reservation fee directly to IHCDA
- Security! ACH alleviates the most common fear about checks as they have the possibility of being misplaced.



Indiana Housing & Community Development Authority

IHCDA HOMEOWNERSHIP RESERVATION FEE INVOICE

PLEASE COMPLETE ALL INFORMATION REQUESTED

Reservation Number: 7000X
Mortgagor: IHCDA EXAMPLE
Co-Mortgagor: _____
Property Address: 30 S MERIDIAN ST, INDIANAPOLIS, IN 46204

RESERVATION FEE ARE AS FOLLOWS:

\$100	NEXT HOME
\$100	NEXT HOME WITH MCC
\$100	AFFORDABLE HOME
\$100	MY HOME
\$100	MY HOME WITH MCC
\$500	MCC

PLEASE NOTE PERSONAL CHECKS ARE NOT ACCEPTED

CHECKS WILL NOT BE ACCEPTED WITHOUT THE INVOICE

CANNOT ACCEPT MORE THAN ONE RESERVATION FEE PER INVOICE

PLEASE FORWARD PAYMENT ALONG WITH THE INVOICE TO:

IHCDA
ATTN: HOMEOWNERSHIP
30 S MERIDIAN STREET
SUITE 1000
INDIANAPOLIS, IN 46204



Indiana Housing & Community Development Authority

NEW!!!!

Submission of Closing Packages

On all loans **reserved on or after June 6, 2016**, IHCDA will begin accepting electronic submissions of the closing package. Until the IHSF paperless system is released, lenders will be allowed to email full closing packages to ...

Homeownershipdocs@ihcda.in.gov

Any loans with a reservation date prior to the effective date above will continue to follow the previous guidelines, **Z98** docs and mail/FedEx/UPS full closing packages to IHCDA.

THE CLOSING PACKAGE

1. Lender closes the loan
2. Lender submits closing package via mail or email
 1. Final 1003, copy signed by Mortgagor and Loan Originator
 2. Final 2016 IHEDA Informational Certificate, copy signed by Mortgagor(s)
 3. Final 2016 IHEDA Gift Letter, copy signed by the Mortgagor(s) (if applicable)
 4. 3 years tax transcripts (if applicable)
 5. Full Purchase Agreement/Counters/Amendments, copy fully signed
 6. Appraisal
 7. Final Closing Disclosure, copy Mortgagor(s) signed
 8. IHEDA Second Mortgage, copy signed (if applicable)
 9. IHEDA Promissory Note, copy signed (if applicable)
 10. First page of Mortgage, copy (MCC stand-alone ONLY)
 11. Mortgage Note, copy (MCC stand-alone ONLY)
 12. IHEDA Mortgage Rider, copy (Affordable Home & H2O ONLY)
3. Loan receives final approval

E-MAIL

Homeownershipdocs@iheda.in.gov

MAILING ADDRESS

IHEDA
Attn: Homeownership
30 South Meridian Street, Suite 1000
Indianapolis, Indiana 46204

NEW!!!!

Original Signatures

On all loans **reserved on or after June 6, 2016**, IHCDA will no longer require original signatures from any/all parties. All documents received by IHCDA will be allowed to be copied signatures.

Any loans with a reservation date prior to the effective date above will continue to follow the previous guidelines and IHCDA will still receive original (wet) signatures, from all parties, on the Universal All and IHCDA Gift Letter Information documents

THE CLOSING PACKAGE

Closing Package Documentation	Next Home	Next Home MCC	MCC	Affordable Home	My Home	My Home MCC	H2O
Final signed 1003 (copy)	X	X	X	X	X	X	X
Final signed ALL (copy)	X	X	X	X	X	X	X
3 years tax transcripts		X	X	X		X	X
Signed purchase agreement	X	X	X	X	X	X	X
Appraisal	X	X	X	X	X	X	X
Signed Closing Disclosure (copy)	X	X	X	X	X	X	X
Signed IHCDA Second Mortgage (copy)	X	X					
Signed IHCDA Promissory Note (copy)	X	X					
First page of Mortgage (copy)			X				
Mortgage Note (copy)			X				
Signed IHCDA Rider (copy)				X			X

BRICK

What is Brick?

Due to the overwhelming response from Lenders to be able to email us your application and closing documents, IHCDa wants to assure you that your borrowers information is not being jeopardized and is secure. Brick is an encrypted site that we will use in order to continue providing the best service available.

Beginning July 5th, 2016 you will be able to upload your docs directly through BRICK!

Each user within your office will need to email Marquet Smith at

msmith@ihcda.in.gov

Marquet will issue a username and password. It will be up to the lender to manage the user name and password and share with your staff.

More information will be forthcoming!

Review of ...
“2016 IHCD Homeownership Affidavit”,
“2016 Informational Certificate” and
“2016 IHCD Gift Letter” documents

Informational Certificate

On all loans **reserved on or after June 6, 2016**, the Universal All document will be switched to the “*Indiana Housing and Community Development Authority’s Homeownership Mortgagor(s) Informational Certificate*”, which will also be known as the “Info Certificate”.

This informational certificate is for the mortgagor/co-mortgagor, only, and obtains only pertinent information to the loan. This document will not require the participating lender to complete any information unless the mortgagor/co-mortgagor has not filed taxes within the last three (3) years and/or the loan is closing between January 1st and April 15th of the current year.

The Info Certificate will also only require the borrower to sign verifying they have received the info certificate. IHEDA will not require an original signature on this document

Informational Certificate continued ...

The info certificate will be used on all IHCD Homeownership programs that are reserved on and after the June 6th date.

Any loans with a reservation date prior to the effective date above will continue to follow the previous guidelines and will use the Z98 & Universal All documents.

If the mortgagor/co-mortgagor receives down payment assistance (DPA) through the H2O or Next Home programs, they will still be required to complete and sign the 2016 IHCD Gift Letter document.

DPA Disbursement

DOWN PAYMENT ASSISTANCE – SET UP

- In “Reservation/Loan Status screen” loan must be in the stage “Committed – Approved”
- Click the “DPA Funding Request” box to set up the DPA disbursement
- Choose your Organization from the drop down arrow
- ON LEFT SIDE ENTER: “DPA FUNDS PAID TO”
 - Title Company name
 - Address
 - ABA Number (Routing number)
 - Account Number

DPA Funding Request - Current Workflow Step Name = Request Submitted

Wiring Instructions

DPA Funds Paid To

Organization

Title Company

Address

City

State Zip Code -

ABA Number

Account Number

DPA Funds Paid To

Complete the DPA Funds Paid To with the name, address, ABA number and Account number of the organization the second mortgage funds will be paid to. This will typically be the title company.

Bank

Send Purchase Confirmation To

Complete Name of person to contact.

Complete at least one of: Mailing Address, Fax, Telephone or Email for purchase confirmation

Send Purchase Confirmation To

Name

Mailing Address

Same as Bank Information

Name

Address

City

State Zip Code -

Fax

Number

Telephone

Number Ext.

Email

Address

Rescind Submit Request Save Close

SET UP (CONTINUED...)

- ON RIGHT SIDE ENTER: “SEND PURCHASE CONFIRMATION TO”
 - Name
- MAILING ADDRESS: ENTER (suggested DO NOT check box)
 - Bank Name
 - Address
- ** If you check the box it will prefill the same information that was entered on the left side aka the title company information
- FAX: N/A
- TELEPHONE: enter contact number of person who requested the DPA funds
- EMAIL: enter name of person to whom confirmation is to be sent
- ** Be sure to check your junk folder if no email is received
- Click “Submit Request”
- DPA is disbursed within 24 hrs. of receipt

DPA Funding Request - Current Workflow Step Name = Request Submitted

Wiring Instructions

DPA Funds Paid To

Organization [dropdown]
Title Company [text]
Address [text]
City [text]
State [IN] Zip Code [text] - [text]
ABA Number [text]
Account Number [text]

Send Purchase Confirmation To

Name [text]
Mailing Address
 Same as Bank Information
Name [text]
Address [text]
City [text]
State [IN] Zip Code [text] - [text]

Fax
Number [text]

Telephone
Number [text] Ext. [text]

Email
Address [text]

DPA Funds Paid To
Complete the DPA Funds Paid To with the name, address, ABA number and Account number of the organization the second mortgage funds will be paid to. This will typically be the title company.

Bank
[dropdown]

Send Purchase Confirmation To
Complete Name of person to contact.
Complete at least one of Mailing Address, Fax, Telephone or Email for purchase confirmation

Rescind Submit Request Save Close

ADDITIONAL DPA WIRE INFORMATION

INTERMEDIARY DISBURSEMENTS:

The IHSF System is not set up to enter more than one (1) financial institution. If there is an intermediary bank involved, please contact IHCD's Homeownership Operations Team.

Dolores Scisney: dscisney@ihcda.in.gov

Marquet Smith: msmith@ihcda.in.gov

Liann Fisher: lfisher@ihcda.in.gov

QUESTIONS

SURVEY

<https://www.surveymonkey.com/r/5Q965BX>



Please take a moment to complete the “Lender Training” evaluation survey. Describe your webinar experience and give us any feedback that will help assist the HO Department’s continuous goal of providing excellent customer service to our participating lenders!