ihcda

Indiana Housing & Community Development Authority

2016

AFFORDABLE HOME

PROGRAM GUIDE

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
AFFORDABLE HOME PROGRAM GUIDE
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INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
AFFORDABLE HOME PROGRAM
PREAMBLE

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
AFFORDABLE 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 Program and this Program Guide, and includes any Co-Mortgagors.

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

"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 data management system used by IHCDA to manage the Program.

"Master Servicer" means U.S. Bank, N.A.

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

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

"Program Guide" means the IHCDA 2016 Affordable Home Program Guide

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

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

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

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
AFFORDABLE HOME PROGRAM
EXECUTIVE SUMMARY

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

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

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

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

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

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

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

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

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

9. 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**.

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

11. Household size listed on the IHCDA-ALL document must match those listed by the Participating Lender on the Uniform Residential Loan Application (URLA Form 1003).

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

13. 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).

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

15. All sources of income listed on the IHCDA-ALL document must match all income disclosed (ie…Base Employment Income, Overtime, Bonuses, Commissions, Dividends/Interest, Net Rental Income, Other) by the Participating Lender on the Uniform Residential Loan Application (URLA Form 1003).

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

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

18. 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.

19. The Mortgagor must have a minimum FICO credit score of 660.

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

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

22. Co-signers of the Mortgagor are allowed, however non-occupying Co-Mortgagors are not allowed. IHCDA does not include Co-signer's income in total household income but will include all occupying Co-Mortgagor's income. Participating Lender should exclude the co-signer's information from the application package that is being submitted to IHCDA.

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

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

25. 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.

26. A Mortgage Rider is required to be recorded with each mortgage.

27. Federal Recapture Tax may apply.

28. The First Mortgage may not be closed prior to the Committed Approval date shown in IHSF. If there is a violation of the foregoing, the origination Participating Lender shall retain the First Mortgage. If the First Mortgage is not purchased by the Master Servicer or sub-servicer, for any reason, the originating Participating Lender shall retain the First Mortgage.

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

30. 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 loan amount.

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

32. If there are any conflicts between the FHA guidelines, as applicable and the Program guidelines, please contact IHCDA. IHCDA will also address all questions regarding tax compliance. All other questions should be directed to the Master Servicer.

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

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

35.

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

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

A. EXPLANATION OF TARGET AND NON-TARGET AREAS

TARGETED AREAS ARE EITHER:

1) A Qualified Census Tract: seventy percent (70%) or more of the families have an income which is eighty percent (80%) or less of the statewide median family income.

2) An "Area of Chronic Economic Distress" as designated by the State and approved by the Secretary of the United States Department of Treasury and the Secretary of the United States Department of Housing and Urban Development.

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

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

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

2015 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
AFFORDABLE HOME PROGRAM
MORTGAGOR ELIGIBILITY
SECTION 2

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

A. Must be a First-Time Homebuyer.

A "First-Time Homebuyer" is someone who has not, at any time during the three (3) years preceding the date of the loan closing, had a present ownership interest in his or her principal residence. This requirement does not apply to all members of the household only to those persons executing the loan documents. However, Mortgagors acquiring residences in Targeted Areas and eligible veterans are exempt from the First-Time Homebuyer requirement.

B. An ownership interest includes**:**

a. A fee simple interest;

b. A joint tenancy, a tenancy in common, or a tenancy by the entirety;

c. The interest of a tenant shareholder in a cooperative;

d. A life estate;

e. A land contract (i.e. a contract under which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later time);

f. An interest held in trust for the Mortgagor (whether or not created by the Mortgagor) that would constitute a present ownership interest if held directly by the Mortgagor; or

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

Interests that do not constitute ownership interest include:

a. A remainder interest;

b. A lease;

c. A mere expectancy to inherit an interest in a principal residence;

d. The interest that a purchaser of a residence acquires upon the execution of a purchase contract;

e. An interest in other than a principal residence during the previous three (3) years; or

f. Ownership of a factory-made home not permanently affixed to real property and taxed as personal property.

C. Must be Income Eligible.

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

Income will be determined for Mortgagor and Co-Mortgagor(s) only based off qualifying Gross Annual Income

provided on the Uniform Residential Loan Application (URLA Form 1003). All sources of income listed on the IHCDA-ALL document must match all income disclosed by the Participating Lender 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.

D. Aliens. U.S. citizenship is not required under current Ginnie Mae guidelines. However, the Participating Lender is required to determine the Mortgagor's residency status, in accordance with 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
AFFORDABLE 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 one (1) unit or two to four (2 - 4) unit house;
    - A condominium; or
    - 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 term "Acquisition Cost" means the cost of acquiring a residence from the seller(s) as a completed residential unit. The Acquisition Cost includes:

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

    B. If the residence is incomplete, the reasonable cost of completing the residence whether or not financed by the loan; for example, if the residence is in need of repair and the repairs are necessary to make the residence habitable, to meet local building codes, or to meet Program requirements, the reasonable cost of making the repairs whether or not financed by the loan;

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

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

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

2. **Acquisition cost does not include:**

   A. Usual and reasonable settlement and financing costs including:

      (a) Title and transfer costs;

      (b) Title insurance;

      (c) Survey fees and other similar costs;

      (d) Credit reference fees;

      (e) Legal fees;

      (f) Appraisal expenses;

      (g) Usual and reasonable financing points paid by the Mortgagor;

      (h) Structural and systems or pest inspections; and

      (i) Other related costs of financing the residence.

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

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

3. No more than ten percent (10%) of the total area of the residence can reasonably be used as:

   A. The principal place of business for, or connected with, any trade or business on an exclusive or regular basis;

   B. A place where inventory is held for use in the trade or business of the selling of products at wholesale or retail, unless the residence is the sole fixed location of such trade or business; or

   C. A place used on a regular basis in a trade or business.

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

5. If the single family residence contains 2, 3 or 4 units, then (a) one unit is occupied by the Mortgagor of the units and (b) the units were first occupied at least five (5) years before the linked mortgage (but not necessarily occupied on the date hereof). If the residence is located in a Targeted Area clause (b) above shall not apply if the family income of the Mortgagor(s) meets the applicable income requirements.

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
AFFORDABLE 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 associated with the residence but (i) not necessary to maintain the basic livability of the residence and which (ii) provides, other than incidentally a source of income to the Mortgagor; or

   D. Settlement and financing costs that are in excess of that considered usual and reasonable.

2. IHCDA funds cannot refinance an existing loan or replace existing financing on the property.

   - 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.

B. NOTES REGARDING MORTGAGE FINANCING

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

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
AFFORDABLE HOME PROGRAM
THE FEDERAL RECAPTURE TAX
SECTION 5

Congress enacted legislation in 1988, subsequently amended in October 1990, to recapture, under certain circumstances, some or the entire subsidy from homebuyers who receive qualified mortgage bond assistance after January 1, 1991 (the "Federal Recapture Tax"). Because the recapture rules apply to loans that were based on an MCC, a Mortgagor participating in the Program could be subject to the Federal Recapture Tax. THE FOLLOWING DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND EACH MORTGAGOR IS ADVISED TO CONSULT WITH A TAX SPECIALIST TO DETERMINE WHETHER HE OR SHE IS RESPONSIBLE FOR PAYING THE FEDERAL RECAPTURE TAX.

The law mandates a "recapture" of some of the benefit of the program if a Mortgagor meets all three (3) of the following criteria: (1) the property ceases to be the principal residence in the first full nine (9) years after the date that the mortgage loan is closed; (2) there is a profit on the sale of the home, and (3) the household income is more than that year's adjusted qualifying income for Mortgagor's family size that year.

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

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

Remember:

- If a Mortgagor sells his or her home after nine (9) years of purchasing it, there is no Federal Recapture Tax due;
- If he or she does not receive a gain (net profit) on the sale of his or her home, there is no Federal Recapture Tax due, or
- If the household income is not more than that year's adjusted qualifying income for Mortgagor's family size that year, there is no Federal Recapture Tax due.

A Mortgagor is Not Subject to the Federal Recapture Tax if:

- His or her home is disposed of as a result of his or her death.
- A Mortgagor transfers his or her home to his or her spouse or his or her former spouse incident to a divorce and a Mortgagor has no gain or loss included in his or her income as a result of the transfer.
- A Mortgagor refinances his or her home (unless Mortgagor later meets the recapture rules).
- Mortgagor's home is destroyed by fire, storm, flood or other casualty if home is replaced on its original site within two (2) years after the end of the tax year when the casualty happened.

However, if a Mortgagor gives away his or her home (other than incident to a divorce), Federal Recapture Tax amounts must be calculated as if the home was sold at fair market value at the time of disposition.

Income Increase:
If a Mortgagor sold his or her home and made a net profit, then a Mortgagor may have to pay Federal Recapture Tax, depending on whether his or her income has increased above the maximum allowable amount. Within ninety (90) days from the date of the Final Approval, IHCDA will send to each Mortgagor a *Notice to Mortgagor of Maximum Recapture Tax and of Method to Compute Recapture Tax on Disposition of Home*. A sample of this notice is included on the following pages. Mortgagor should keep this notice for future reference in calculating the Federal Recapture Tax.

How much do I owe?
The amount a Mortgagor owes will be the lesser of fifty percent (50%) of the gain realized from the sale of his or her home OR the amount resulting from a calculation that uses:

- The income percentage (Consider the amount by which his or her income exceeds the limit in the year that a Mortgagor sells. If the amount is $5,000.00 or more, then his or her income percentage is one hundred percent (100%). If less than $5,000.00 then divide the amount by which his or her income exceeds the limit by $5,000.00 and round to the nearest whole percentage.)
- The maximum recapture tax or federally subsidized amount (this is .0625 x the highest principal amount of his or her loan).
- The holding period percentage as shown on the chart below:

Disposition Within # Months of Closing	**Holding Period Percentage**
1 - 12	20%
13 - 24	40%
25 - 36	60%
37 - 48	80%
49 - 60	100%
61 - 72	80%
73 - 84	60%
85 - 96	40%
97 - 108	20%
109 or More	No Recapture Tax

Again, a Mortgagor should consult with a tax advisor to determine whether he or she owes Federal Recapture Tax.

For more information, contact the IRS and request Form 8828 and the instructions for Form 8828 (both available on the IRS Website: http://www.irs.gov).

SAMPLE LETTER

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

April 00, 2015

Series:	Affordable Home
Orig :	(Code) Bank Name (Code)
SF #:	Number
Loan Amount:	$00,000.00
Term:	xx Months
Property:	Street Address
City/Zip:	City, zip
County:	County name
Reserv/Appl Date:	00-00-00
Commitment Date:	00-00-00
Closing Date:	00-00-00
Loan Purchase:	00-00-00

Notice to Mortgagor(s) of Maximum Recapture Tax
and of Method to Compute Recapture on Dispositions of Home

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

Disposition Within Months of Closing	Holding Period Percentage	Adjusted Qualifying Income On date of Disposition, for Family Size 2 or Less	3 or More
1 - 12	20%	62,900	72.335
13 - 24	40%	66,045	75,951
25 - 36	60%	69,347	79,748
37 - 48	80%	72,814	83,735
49 - 60	100%	76,454	87,921
61 - 72	80%	80,276	92,317
73 - 84	60%	84,289	96,932
85 - 96	40%	88,503	101,778
97 - 108	20%	92,928	106,866
109 or More	No Recapture Tax		

A. **Introduction**

1. **General.** When you sell your home you may have to pay a recapture tax as calculated below. The recapture tax may also apply if you dispose of your home in some other way. Any reference in this notice to the "sale" of your home also includes other ways of disposing of your home.
2. **Exceptions.** In the following situations, no recapture tax is due:

(a) You dispose of your home later than nine (9) years after you close your mortgage loan;

(b) Your home is disposed of as a result of your death;

(c) You transfer your home either to your spouse or to your former spouse incident to divorce and you have no gain or loss included in your income under Section 1041 of the Internal Revenue Code; or

(d) You dispose of your home at a loss.

B. **Maximum Recapture Tax.** The maximum recapture tax amount is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan or 50% of the gain on the sale of the residence.

C. **Actual Recapture Tax.** The actual recapture tax, if any, can only be determined when you sell your home, and is the lesser of (1) fifty (50%) of your gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income tax purposes, or (2) your recapture amount determined by multiplying the following three (3) numbers:

1. The maximum recapture tax, as described in paragraph B above;

2. The holding period percentage, as listed in Column 1 in the table; and

3. The income percentage, as described in paragraph D below.

D. **Income Percentage**. You calculate the income percentage as follows:

1. Subtract the applicable adjusted qualifying income in the taxable year in which you sell your home, as listed in column 2 of the table on page one (1) of this letter, from your modified adjusted gross income in the taxable year in which you sell your home.

Your modified adjusted gross income means your adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments: (a) your adjusted gross income must be increased by the amount of any interest that you receive or acquire in the taxable year from tax-exempt bonds that is excluded from your gross income (under Section 103 of the Internal Revenue Code); and (b) your adjusted gross income must be decreased by the amount of any gain included in your gross income by the reason of the sale of your home.

2. If the amount calculated in (1) above is zero (0) or less, you owe no recapture tax and do not need to make any more calculations. If it is $5000.00 or more, your income percentage is one hundred percent (100%). If it is greater than zero (0) but less than $5000.00, it must be divided by $5000.00. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is $1000.00/$5000.00, your income percentage is twenty percent (20%).

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

1. If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.

2. If your home is destroyed by fire, storm, flood, or other casualty, there generally is no recapture tax if, within two (2) years, you purchase additional property for use as your principal residence or construct a new home on the site of the home financed with your original subsidized mortgage loan.

3. In general, except as provided in future regulations, if two (2) or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is determined separately for each individual based on each individual's interests in the home.

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

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

Sincerely,

Authorized Officer

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
AFFORDABLE HOME PROGRAM
INTEREST RATE CHANGES
SECTION 6

A. INTEREST RATE CHANGE

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
AFFORDABLE HOME PROGRAM
FEE SCHEDULE
SECTION 7

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.

ORIGINATION FEES AND ALLOWABLE LENDER FEES:

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

EXTENSION FEE:

Extensions may be granted. Contact IHCDA for extension requests at **ExtensionRequests@ihcda.in.gov**. 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's location	No Charge
On site at IHCDA offices	No Charge
Program Guide (may be printed from website)	No Charge

IHCDA RESERVATION FEE REFUNDS:

Reservation Fees are non-refundable.

Extension fees are non-refundable.

PARTICIPATING LENDER COMPENSATION:

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
AFFORDABLE HOME PROGRAM
RESERVATION REQUEST PROCEDURES
SECTION 8

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 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 RATE

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
AFFORDABLE HOME PROGRAM
APPLICATION PACKAGE SUBMISSION
SECTION 9

Participating Lenders are encouraged to pre-qualify Mortgagors for credit eligibility whenever possible; the Unified Residential Loan Application (URLA) can be dated prior to the date of the purchase agreement. Note: IHCDA 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 (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 (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 condition is received.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
AFFORDABLE HOME PROGRAM
CLOSING PACKAGE SUBMISSION
SECTION 10

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-ALL Document (Original)
- 3 Years of Tax Transcripts (Copy)
- Signed Purchase Agreement/Counters/Amendments (Copy)
- Appraisal (Copy)
- Signed Closing Disclosure (Copy)
- Signed IHCDA Mortgage Rider (Copy)

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

C. CLOSING PACKAGE (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 (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
AFFORDABLE HOME PROGRAM
CANCELLED/REJECTED/TERMINATED LOANS
SECTION 11

A. CANCELLATION

If the Participating Lender fails to receive final approval from both IHCDA and the Master Servicer by the Commitment Expiration Date, IHCDA will cancel 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 an Affordable Home loan with the same Mortgagorr 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 Mortgagorr 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.