2014

NEXT HOME

PROGRAM GUIDE

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM GUIDE
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INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
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 four percent (4%) of the lower of the purchase price or appraised value while 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 97% condominiums are not allowed and the borrower 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 /Ginnie Mae, as applicable and the requirements of the Master Servicer. Borrowers 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.

"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.

"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 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 2014 Next Home Program Guide which applies to the following variations NH-FHA, NH-CONV, NH/MCC-FHA, and NH/MCC-CONV.

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

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

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

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

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NEXT HOME PROGRAM
EXECUTIVE SUMMARY

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

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 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 PURCHASED BY THE MASTER SERVICER AND RECEIVE FINAL APPROVAL FROM IHCDA WITHIN SIXTY (60) DAYS AFTER THE DATE OF RESERVATION.**
8. **THE PARTICIPATING LENDER MUST REFER TO SECTION 6 OF THE NEXT HOME PROGRAM GUIDE FOR EXTENSION FEES.**

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

A. The Borrower must meet special **income guidelines**. Income limits vary by county and are dependent on family size. (Please see Section 2 of this Program Guide for detailed explanation of income verification requirements.)

B. The Borrower does not have to be a first-time homebuyer unless using NH/MCC-FHA OR NH/MCC-CONV.

C. The Borrower **must have a FICO credit score of 650 or higher for NH-FHA and loans using conventional financing (NH-CONV and NH/MCC-CONV) that have LTVs less than or equal to 95%. However, loans using conventional financing and having LTVs greater than 95% must be underwritten by the Master Servicer and meet its requirements therefore the FICO credit score that is required may vary.**

D. The home must be used as the Borrower's **principal residence**. (Please see Section 3 of this Program Guide for a more detailed explanation.)

DPA

1. DPA may be provided with FHA financing through NH-FHA and NH/MCC-FHA or with conventional financing through NH-CONV and NH/MCC-CONV.

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 with FHA financing through NH-FHA and NH/MCC-FHA or three percent (3%) of the lower of the purchase price or appraised value with conventional financing through NH-CONV and NH/MCC-CONV.

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

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, foreclosed upon, or sold during the Affordability Period, as defined in Section 10 of this Program Guide, the Second Mortgage is due and payable in full immediately.

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 and/or a chain of title with the application package.

9. **REPAIR ESCROWS ARE ALLOWED (MUST FOLLOW GUIDELINES ISSUED BY THE MASTER SERVICER).**

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

11. **The second mortgage will be funded directly by IHCDA. The Participating Lender is required to electronically request the funds from IHCDA after the loan has reached the stage of Committed and Approved. The funds will be ACH/wired to the Title Company closing the loan. The Participating Lender is responsible for ensuring that the Title Insurance Company's ACH/routing information is entered into IHSF. Please allow two (2) to three (3) business days for this information to be processed.**

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

13. **PARTICIPATING LENDERS WILL NEED TO KNOW THE FOLLOWING:**

14. Income eligibility includes certain sources of income that a lender typically does not consider in determining eligibility or creditworthiness for non-federally subsidized financing.

15. Reservations for loans will only be taken between 9:00 am and 5:00 pm E.S.T.

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

1. The reservation fee for reserving a loan through the Program is $100.00.

2. 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.

3. 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.

4. **ALL LOANS MUST BE UNDERWRITTEN TO AND MEET FHA (for NH-FHA and NH/MCC-FHA), OR CONVENTIONAL (for NH-CONV, and NH/MCC-CONV) GUIDELINES.**

8. **ALL LOANS MUST HAVE REACHED THE STAGE "COMMITTED AND APPROVED IN IHSF PRIOR TO CLOSING.**

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

10. **Co-Signers**. Co-signers of Borrower are allowed, except for Conventional Loans having LTV's greater than 95% . Notwithstanding the foregoing, co-signers are not eligible to appear on the deed, the mortgage documents, or allowed to sign any of the Program documents, the Purchase Agreement, the Second Mortgage, or the Second Note with respect to the DPA. **Co-signers are only allowed to sign the First Mortgage Note, therefore, when submitting an application package to IHCDA for a loan where there will be a co-signer, the Participating Lender should exclude the co-signer's information from the application package that is being submitted to IHCDA.**

11. **A Mortgage Rider is not required on loans.**

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

13. The Participating Lender may fax conditions to IHCDA; any fees owed by the Participating Lender must be overnighted to IHCDA or can be sent in with the closing package for that loan.

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

15. IHCDA recommends that each Borrower that meets the definition of a first-time homebuyer complete Homeownership training through IHCDA University, which may be accessed at http://ihcda.knowledgefactor.com/.

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

17. All reservations must be for FHA (for NH-FHA and NH/MCC-FHA) or conventional (for NH-CONV, and NH/MCC-CONV) thirty (30) year fixed rate mortgages.

18. **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.**

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

20. **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 census tract to be designated as 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			
Daviess	9547.00				
Delaware	0004.00	0005.00	0006.00	0009.02	0012.00
	0016.00	0020.00			
Elkhart	0026.00				
Fayette	9541.00				
Floyd	0702.00	0708.01			
Grant	0002.00				
Henry	9765.00				
Howard	0002.00	0004.00	0012.00		
Jackson	9679.01				
Jay	9630.00				
Knox	9553.00				
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	
Vigo	0003.00	0004.00	0005.00	0019.00	0111.00
Wayne	0005.00				

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

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

A. 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 IHCDA 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. IHCDA and/or the Participating Lender may presume that any person who is currently residing with the Borrower and/or currently engaged to or married to the Borrower "intends to reside at the property" and may include this person's income when calculating income and household size for the Borrower's household. IHCDA and/or the Participating Lender can request any additional information either needs to make this determination. For any full-time student, you must include his or her earned income up to a maximum of $480.00 per year unless the student is head of household, co-head or the spouse (in which case the entire amount of the student's income must be included). Additionally, the Gross Annual Income of any other person who is legally married to the Borrower must be included into the Gross Annual Income of the Borrower.

NOTE: The following persons <u>shall not</u> 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 except special pay to a family member serving in the Armed Forces who is exposed to hostile fire..

B. Borrower must have a FICO credit score of 650 or higher for NH-FHA and loans using conventional financing (NH-CONV and NH/MCC-CONV) that have LTVs less than or equal to 95%, however loans using conventional financing and having LTVs greater than 95% must be underwritten by the Master Servicer and meet its requirements therefore the FICO credit score that is required may vary.

C. Requirement of a Divorced Borrower. The income of a Borrower's spouse must be included in the Gross Annual income for the household, unless a Borrower is legally divorced from his or her spouse. A Borrower must provide IHCDA with a copy of a divorce decree signed by a judge in order to be considered "legally divorced" for the purposes of the Program. If a Borrower cannot provide IHCDA with the divorce decree that meets the requirements referenced above, its loan will be underwritten as if both parties are still married. A legal separation agreement or a petition for dissolution will not suffice. In addition, IHCDA and/or the Participating Lender may presume that any person who is currently residing with the Borrower and/or currently engaged to the Borrower "intends to reside at the property and may include this person's income when calculating income and household size for the Borrower's household". IHCDA and/or the Participating Lender can request any additional information either needs to make this determination.

D. Expectation 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 **<u>AND</u>** within sixty (60) days of completion in the case of a newly constructed home.

E. Training. IHCDA recommends that Borrower successfully complete the IHCDA University Homeownership training program, if Borrower is a first-time homebuyer. A "First-Time Homebuyer" is someone who has not, at any time during the three (3) years preceding the date of the loan closing, had an ownership interest in his/her principal residence. IHCDA University may be accessed at http://ihcda.knowledgefactor.com/.

F. Co-Signers. Co-signers of Borrower are allowed, except for Conventional Loans having LTV's greater than 95% . Notwithstanding the foregoing, co-signers are not eligible to appear on the deed, the mortgage documents, or allowed to sign any of the Program documents, the Purchase Agreement, the Second Mortgage, or the Second Note with respect to the DPA. **Co-signers are only allowed to sign the First Mortgage Note, therefore, when submitting an application package to IHCDA for a loan where there will be a co-signer, the Participating Lender should exclude the co-signer's information from the application package that is being submitted to IHCDA.**

G. 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.

H. Aliens. U.S. citizenship is not required under current Fannie Mae and Ginnie Mae guidelines.

However, the Participating Lender is required to determine the Borrower'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 Borrower is using.

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

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

2. The property must be:

   A. A single-family house, for the purposes of FHA financing only could include a manufactured home permanently affixed to real estate and taxed as such; or

   B. A condominium (for NH-FHA, and for NH-CONV loans 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.

B. ACQUISITION COST

1. The "Acquisition Cost" of the residence must not exceed the applicable Program acquisition cost limits. The IHCDA website contains acquisition cost limits. The term "Acquisition Cost" means the cost of acquiring a residence from the seller(s) as a completed residential unit. The Acquisition Cost includes:

   A. All amounts paid, either in cash or in kind, by the Borrower (or a related party for the benefit of the Borrower) to the seller(s) (or a related party of the seller(s)) as consideration for the residence;

   B. If the residence is incomplete, the reasonable cost of completing the residence whether or not financed by 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 by through the Program;

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

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

   F. The cost of the land, **or** if a gift the appraised value, is to be added to the Acquisition Cost if the Borrower has owned the land for **less than two (2) years** prior to construction of residence.

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 Borrower for more than two (2) years prior to construction.**

C. The imputed value of "sweat equity" performed by the Borrower or members of the Borrower's immediate family.

3. **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.

4. 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.

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

6. The Participating Lender must advise each Borrower of the importance of obtaining an independent home inspection for any home it plans to purchase.

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 (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.

8. The purchase price of the property cannot exceed the appraised value of the property in instances where DPA is being provided (NH-FHA and NH-CONV).

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 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 or 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. Land sale contracts will be considered existing financing, regardless of whether or not they have been recorded.

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 PROVIDE DPA USING CONVENTIONAL FINANCING (THROUGH NH-CONV) AND USING FHA FINANCING (THROUGH NH-FHA).**

B. NOTES REGARDING MORTGAGE FINANCING

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

2. IHCDA encourages the Participating Lender to provide information to the Borrower concerning an energy efficiency rating being performed on the property prior to purchase. This rating could result in the Borrower qualifying for an energy efficient mortgage. Brochures detailing how to have a rating performed may be obtained by calling the Indiana Community Action Association at (317) 638-4232 or by visiting their website at http://www.incap.org.

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

A. INTEREST RATE CHANGE PROCEDURES

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

B. NOTIFICATION OF RATE

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

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

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

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

A. FEES

IHCDA RESERVATION FEE:

$100.00

EXTENSION FEE:

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

IHCDA TRAINING FEES:

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

IHCDA RESERVATION FEE REFUNDS:

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 Borrower meets the other eligibility requirements of the Program. **NOTE: A PARTICIPATING LENDER CANNOT RESERVE A LOAN THAT IT CANNOT CLOSE IN ITS OWN NAME, EXCEPT IN THE CASE OF A MORTGAGE BROKER THAT USES A PARTICIPATING LENDER TO SUBMIT ITS LOAN TO THE MASTER SERVICER.**

A RESERVATION IS IMPORTANT: THE BORROWER CANNOT EXECUTE IHCDA'S DOCUMENTS WITHOUT AN IHCDA RESERVATION NUMBER.

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. The Participating Lender must provide a check (Borrower's certified funds or Participating Lender's check) payable to IHCDA for the applicable reservation fee with its application package (See Section 6 for the Fee Schedule). A SEPARATE CHECK MUST BE MADE OUT FOR EACH RESERVATION FEE. IHCDA DOES NOT ACCEPT CASH OR COINS. Any reservation fee overages will be refunded after the loan is purchased by the Master Servicer.

2. **PARTICIPATING LENDER SHOULD SUBMIT ITS RESERVATION FEES AND THE PRE-APPLICATION PRIOR TO OR WITH THE APPLICATION PACKAGE. IF FEES ARE NOT RECEIVED, THE PARTICIPATING LENDER WILL BE NOTIFIED THAT THE RESERVATION FEES ARE DUE AND THE APPLICATION PACKAGE WILL BE HELD BY IHCDA FOR FIVE (5) DAYS. IF THE FEES ARE NOT RECEIVED WITHIN THE FIVE (5) DAY PERIOD, IHCDA WILL RETURN THE FILE TO THE PARTICIPATING LENDER.**

3. IHCDA will not review any application packages until it receives the reservation fee.

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

C. MODIFICATIONS

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

1. **Increases in Mortgage Amount.** Requests for increases in loan amounts will be subject to the availability of funds. Participating Lenders should include the purchase price and loan amount (original and revised) by written request or via email.

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 borrowers. If the file has not been reviewed by an IHCDA underwriter, then the Participating Lender should send its request to 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 (Borrower).** IHCDA will not allow the transfer of a reservation from one Borrower to another Borrower.

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 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.

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 Borrower 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 in writing 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 Borrower, the Participating Lender will be required to Relock the interest rate on the loan. Therefore, Borrower will receive the higher rate of the current interest rate and the original interest rate.

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

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

A. 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)
- Loan Application **- Copy** (FNMA 1003)
- Applicable NH-ALL (Preliminary)
- Current Paystubs from all Residents with Income, Including Full-Time Students over the age of 18 – **Copy (within last 30 days)**
- Zero Income Affidavit – **Signed Copy** (if applicable)
- Legal Documentation of Child Support/Custody/Guardianship – **Copy** (if applicable)
- Judge Signed, Final Divorce Decree – **Copy** (if applicable)
- Three (3) years Certified 4506T Tax Transcripts **- Copy**
- Purchase Agreement, fully executed – **Copy**
- Appraisal **- Copy**
- Certificate of Completion from IHCDA University – **Copy (recommended for First Time Homebuyers Only)**

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

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

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 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.

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. The application and closing package must be approved and the loan purchased by the Master Servicer by the Commitment Expiration Date shown on your reservation confirmation.

If loan is not purchased by the Master Servicer by the Commitment Expiration Date shown in IHSF, IHCDA will cancel the reservation.

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

D. 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 Borrower 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 Borrower will receive the current interest rate. If a loan is “Terminated”, and the Borrower chooses to use a different Participating Lender the new lender may reserve the loan at any time and the Borrower will receive the current interest rate.

E. DENIED RESERVATION

IHCDA 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. IHCDA 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.

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.

B. SUBMISSION

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

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

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

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

C. CLOSING PACKAGE SUBMISSION EXTENSION

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

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

D. 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.

E. CLOSING PACKAGE SUBMISSION (APPROVAL)

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

F. CLOSING PACKAGE SUBMISSION (PENDED)

If IHCDA requires additional information or the closing package is incomplete, the closing package will be considered **"incomplete"** and the status will show such in IHSF.

G. DENIED RESERVATION

IHCDA 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.

H. FORMS:

Final NH-ALL

The Borrower must read, and with the Participating Lender's assistance, complete all sections of the applicable 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 applicable NH-ALL prior to the date of the Borrower's signature.

I. SALE TO THE MASTER SERVICER OR SUB-SERVICER

In the event that the first mortgage cannot be purchased by the Master Servicer or sub-servicer, the Participating Lender shall be required to retain the first mortgage. The Participating will also be required to reimburse IHCDA in the amount of the second mortgage within thirty (30) days.

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

A. SECOND MORTGAGE

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 be provided with FHA financing through NH-FHA or conventional financing through NH-CONV. The funds may be used for down payment, closing costs and prepaids.

An eligible Borrower may receive DPA in an amount not to exceed four percent (4%) of the lower of the purchase price or appraised value (using FHA financing through NH-FHA) or DPA in an amount not to exceed three percent (3%) of the lower of the purchase price or appraised value (using conventional financing through NH-CONV).

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. <u>If there is a violation of the foregoing, the originating Participating Lender shall retain the First and Second Mortgages.</u>
If the first mortgage is not purchased by the Master Servicer or sub-servicer, for any reason, the originating Participating Lender shall retain the First Mortgage and Second Mortgage. The Participating will also be required to reimburse IHCDA in the amount of the second mortgage within thirty (30) days.

INSTRUCTIONS

Second Mortgage Execution Information

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

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

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

Forgiveness of the debt is covered in the Promissory Note.

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