IHDA Mortgage Origination Procedure Guide

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IHDA MORTGAGE
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Welcome!

This ***Illinois Housing Development Authority's (IHDA) IHDA Mortgage Origination Procedure Guide*** will assist approved IHDA Mortgage lenders in originating IHDA Mortgage loan products. We address our online loan origination system (IHDA LOS) in its own guides, which can be located in our **TPO Connect Training Library**.

The procedures contained herein are subject to change without notice. **If there is no stated IHDA overlay, lenders should follow Agency (FNMA HFA Preferred, FHLMC HFA Advantage, FHA, VA, USDA/RD) guidelines.** A resource page and glossary are located at the end of this guide for convenience.

Please consult the IHDA Mortgage **Partner Center** regularly for updates. This center is filled with resources, including an FAQ, a marketing center, a full document library, access to rates/turn times (lender dashboard), and other helpful tools.

If you are not yet an IHDA-approved lender and wish **to apply**, please visit our website at www.ihdamortgage.org/join to find our requirements. If you are already an approved Participating Lender, be reminded that **annual recertification** is required. For annual recertification details, visit: https://www.ihdamortgage.org/recertification.

If you need clarification or have questions about the information in this guide, please email our general email address at mortgage@ihda.org. For questions about a file currently under review, contact your assigned IHDA Mortgage Compliance Specialist.

You can reach a qualified homeownership staff member by dialing

☎ **877-456-2656**

Our **account managers** are also available to set up training.

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U.S. Bank HFA Division acts as the Master Servicer for IHDA Mortgage.

☎: 800.562.5165, Option 2 🖂: HFA.Programs@usbank.com

Thank you for offering IHDA Mortgage programs! We are here to support you and your team. Please reach out!

Tara Pavlik
Managing Director, Homeownership Programs

ILLINOIS HOUSING DEVELOPMENT AUTHORITY (IHDA)

The Illinois Housing Development Authority (IHDA) is a self-supporting state agency that finances the creation and preservation of affordable housing throughout Illinois. The Authority utilizes Mortgage Revenue Bonds and many federal and state funding sources for its single-family loan program(s). IHDA is also a bonding authority and independently sells bonds, based on its own good credit, to finance affordable housing in Illinois.

IHDA MORTGAGE PROGRAMS

IHDA Mortgage, a division of IHDA, offers programs with safe and reliable mortgage products with affordable interest rates, which can include Down Payment Assistance (DPA) to first-time homebuyers, qualified veterans, and non-first-time homebuyers. All IHDA Mortgage products are subject to income and purchase price limits (see limits at https://www.ihdamortgage.org/limits). The borrower's credit profile, Borrower(s) Income, and the Purchase Price of the property determine eligibility for each product. The majority of IHDA Mortgage programs are available statewide.

Currently, the following IHDA Mortgage programs are available (*PROGRAM AVAILABILITY IS SUBJECT TO CHANGE WITHOUT NOTICE*):

1) **Access** Suite:

   Includes three programs for FHA, VA, USDA, and Conventional (Fannie Mae (FNMA) HFA Preferred and Freddie Mac (FHLMC) HFA Advantage), 1st mortgage loans for **first-time or non-first time** homebuyers **statewide**. With no LLPA. New construction or existing construction is permitted on single-family Qualified Dwellings only (as defined here).

   If the Lender provides the borrower an amount over the allowed assistance amount, IHDA will only reimburse the correct amount.

   IHDAccess *Forgivable*

   4% of the purchase price, up to $6,000, for down payment and closing cost assistance forgiven monthly over 10 years.

   IHDAccess *Deferred*

   5% of the purchase price, up to $7,500, for down payment and closing cost assistance offered as an interest-free loan, deferred for the life of the 1st mortgage.

   IHDAccess *Repayable*

   10% of the purchase price, up to $10,000, for down payment and closing cost assistance offered as an interest-free loan – repaid monthly over 10 years.

2) **SmartBuy: CLOSED 02.24.2025**

Includes FHA and Conventional (FNMA HFA Preferred and FHLMC HFA Advantage) 1st mortgage loans for **first-time and non-first-time** homebuyers (or Exempt) **statewide** with student loan debt relief up to $40,000 and an interest-free DPA loan of $5,000 deferred for the life of the 1st mortgage. With no LLPA, single-family Qualified Dwellings only (as defined here).

IHDA Mortgage also offers a financing initiative, **Access+**, for lenders on loans $60,000 and less. Please review Addendum H for more information.

--- Find detailed information regarding individual loan programs in the Addendums to this guide or in our Program Fact Sheets posted at www.ihdamortgage.org/docs ---

PROCESS OVERVIEW

BASICS

1) Lender pre-screens borrower/co-borrower (and/or spouse in the case of first-time homebuyer programs).

2) Lender commits/reserves loan(s) in the IHDA loan origination system (LOS).

3) Lender obtains signatures on all IHDA required documentation, performs and completes tax code compliance review, and performs and completes credit underwriting in accordance with Agency regulations/guidelines.

4) Lender closes the loan and provides Federal Recapture Notice to the borrower. **Lender is responsible for table funding both the first and second mortgage.** IHDA does not provide funds at the table. Master Servicer (U.S. Bank) reimburses Lender when the Master Servicer purchases the loans.

5) Before sending the loan to IHDA, Lender validates loan data/information in the IHDA LOS.

6) Lender uploads:

    a) Two packages to the IHDA LOS:

        i) copy of the file delivered to U.S. Bank HFA Division - the Investor Delivery File, and

        ii) Submission Cover with the IHDA Delivery File.

    b) Required file to U.S. Bank HFA Division via U.S. Bank Lender Portal and forwards original note(s) to U.S. Bank HFA Division.

7) IHDA reviews all documents uploaded, verifies tax code compliance, and approves loan for purchase.

8) Upon satisfactory completion and review of steps 5 - 7, U.S. Bank HFA Division will purchase loan(s) from Lender. Lender is responsible for servicing both the first and second mortgages until purchased by U.S. Bank.

PRE-SCREENING FOR IHDA COMPLIANCE – ALL BUYERS/BORROWERS

IHDA Mortgage's definition of Household Income is as follows, the total income of any person who is expected to a) live in the Qualified Dwelling; and b) be liable, or secondarily liable, on the Note.

The borrower and co-borrower(s) (and non-borrowing spouses in the case of first-time homebuyer programs) should be pre-screened to determine whether the borrower and any co-borrower(s) are eligible for an IHDA Mortgage program. For bond-compliant loans and loans subject to the IHDA Act, eligibility for the basic IHDA Mortgage program includes:

1) Borrower/co-borrower (and non-borrowing spouse) must be a first-time homebuyer or Exempt***** at time of application for any first-time homebuyer programs.

2) Total Household Income must be below the program county limit. This income includes borrower(s) that will reside in the subject property and be obligated on the note.

***EXEMPT** = qualified veteran (borrower or coborrower must be a veteran), or property is in targeted area.

Note that if only the spouse is a veteran, the spouse must also be a borrower/mortgagor and obligated on the note. Provide a COE or DD214 showing honorable discharge in closing package uploaded to IHDA.

3) Property must be a Qualified Dwelling situated on less than or equal to five (5) acres of land.

4) The Purchase Price of the property must be below the program county limit.

5) For all currently open IHDA Mortgage Programs, borrower and co-borrower (including non-purchasing spouse) can be first-time or non-first-time homebuyers, purchasing a 1-2 unit (as allowed by Agency) new or existing single-family Qualified Dwelling as a primary residence throughout the State of Illinois.

If the loan officer determines that the applicant is eligible for an IHDA Mortgage program, the loan application is completed. Before committing the loan, the loan officer/originator must determine the borrower's income threshold in order to select the appropriate IHDA Mortgage program (above 80% of the Area Median Income (AMI) or below 80% of the AMI). For information on income thresholds, please see the section on Determining Income Limits.

Every borrower loan file must be reviewed by Lender for IHDA compliance as well as creditworthiness in accordance with Agency (FHA, VA, FNMA, FHLMC, USDA) regulations and guidelines; and also, must comply with U.S. Bank HFA Division guidelines and federal regulatory guidelines including CFPB, Dodd-Frank, OFAC check, TRID, etc.

RESERVING AND COMMITTING THE LOAN

To commit/reserve funds for any of the IHDA Mortgage programs, the Lender must lock the loan using IHDA's online loan origination portal, TPO Connect. The potential buyer(s) must have a valid real estate contract in place **before** registration/commitment and/or have a valid signed loan application (1003).

Additionally, the Homebuyer Education Certificate must be uploaded before you can confirm the lock in TPO Connect for Pricing (detailed requirements at www.ihdamortgage.org/edu). The loan can still be imported, created, and registered, but it cannot be locked until the Certificate has been uploaded. If your borrower has a DTI between 45.01% and 50.00%, they must take the Finally Home! Homebuyer Education (https://www.finallyhome.org/en/homebuyer-education/).

Please note that the TPO Connect input is not included in this Guide. The document that addresses online reservation system input (the IHDA Reservation Manual) is located at https://www.ihdamortgage.org/tpotraining.

All loans must close at the interest rate reserved in TPO Connect, which is confirmed by the lock confirmation. Any loan that is re-priced will have a lock confirmation in TPO Connect showing the updated values, if applicable.

See Addendum G for the IHDA full Lock Policy on any IHDA Mortgage Program.

Note(s):

- The IHDA Lock Policy applies to any loan locked in any IHDA LOS.
- IHDA is under no obligation to purchase a loan that is not salable in secondary; including reimbursement of any IHDA Down Payment Assistance (DPA) used.

PLEASE NOTE:
For the Access Programs the Lender will be responsible for any amount that they reserve in error over the allowed assistance amount.

TAX CODE COMPLIANCE REVIEW

Tax Code Compliance Underwriting Review is unique to IHDA Mortgage loan programs and the Lender must perform this review for all IHDA Mortgage programs with or without an MCC. A Lender-signed certification attesting to review of and compliance with tax code is part of the Income Calculator required to be in each file.

Tax Code Compliance Underwriting Review consists of documenting three basic determinations:

1) Is the borrower/co-borrower (and spouse) a *first-time homebuyer or Exempt* from this requirement? OR is the borrower/co-borrower a non-first-time homebuyer meeting income, purchase price, and all other IHDA Mortgage program restrictions? (Detailed in the coming sections)

2) Is the borrower/co-borrower's total *Household Income* within the allowable limits for the area in which they intend to reside? Note that IHDA has

developed the income calculator for use in determining whether income is compliant or non-compliant. A presentation on how to use the income calculator is located at https://www.ihdamortgage.org/training. (Note: Download the calculator for each use, instead of saving it to the computer, to ensure utilization of the most current version.) (Detailed in the coming sections)

3) Is the residence a *Qualified Dwelling* whose *purchase price is within the allowable limits* for the area in which it is located? (Detailed in the coming sections)

The following are parameters for determining tax code compliance (which is the Lender's responsibility):

First-Time Homebuyers/Exempt (#1)

How To Document a First-Time Homebuyer(s)

Each borrower (first-time or non-first-time) **and** spouse (whether borrowing or non-borrowing) must certify on the Borrower Affidavit if they have had an ownership interest in a principal residence in the last three years. Lender is responsible for verifying that the information contained within the file matches the certification. Verification methods may include, but are not limited to, the 1003, Credit Reports, other third-party sources, etc.

Issues That May Affect First-Time Homebuyer(s) Status

Prior Ownership of a Mobile Home: Ownership of a mobile home may affect the first-time homebuyer status of borrowers. If the Lender can provide adequate documentation** to confirm the following criteria, it is not considered prior-homeownership and the borrower may be regarded as a first-time homebuyer (in relation to the mobile home only):

DOCUMENTATION:
The best documentation is a photograph of the axles and hitch of the mobile home. Include these photograph(s) in the loan file when submitting to IHDA.

1) Components that operate only during transportation (hitch and axles) have not been removed.

2) The mobile home can be legally transported on state highways without first disassembling into sections. The legal dimensional limits in Illinois are 14 feet 6 inches wide by 95 feet long, (14'6" W X 95' L) (including the truck pulling the mobile home).

3) The mobile home does not have any permanent structures added. Such items include affixed decks and room additions, among others. If a deck has been built and the mobile home is merely sitting next to the deck, that would not constitute "permanently affixed."

"Double wide" (a single dwelling built in two separate sections at a factory) mobile homes are considered prior homeownership, and the borrower will not be regarded as a first-time homebuyer (in relation to the mobile home only) if they have owned one within the last three years.

Timeshares: Unless documentation shows the borrower residing in the timeshare as their primary residence, the borrower is defined as a first-time homebuyer.

Inherited Property: An expectancy to inherit property does not constitute an ownership interest. However, if the person occupies the inherited property after acquiring a vested title interest, the person is no longer a first-time homebuyer.

New Mortgage Requirement: The borrower cannot have had a prior mortgage or other financing on the subject residence, except in the following cases:

> *Bridge or Construction Loans:* A prior mortgage obtained for temporary financing, such as a bridge or construction loan, is acceptable if the mortgage has a stated term of 24 months or less. Evidence that the bridge loan has been recorded must be provided.
>
> *Contract for Deed:* A contract for deed, or an installment sales contract, is considered seller financed. Therefore, a contract purchaser is an eligible borrower as long as the contract has a stated term of 24 months or less. The contract for deed or installment sales contract must be recorded before the mortgage application.
>
> *Lease with Option to Purchase*: Seller financing is established when a rent credit is provided under a lease with the option to purchase. The renter is an eligible first-time borrower as long as A) the lease provides a right of first refusal to purchase and no portion of the rent paid has been, or will be, credited to the purchase price; or B) the term of the lease does not extend beyond 24 months of the new IHDA loan closing date.

To substantiate any of the above exceptions, the financing document (mortgage, contract, or lease) must have been recorded at the time of execution. Obtain a certified copy of the document from the recorder's office and provide it to the Authority.

Divorce Within the Last Three Years: A borrower who has divorced within the last three (3) years and had an ownership interest in another residence can still qualify as a first-time homebuyer IF the borrower resided in another property for the three (3) years before the closing of the IHDA loan. Please consult the Divorce Decree/Property Settlement for ownership interest status (must be stated to be a non-marital property) and provide supporting documentation, such as a lease, with a signed statement from the borrower attesting to primary residence status if the borrower's principal residence for the most recent three (3) years was another property.

Married or Separated Borrowers: For IHDA tax code compliance, a person is either married or single; there is no gray area. Both borrower AND spouse need to be qualified in cases where the spouse is not borrowing. It must be verified that the borrower AND spouse are first-time homebuyers or Exempt, even if the non-borrowing spouse will not be residing in the property.

Recently Married Borrowers: Remember that if the borrower marries during the mortgage loan process, documentation will need to include the new spouse to provide confirmation that they are both first-time homebuyers. Obtain a copy of the marriage certificate and be sure that the spouse signs the Borrower Affidavit.

Please note: this requirement only applies to tax code compliance underwriting within the program. This is not an issue when performing the credit underwriting.

IHDA Employees: Employees of IHDA are eligible for IHDA Mortgage programs. To prevent any appearance of impropriety, IHDA must be notified of any loan that is coming through for an IHDA employee prior to reservation. Please try to notify IHDA once the reservation is locked in the IHDA LOS, so we are aware of the loan before receiving the post-close package.

Home Constructed on Land Owned By Borrower: If the borrower purchased land more than two (2) years before the start of construction, the cost of the land is not included in the acquisition cost. Obtain a certified copy of the recorded deed in order to document and determine whether the cost of land should or should not be included in the acquisition cost.

If the land was acquired within the two (2) year limitation, the value of the land must be included in the acquisition cost and can be documented with a copy of the sales contract or closing statement, if financed. If the borrower acquired the land through seller financing or inheritance, the acquisition date is the date of the seller finance agreement or the date of death. In all cases, remember to follow Agency regulations for credit underwriting, appraisal requirements, etc.

Foreclosure: Remember to follow Agency regulations regarding borrowers with prior foreclosure.

Non-Occupant Co-Borrowers: All borrowers must occupy the subject property within 60 days of close. IHDA does not permit non-occupant co-borrowers.

Household Income (#2)

The borrower(s) must have a total Household Income that does not exceed the applicable limit in effect at the time of loan closing.

IHDA Mortgage's definition of Household Income is as follows, the total income of any person who is expected to a) live in the Qualified Dwelling; and b) be liable, or secondarily liable, on the Note. The term "borrower" includes the borrower(s) and the co-borrower(s). IHDA's income calculator is a required tool to complete income calculation and is located under Income Calculators here: https://www.ihdamortgage.org/docs.

A presentation on how to use the income calculator is located here: https://www.ihdamortgage.org/training.

Download the most recent IHDA income calculator from the website **each time** income is calculated for the borrower(s). Once all sections are complete income must show as compliant. If the income is over the income limit for the county and household size, the borrower is not eligible for an IHDA Mortgage program. This applies to first-time AND non-first-time homebuyers.

CALCULATION: Total Household Income is the annualized gross income of **all** income earned by the borrowers/co-borrowers. Annualized gross income is the **gross monthly income** from current job(s) (see Glossary in Addendum E), at the time of loan closing, multiplied by 12. (*Tax code requires that IHDA* *project income forward for one year*). All income coming into the household for both the borrower and the co-borrower, no matter the length of employment, must be included. This should include any income from self-employment, W-2s, or SSI/SSDI.

NOTE: If there is a change in income/job between the time of making the reservation and closing the loan, the Lender must recalculate income to ensure the household is still within the income limits for an IHDA loan**.**

HOW TO DOCUMENT TOTAL HOUSEHOLD INCOME

Anyone liable on the note, or secondarily liable on the note, which does not earn or receive income from any source, must provide a signed certification attesting to that fact.

Required income documents may include, but not be limited to:

- 30 consecutive days' of pay stubs (additional guidance below)
- Full WVOE
  - When needed for new employment or breaking out OT/Bonus from base (additional guidance below)
- Offer Letter (new employment)
- Social Security, Pension, Disability, etc. (additional guidance below)
- Divorce decree/Child Support docs (additional guidance below)
- Unemployment printout
- SE income docs for all applicable years (additional guidance below)
  - Signed YTD P&L Statement
  - Previous years' signed P&Ls to support previous years' SE income
- Signed tax returns or transcripts when required by AUS
  - Or when used to support SE income for previous years
- Income from Uber/Uber Eats, eBay, Etsy, etc.
- Previous year W2/1099 (do not include in the income calculator)
- VOE confirming end date for previous year's employment (additional guidance below)

NOTE:
Previous year W2 and/or 1099 are required for submission on all IHDA Mortgage loan files.

Additional guidance on documentation/calculation:

PAY STUBS: Total Household Income is best documented by providing pay stubs, within 60 days of close, covering the most current consecutive 30-day period (two (2) or three (3) pay stubs) from each employer, documentation for any other source of income for each borrower. If the pay stubs show that any borrower receives a bonus, overtime, or other sporadic income, obtain a full Verification of Employment (VOE) when the total income calculation puts income near the income limit. The age of all credit documents must be compliant with Agency regulations for salability.

COMMISSION, BONUS, OR OVERTIME: To determine commission, bonus, and overtime income: average the income over the last year and the income from the current year to date (YTD). This can be completed by using current YTD pay stubs and by obtaining a full VOE, which provides a breakdown or itemization of income. Use the average monthly income to predict the income forward (multiply the monthly average by 12). Lender will need to verify and document any situation such as a one-time bonus or the like; a statement from the borrower is not sufficient documentation.

SELF-EMPLOYED BORROWERS: When completing the IHDA Mortgage income calculator for a self-employed borrower, the borrower will need to provide documentation supporting income currently earned and for the previous 2 years when applicable. The calculator will average the previous year's self-employment income along with the most current YTD. The income listed on the IHDA Income Calculator for the previous 2 years can be entered (for example, from tax returns, year-end signed Profit and Loss (P&L), etc.). If AUS requires tax returns to support borrower's self-employed income, those documents are **required** to be provided and used for the IHDA income calculator. All P&Ls must state the gross income, the expenses, and the year-to-date net income. Note that the P&L Statement may need to come from a third party if required for credit underwriting purposes. For self-employed borrowers, the income calculation allows for the exclusion of legitimate operating expenses.

CHILD SUPPORT/ALIMONY: Child support and alimony payments must be included as Household Income. The documentation needed to verify the amount of child support/alimony is a copy of the appropriate (and most current) court order/divorce decree, which sets forth the amount of the support.

> **NOTE**: Child support and/or alimony must be included in Household Income calculations even if it is not being used for credit underwriting purposes.

- If a formal court order exists, child support/alimony income must be calculated even if the borrower is not receiving it. If not receiving the court-ordered child support, and this income puts the household over IHDA income limits, please contact IHDA at mortgage@ihda.org to see if documentation can be provided to exclude it (such as a printout from the state showing the borrower is not receiving it). This must be reviewed and approved by IHDA before loan closing.
- If custody of the child/children is held jointly, then the child/children can be included as household occupants.
- If no formal court order exists, a signed LOX must be provided stating that no court order exists and the amount received monthly, if any. This amount must be included in Household Income.
- If the file or documentation in the file indicates that the borrower/co-borrower could be receiving child support, then the court order or LOX, as listed above, must be provided.

Non-taxable income: Social Security Income, Social Security Disability Income, and other non-taxable income are to be included in the income calculation for tax code compliance purposes. Do not gross up income when calculating this type of income for tax code compliance.

Job changes/Previous employment: If a borrower has changed jobs during the current, or most recent, tax year (i.e., a contract in 2018 with a 2017 W-2 for an employer in which the borrower is no longer employed), a prior VOE for any employment that has ended or been terminated during the tax year and/or current year, must be obtained. Remember to obtain a WVOE to verify the start date of new employment and use that to calculate income more accurately.

Rental Income: IHDA does not count future rental income for tax code purposes, but it can be used to credit qualify. If a borrower currently owns an investment property or is departing a property that will have rental income received before closing on their new home, etc. – the net income received monthly should be added to the IHDA income calculator in the "other" section as monthly.

Bank Statements: Follow Agency requirements, including transfers and deposits.

Non-Borrowing Persons

IHDA **does not** permit non-occupant co-borrowers regardless of loan type or program.

Non-Borrowing Spouses

IHDA relies upon our Participating Lenders to use their internal guidelines and follow all applicable requirements regarding non-borrowing spouse, homestead, and manner of title.

IHDA requires all legally married non-borrowing spouses to execute:

- Borrower Affidavit (HO-012)

Non-borrowing spouses cannot sign the 1st or 2nd Note.

Occupancy

If the non-borrowing spouse will not be occupying the subject property, a LOX (letter of explanation) signed by the Borrower with explanation and confirmation that the spouse will not occupy the property if the Borrower and Spouse are separated and not officially divorced yet. Parties to civil unions have the same requirements.

Determining if Total Household Income is Below County Limit

IHDA's income calculator provides the means to determine whether a Household Income is below or above the county limit (compliant or non-compliant), as the county limits are embedded in the calculator. ALL IHDA Mortgage programs require the use of the income calculator. **Lender must fully complete, sign, and date the income calculator. The calculator must be included in every file submitted to IHDA.** A PDF copy of the signed income calculator must be uploaded to the IHDA LOS. Do not save the calculator to the desktop; download it from IHDA's website each time when calculating income to ensure you are using the correct version.

Documentation that will assist in determining household size would be the Loan Application and the IHDA Borrower Affidavit, etc.

In the calculator, the following must be completed:

- income from all sources
- county in which the property is located
- names, ages, and total number of household members
- select whether income is above or below 80% AMI
- select whether the property is located in a targeted area
- select whether the borrower is taking an MCC
    - Loans with MCCs may have different income limit requirements
- Mandatory Field: Enter checking, savings, etc. to determine income received from assets

If the calculator shows "non-compliant," the loan is not eligible for IHDA Mortgage programs. (FYI – It is strongly encouraged that a second review of the documentation is completed if income is within 4% of the limit.)

Borrowers and non-borrowing spouses are required to complete and sign the Borrower Affidavit. The Affidavit must include all individuals on the note or secondarily liable on the note and the list of said borrowers must match that shown on the calculator. Discrepancies between dependents listed on the application, Borrower Affidavit, etc. must be addressed, and documentation provided, where applicable.

Income Limits

Income limit charts are available on our website for general income limits in targeted and non-targeted areas. The link to General Income Limits for targeted and non-targeted areas is located here https://www.ihdamortgage.org/limits. These Program Income Limits typically change on an annual basis and are always on the IHDA website.

Some borrowers fall into an income category that is below 80% of the AMI. That information is also available on the income limits page under the "Below 80% AMI" charts.

Before a loan is closed, it is critical that the borrower is in the correct income category **and** that it is correctly reserved/committed in the IHDA LOS. The Lender must update the IHDA LOS for ANY changes to the loan BEFORE uploading the file for review. Income must be below the county limit at the time the loan is closed.

For each income category, the Lender must be certain the income is below the county limit. For borrowers with income higher than the below 80% AMI limit, but below the general income limit, the Lender will register the loan for the above 80% AMI category.

Purchase Price Limit and Qualified Dwelling (#3)

The residence being financed must be a Qualified Dwelling and the total purchase price must be within the applicable limit for the area (county) in which the property is located.

Determining if the Total Purchase Price is Below the Limit

Once the borrower's total purchase price has been calculated, it must be compared against a purchase price limit contained in the correct chart.

Chart 1
If the borrower is purchasing in a **non-targeted** area (verify here), the total purchase price must be compared against non-targeted areas of the General Purchase Price and Income Limit found here under https://www.ihdamortgage.org/limits.

Chart 2
If the borrower is purchasing in a **targeted area** (verify here), the total purchase price must be compared against the purchase price limit found in the targeted areas chart on the same page.

The total purchase price ***must be within*** the applicable purchase price limits contained in the appropriate chart. If the purchase price limits change prior to IHDA's approval to close the loan, then the new purchase price limits apply.

Qualified Dwelling

In order for a property to be considered a Qualified Dwelling, A) the borrower must acquire a fee simple or leasehold interest in the real property; B) the home must become (be) the principal place of residence of the borrower within 60 days after the closing of the IHDA loan; C) the residence must be located in Illinois; and D) designed for residential use.

Qualified Dwellings **can** be any of the following 1-2* unit residences:

1. Single-family detached home
2. Townhome
3. Condominium units (FHA/HUD, VA, FNMA, or FHLMC approved) must be warrantable/approved. Must be reviewed by U.S. Bank if the Lender is not delegated by U.S. Bank to review (see chart on Condos).
4. Community Land Trusts (FNMA or FHLMC only)
5. Planned Unit Development (PUD) – single family
6. Duplex unit or zero lot line home, provided that a maintenance agreement is of public record
7. Two-unit (one building) – as allowed by Agency

** For two-unit properties, as required by Agency all borrowers on loan must provide certification of landlord counseling/education before closing (see requirements in the credit underwriting and overlays section), minimum investment and reserves must be met per Agency guidelines, and AUS findings* *must be followed. The borrower must occupy one of the two units as their primary residence.*

Qualified Dwellings **cannot** be any of the following. Remember that a specific program may limit property type.

1. IHDA does not permit anything above two (2) unit properties currently.
2. Co-op apartment units, manufactured, mobile, log homes, dome homes, any property with unresolved "subject to" on appraisal and any property over 5 acres are not currently eligible.
3. No portion of the Residence can be specifically designed for commercial use. See details below.

ADDITIONAL STANDARDS AND REQUIREMENTS OF A QUALIFIED DWELLING

NEW CONSTRUCTION

This must be the first time the unit will be occupied as a residence for it to qualify as new construction. A model home qualifies, provided it was never rented nor occupied as a residence prior to sale. Likewise, the conversion of an old factory into condominiums qualifies as new construction because it was not previously occupied as a residence.

PROPERTIES WITH ACREAGE

Federal regulations prohibit IHDA from financing a residence located on land in excess of that which is needed to "reasonably maintain basic livability." This has been interpreted to mean five (5) acres.

PROPERTIES WITH MORE THAN ONE LIVABLE STRUCTURE

Properties containing a main structure and a "coach house" are eligible as long as the other livable structure (the coach house) has never been occupied as a residence. This may be puzzling since a two-flat is eligible under the program even if both units have previously been occupied as residences.

> *Why the difference in eligibility?* The IRS has made the determination that units sharing a wall (i.e., two flats) are considered one dwelling. However, if the units do not share a common wall (i.e., main house & coach house) the IRS views them as two separate dwellings. If the coach house was once used as a residence, the buyer is purchasing two separate housing units in the eyes of the IRS. The units MUST be contiguous.

APPRAISED VALUE EXCEEDS PURCHASE PRICE LIMIT/NON-ARMS-LENGTH TRANSACTION

If the appraised value exceeds the purchase price limit, but the acquisition cost is below the limit AND the transaction is clearly "arms-length" (not a relative), the dwelling may qualify. A statement from the buyer(s) and seller(s) indicating that no relationship exists will be required.

For Non-Arms-Length transactions, both the appraised value and purchase price cannot exceed IHDA purchase price limits, and all Agency guidelines must be followed.

PROPERTIES WITH COMMERCIAL USE

No portion of the Residence can be specifically designed for commercial use. The Borrower cannot use more than 15% of the Qualified Dwelling's total area primarily in a trade or business in a manner that would permit the Borrower to take a federal tax return deduction for any portion of the costs of the Qualified Dwelling for expenses incurred in connection with such trade or business use of the Qualified Dwelling.* (**For at-home daycare, less than 15% of the residence must be used regularly and exclusively for the business*).

Total Purchase Price – Acquisition Cost

To qualify, the residence must have a total purchase price no greater than the allowable limit at the time of application. The price includes *ALL* amounts paid, either in cash or in kind, to the seller as consideration for the residence.

The purchase price can include the following:

- The cost of completing an ***incomplete or unfinished residence***. Incomplete or unfinished means that occupancy is not permitted under the law, or that the residence lacks certain elements needed to provide adequate living space for the intended occupants.
- If the borrower intends to have a home built on ***land already owned***, the cost of the land must be included in the total purchase price if the land was acquired within two (2) years before the commencement of construction. The cost of the land is determined based on the following:
    - The sales contract or the closing statement can substantiate the value of the land.
    - If the borrower acquired the land through inheritance the value must be established by an appraisal, and the acquisition date is the date of death.
    - If the borrower acquired the land through some form of seller financing, the acquisition date is the date of the seller finance agreement.

  Documentation: If the land was purchased within the two (2) year window, include a certified copy of the deed from the Recorder's Office and submit it to IHDA with the file.

  If the land was purchased more than two years ago, the cost of the land cannot be included in the total purchase price.

The total purchase price does not include:

- usual and reasonable settlement and financing costs,
- the unpaid value of services ("sweat equity") performed by the borrower or members of their family in completing the residence,
- items of personal property that are not fixtures and/or are not permanently affixed to the property, or
- the cost of minor repairs paid for by the borrower but performed after closing.

DPA cannot be used to make up the difference between sale price and value. If borrower proceeds with the purchase of property valued less than the sale price, they need to use their own funds.

Credit Underwriting and Overlays

The Lender is responsible for performing the credit underwriting. However, IHDA does have some specific program requirements. Remember that applicable Agency (FHA, VA, FNMA, FHLMC, USDA) credit underwriting requirements and regulations apply to the first mortgage loan along with all U.S. Bank overlays. The IHDA Mortgage products matrix provides an overview of some of the credit "overlays." This is located at https://www.ihdamortgage.org/docs under Guides and Manuals.

Note: U.S. Bank HFA Division will not purchase any loan without IHDA's approval.

IHDA's specific program requirements are as follows:

- Minimum credit score of 640 for all loan types. IHDA Mortgage will accept less than three scores if the lowest score, or only score, is 640 or higher and AUS is Approve/Eligible. Co-borrowers with no credit scores are acceptable if AUS is Approve/Eligible.
- Proof of Mortgage Insurance is required per Agency guidelines (FNMA HFA Preferred and FHLMC HFA Advantage may have reduced MI, follow DU or LPA findings). Borrower paid monthly, split premium, and single premium is allowed. LPMI is not available on any IHDA Mortgage loan.
- If borrower(s) will own more than one property at the time of closing, the subject property MUST be owner-occupied/principal residence. All Agency (FNMA HFA Preferred, FHLMC HFA Advantage, FHA, VA, USDA/RD) and U.S. Bank guidelines and overlays must be followed.
    - For IHDA Mortgage first-time homebuyer programs, borrowers or non-borrowing spouses cannot have ownership in a principal residence within the last (3) years, unless they are Exempt.
    - **The borrower can only have one IHDA Mortgage loan at the time of closing.**
- Maximum total debt-to-income (back end) ratio of 50.00% with AUS approval, effective 8.15.2023.
    - **Loans with DTI 45.01% - 50.00%** must:

        (i) Use Finally Home! Homebuyer Education (https://www.finallyhome.org/) prior to close (PTC) **and**

        (ii) FHA/USDA/VA loans must have a credit score of 680 or higher. Below 680 require PTC exception if 45.01-50%.

(continued below)

Debt-to-Income (DTI) Ratio Requirements		
Pre-Purchase Education Required Per DTI Ratio		
DTI Ratio	***Homebuyer Education Course***	
Greater than or equal to 45.00%	All Approved Providers	
45.01% - 50.00%	Finally Home! Homebuyer Edu.	
Max DTI Allowed by FICO and Loan Type		
Loan Type	***FICO SCORE***	***Max DTI***
FNMA/FHLMC	Greater than or equal to 640	50.00%
FHA, VA, USDA	Greater than or equal to 680 *(Below 680 require PTC exception if 45.01-50%)*	50.00%
FHA, VA, USDA	640-679 *(Below 680 require PTC exception if 45.01-50%)*	45.00%

- The borrower must contribute a minimum investment to the transaction, which is required to be the greater of 1% of the purchase price or $1,000.00 ("IHDA minimum investment"), which will be evidenced on the Loan Estimate and Closing Disclosure.
  - The borrower may **not** use the tax proration toward the borrower's IHDA minimum investment, those funds must be from the borrower's own funds or if allowable by the AUS (DU, LPA, etc.) from properly sourced gift funds (including a gift of equity).
  - Earnest money, appraisal paid by the borrower, inspection paid by the borrower, pre-paid insurance paid by the borrower, and money brought to the table **can** count towards their IHDA minimum investment. Please list any borrower pre-paid items on the CD as "POC."
  - You must also follow the appropriate agency (FHA, VA, USDA, FNMA, or FHLMC) minimum investment requirements while meeting IHDA's requirements.
- All borrowers are required to participate in pre-purchase homeownership education or counseling – PRIOR TO CLOSE. This includes non-first-time homebuyers. The course must meet standards defined by HUD or the National Industry Standards for Homeownership Education and Counseling. This can be in the form of a workshop, one-on-one counseling, or online but the borrower and co-borrower must receive a certificate. If there is a line for signatures, it must be signed. The lender must retain a copy of the certificate of course completion in the loan file.
  - Examples of acceptable courses and further details can be located at www.ihdamortgage.org/edu.
  - Whatever option is chosen the course must provide a certificate and be completed prior to close. You must also follow the appropriate agency (FHA, VA, USDA, FNMA, or FHLMC) guidelines as well.
  - For FHLMC 2 Units Landlord Education is required in addition to homebuyer education (and strongly encouraged for FNMA). Please note that there are no requirements on who provides the education for the borrower.
- No manufactured homes permitted for any loan type.

- **Appraisals - full appraisal required on all loans**
    - **Property Inspection Waivers are not allowed.**
    - Property with multiple PINs: to meet tax code requirements appraiser must comment if additional PINs are buildable or not
- **Manual underwrites – effective on reservations 3/5/2020 and after IHDA will no longer accept manual underwrites**
- **High Cost**
    - **Not allowed by U.S. Bank and/or IHDA**
- **High Price**
    - U.S. Bank and IHDA allow when U.S. Bank runs a test via the Federal Financial Institutions Examination Council (FFIEC).

IHDA Mortgage loans require borrowers to escrow regardless of LTV.

IHDA requires both first and second mortgages to comply with the State of Illinois Anti-Predatory Lending Database (APLD) program requirements. For information regarding APLD requirements, refer to the APLD website (https://www.ilapld.com/Overview.aspx).

IHDA allows layering with other assistance programs* if:

- The file meets the program guidelines of the non-IHDA grant/assistance
- U.S. Bank 1st remains in 1st lien position
- IHDA DPA remains in 2nd lien position
- The grant takes 3rd lien position (if it requires a lien and is not a true grant)
- The file meets Agency guidelines/AUS approval and is compliant to all applicable IHDA guidelines
  **Only Mortgage Credit Certificates that have been issued by the Illinois Housing Development Authority can be used with IHDA Mortgage Programs*

For Homeowners and Flood Insurance deductibles Lender must follow U.S. Bank HFA Division requirements.

IHDA does not have a minimum loan amount or LTV. High-cost loans are not accepted.

IHDA does not have a maximum amount that a borrower can put down. However, all programs must be tied to an IHDA 1st mortgage.

If the Lender has a qualified FHA Direct Endorsement underwriter, qualified VA LAPP underwriter, or delegated MI underwriter on staff, the Lender performs the credit underwriting.

Loans run through Loan Product Advisor (LPA) will be acceptable ONLY for FHLMC HFA Advantage, FHA, or VA loans. FHLMC loans cannot be run through DU.

U.S. Bank HFA Division no longer performs credit underwriting on any FHA loans. In addition, they will no longer provide any type of underwriting services for Conventional (exception noted above), RD/RHS, or VA loan products when the Lender employs underwriters with the required level of approval to underwrite the loan product. Contact the U.S. Bank HFA division for more information at 1-800-

562-5165.

Effective on all reservations as of October 1, 2017, IHDA follows TRID guidelines on all 1st and 2nd mortgages and requires an LE & CD for both mortgages, regardless of whether there is a payment or not. On the second mortgage, only recording fees are allowed. See chart below.

Disclosure Requirements (TRID)		
PROGRAM	**LE on 2nd Mortgage**	**CD on 2nd Mortgage**
4% Forgivable	Initial LE required (dated within 3 days of application), along with all Change of Circumstances (COC) and their corresponding LEs, if applicable	Need both an initial and final CD
5% Deferred*	Initial LE required (dated within 3 days of application), along with all Change of Circumstances (COC) and their corresponding LEs, if applicable.	Need both an initial and final CD
10% Repayable	Initial LE required (dated within 3 days of application), along with all Change of Circumstances (COC) and their corresponding LEs, if applicable.	Need both an initial and final CD
All 1st Mortgages must ALWAYS follow TRID guidelines		
*** The 5% Deferred must be notated as a balloon because it is a true balloon loan that will all become due at the end of the term.**		

The above requirements are IHDA's minimum requirements. Keep in mind that Agency (FHA, VA, FNMA, FHLMC, USDA) regulations must be followed regarding all credit requirements. **All credit underwriting decisions are to be made by the underwriting entity. It is up to the Lender to be sure that all AUS findings and warnings have been addressed pertaining to the specific loan type being used.** Caution is advised when reviewing DU or LPA findings for conventional loans as some requirements may differ in some significant ways from what is permitted for IHDA loans.

CONDO INFORMATION

Condo Approval		
Condo Questions - padquestions@usbank.com		
	Lenders Delegated to Approve Condos (by U.S. Bank)	**Lenders Not Delegated to Approve Condos (by U.S. Bank)**
Condos with LTV 97.00% and below	• Condos reflected as **APPROVED** on the U.S. Bank Reviewed Projects list, nothing further is required. • Condos on the Declined or Ineligible on the U.S. Bank Reviewed Projects list are not eligible.* • The Lender can underwrite all other projects to determine eligibility of the condo. ○ The Lender must follow all Agency and U.S. Bank guidelines indicated for condo approval.	• Condos reflected as **APPROVED** on the U.S. Bank Reviewed Projects list, nothing further is required. • Condos on the Declined or Ineligible on the U.S. Bank Reviewed Projects list are not eligible.* • All other projects must be submitted to U.S. Bank Project Approval Department (PAD), projectapprovaldept@usbank.com for review.
Important Note: Delegated Condo Approval is a distinct and separate process from Delegated Loan Underwriting Approval. For questions on Delegated Condo Approval, please contact Lender Support at (800) 562-5165 Option 2 or by email HFA.Programs@usbank.com.		
*If you, as the Lender, believe the original reasoning for the condo denial has been cured, please email the U.S. Bank PAD (ProjectApprovalDept@USBank.com) with the necessary information & supporting documents so that they can review the status of the condo.		
In the event there is any conflict or inconsistency between the information listed here and guidelines provided in the U.S. Bank AllRegs, the information provided by U.S. Bank shall take precedence. Always check U.S. Bank guidelines for their updates or changes to these guidelines.		

FEDERAL RECAPTURE TAX

For detailed information, please refer to:

1) Final Recapture Notice (HO-035)
2) Federal Recapture Tax of this Procedural Guide
3) https://www.ihdamortgage.org/recapture

Loan Closing Requirements

Remember that the first mortgage loan closes in the Lender's name, and the IHDA Rider is attached to, and recorded with, the **first** mortgage. If the borrower is to receive a DPA second mortgage, the DPA 2nd will close in IHDA's name; NO IHDA Rider should be attached to the second mortgage.

Given that our programs require occupancy by borrowers within 60 days of close, and that borrowers must always maintain occupancy, do **not** use an "Assignment of Rents" in connection with the mortgage.

At Closing Reminders

1) For **Purchase Programs**,
   a. Borrowers must meet IHDA's minimum investment – the greater of $1,000 or 1% of the purchase price.
   b. IHDA Mortgage assistance **CANNOT** be used for the following items:
      i. Repayment of existing debt (tax liens, installment debt, revolving debt, etc.).
      ii. Appraisal gaps – if the appraised value is lower than the sale price, while the assistance will still be calculated based on the sale price, it cannot be used to cover the gap. Borrowers may use their own funds (or gift funds if applicable) to remedy.
      iii. Purchase of any items not attached to the property.
   c. Borrowers can leave the table with $250 plus anything above and beyond the borrower's IHDA minimum investment of 1% or $1,000, whichever is greater (all other funds should be used for principal reduction).

      Borrower Contributions (appraisal fees paid by the borrower, EM deposit, POC, etc.)
      – Minimum Required Investment (greater of 1% or $1000)
      = Allowable Cash Back to Borrower
      + $250
      = Maximum Cash Back to Borrower

      Any amount greater than the Maximum Cash Back to the Borrower or any non-borrower contributed credits (tax proration, seller credit, lender credits, etc.) that may be due to the borrower must be applied to principal reduction.

Borrower Investment	Maximum Cash Back to Borrower
Exactly 1% or $1,000* (as required by IHDA guidelines)	$250
1% or $1,000* + additional borrower contributions (appraisal fees paid by borrower, EM deposit, POC, etc. paid by the borrower)	$250 + any amount over the required 1% or $1,000
Any amounts greater than the Maximum Cash Back to Borrower or contributed by outside parties beyond the amounts listed above must be applied to principal reductions.	
** Tax proration does not count towards the borrower's required IHDA minimum investment*	

After the loan has closed, Lender will:

1. Validate final loan data in the IHDA LOS,
2. Submit (via upload) loan package to U.S. Bank HFA Division as per their requirements,
3. Upload the entire Investor Loan Delivery File to the IHDA LOS (same file sent to U.S. Bank HFA Division), and
4. Upload IHDA documentation to the IHDA LOS (include income documentation in this upload).

IHDA has a reference checklist for delivery, which is similar to U.S. Bank's delivery checklist, but which includes some key differences, such as the requirement for verbal VOEs for employment terminated in the most recent tax year, etc. Therefore, IHDA highly recommends use of our checklist located under Standalone Documents on https://www.ihdamortgage.org/docs.

The IHDA Reservation manual provides information on uploading documents and is available with several other resources at www.ihdamortgage.org/tpotraining.

For every file, the fully completed IHDA Submission Cover with IHDA documents must be included in the upload to the IHDA LOS in the IHDA Delivery File category. Completion of this form is extremely helpful to us. When completed correctly, the Submission Cover will auto populate many of the fields in the document set and auto calculate 2nd mortgage amounts, saving time and reducing errors.

Every loan reserved must include a Borrower Affidavit which addresses recapture information (HO-012) and a Final Recapture Notice (Notice to Mortgagor of Maximum Recapture Tax (HO-035)); the borrower(s) must sign both. The Final Recapture form is fillable and requires entering the total loan amount; once the total loan amount of the **first** mortgage is entered, the total maximum recapture tax will calculate automatically and is equal to 6.25% of the total first mortgage amount.

Signature Requirements

IHDA requires a wet (not electronic) signature on the mortgage, note, and rider(s) to the first mortgage. All other IHDA documents may be electronically signed in accordance with federal and state law.

Title Policy Requirements

- No IHDA transaction may close in a trust.
- IHDA relies upon our Participating Lenders to use their internal guidelines and follow all applicable requirements regarding manner of title.
- A separate title policy for IHDA second mortgages is not permitted, therefore you will not need to provide a CPL. Only recording fees may be charged to the second mortgage. Any fees charged to the second mortgage, except for the recording fee, will deem the file non-compliant and ineligible for delivery to IHDA.

Power of Attorney (POA) – Borrower and Seller

IHDA allows POAs for all documents signed at closing, provided that all POAs on IHDA files follow applicable Agency regulations, State laws, and any overlays set forth by IHDA's Master Servicer, U.S. Bank. The POA must be specific to the transaction.

NOTE:
VA loans require a special POA form - without it, the loan is not saleable.

IHDA does **NOT** allow POA on all pre-closing documents signed by borrower(s) or non-borrowing spouse unless there is an extenuating circumstance such as an active military member stationed overseas. Management must approve all these exceptions.

Fees

- Lenders will receive 2.0% of the principal loan balance amount as a Service Release Premium (SRP) for all loans. Details can be found in Addendum H.
- As our programs are designed to be affordable for borrowers, Lender fees to buyers are limited. If an origination fee is charged, it must not exceed 1% + $1,200 (plus all reasonable and customary fees). (Reg. Z compliance required)
    - Fees paid to third parties, such as courier fees and title company fees, are allowed and are not included in the $1,200 in allowable fees.
    - No fees can be charged on the second except the recording fee.

NOTE:
Lenders must review specific Agency guidelines and regulatory requirements on which fees may be charged to the borrower.

- Note that U.S. Bank HFA Division will charge a tax service fee ($84.00 as of reservations 7/17/2022) and a funding fee ($475.00 as of 9/15/2025), which will be deducted at the time of purchase.
- There are currently no fees paid directly to IHDA (unless the loan includes an MCC).
- A $350.00 MCC fee is required for all loans with MCCs. It must be made payable to the Illinois Housing Development Authority (IHDA) and sent to IHDA as noted below with a completed fee transmittal form. Lender may include a copy of the MCC reservation/commitment if they so choose. Should the Lender choose to do so, $150.00 may be charged for MCC processing, for a total of $500.00 for MCC. The appropriate disclosures (LE/CD) must reflect the MCC fee(s) paid and to whom.

Post Close Requirements

The Lender must upload the entire closed loan package pursuant to IHDA's Delivery checklist for review after the loan has closed. A package must also be uploaded to U.S. Bank for an independent review.

The Lender should use the checklist available at www.ihdamortgage.org/docs under the correct program for the most recently updated document list. It is also included in the doc sets for each program.

REMINDER:
The originating Lender is responsible for collecting all payments until U.S. Bank purchases the loan. This is true for the first and the second mortgage. Please review the servicing or payment letter provided for each program for specific instructions.

Please note that U.S. Bank HFA Division requires that the entire loan file be delivered via U.S. Bank Lender Portal for review in order to purchase the loan.

The Investor Delivery File uploaded to the IHDA LOS must be exactly the same file delivered to U.S. Bank HFA Division. Contact the U.S. Bank Client Support Center at 1-800-562-5165 for information on their specific requirements and/or review their requirements as per their manual at https://www.allregs.com/TPL/?r=3930da0a-c4c6-4ca5-89ec-5d42e31d9893.

QUALITY CONTROL – PRE-PURCHASE/POST CLOSE AND POST FUND

QC reviews a minimum of 10% of overall production prior to funding and selects a minimum of 10% of loan files for QC review after funding. A discretionary review of a minimum 5% of loans determined to be of greater risk (i.e., Lender on watch list, high default rate, high LTV with low credit score, etc.) is performed as well. Since every loan file delivered to IHDA has the potential of being reviewed by our QC vendor, it is crucial that each file be compliant with all applicable mortgage lending regulations and that a complete saleable loan file be uploaded to the IHDA LOS.

Each file must be compliant with all applicable Master Servicer and/or Agency guidelines as well as federal, state, and local regulations including CFPB requirements of "Know Before You Owe." IHDA may occasionally increase loan file reviews should it become necessary due to consistent issues.

If the loan file provided to IHDA is incomplete, a compliance specialist or QC staff person will request Lender to resubmit the entire file and/or specific documentation to the IHDA LOS. Should any deficiency be discovered during a QC review, the Lender will be notified to remedy it immediately. If a deficiency is beyond remediation or if fraudulent activity is discovered, the loan may not be saleable and may be subject to self-reporting to the appropriate agency and/or regulatory body.

RESPONSIBLE LENDING PRACTICES

The Authority encourages and requires Responsible Lending Practices from our Participating Lenders. Responsible Lending Practices are in alignment with the Authority's mission. Consequently, the Authority:

- Provides lenders with low-cost products with low-risk loan terms (No non-traditional (sub-prime) mortgage products are allowed).

- Regulates Pricing to discourage steering and to ensure Loan Officer compensation practices that comply with TILA/Reg Z. Lenders will receive 2.0% of the principal loan balance amount as a Service Release Premium (SRP).
- Requires that lender credits obtained through premium pricing must not exceed the borrower's actual closing costs/and pre-paid expenses and may not contribute to the borrower's down payment.
- Limits the amount of lender fees that are charged to the borrower. (Refer to FEES section)
- Requires that borrowers must contribute a minimum investment for the greater of $1,000 or 1% of the purchase price. (refer to At Closing Reminders section)
- Offers only fixed-rate mortgage products that do not exceed a 30-year term.
- Offers only fully amortizing mortgage products (Negative amortization, buy-down products, balloon products, and Adjustable Rate Mortgages are not allowed).
- Prohibits pre-payment penalties.
- Prohibits single-premium credit insurance (e.g. life, disability, accident, unemployment, or health insurance).
- Prohibits Investment and Second Home transactions.
- Prohibits 3-unit & 4-unit buildings.
- Limits higher-priced loans (High Cost): The APR-APOR spread may not exceed 2.25% or an acceptable provision of the Revised General QM Rule.
- Prohibits HOEPA transactions.
- Limits the age of loan at delivery: If older than 120 days, the current value cannot be less than the original value and the loan must be no more than 180 days old measured from the first payment date.
- Prohibits modified loans at delivery: The loan cannot be modified in any way from the terms of the Security Instrument and Note.
- Requires special assessments (special assessments, taxes, and liens) to be paid in full prior to loan delivery.
- Prohibits closing in trust.

Participating Lenders are required to have Responsible Lending Practices policies and procedures to ensure their business practices are updated as necessary to ensure responsible lending practices in line with current market conditions.

Participating Lenders should at minimum have:

1. A process in place to seek to offer the lowest-cost product with the lowest-risk loan terms for which they qualify;
2. A process in place to ensure they are not steering borrowers toward a particular loan program to qualify the borrower for a loan in an effort to misrepresent the borrower's true credit or income-related qualifications;
3. A documented process to ensure their loan originator compensation practices comply with the loan originator compensation provisions of the TILA and Regulation Z, and that loan originators comply with these requirements when presenting loan options to consumers.

4. A documented process to ensure they do not require the borrower to purchase, and no proceeds of the loan may be used to purchase, single premium credit insurance (e.g., life, disability, accident, unemployment, or health insurance) or a single fee debt cancellation agreement.
5. A documented process that ensures they are not delivering loans subject to prepayment penalties.
6. Processes in place to comply in all material respects with the Guidance on Nontraditional Mortgage Product Risks for nontraditional loans with loan application dates on or after September 13, 2007.
7. A process to ensure compliance with the Fair Housing Act and related regulations.
8. A process in place to ensure compliance with the anti-discrimination provisions of the Equal Credit Opportunity Act and related regulations; and,
9. A process in place to ensure compliance with federal or state prohibitions on unfair, deceptive, or abusive acts or practices (UDAAP).

APPRAISER INDEPENDENCE REQUIREMENTS (AIR)

Participating Lenders are required to have Appraiser Independence Requirements (AIR) policies and procedures. The AIR policy must include the following requirements at a minimum:

1. An "appraiser" must be licensed or certified by the state in which the property to be appraised is located.
2. Safeguards to ensure no employee, director, agent of the seller, or any third party acting on behalf of the seller shall influence the development, reporting, result, or review of an appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery or in any other manner.
3. Include a process for the referral of appraiser misconduct to the applicable state appraiser certifying and licensing agency or other relevant regulatory bodies.
4. Processes to provide a copy of the appraisal to the borrower(s) or obtain a signed waiver at least 3 days prior to closing.
5. A process to ensure Third-Party Originators are responsible for selecting, retaining, and compensating the appraiser.
6. A process that employees of sales and loan production are restricted from the appraisal process (which includes ordering and/or communicating with the appraiser or the AMC); and
7. A process that ensures that third-party broker's management and staff are restricted from the appraisal process (which includes ordering and/or communicating with the appraiser or the AMC).

Addendum A-1: Mortgage Credit Certificate Reissuance

MCC Program Suspended Effective 6/17/2020

(Reissuance still available)

IHDA MORTGAGE

WHAT IS AN MCC?

An MCC is a certificate issued by IHDA as authorized by the IRS, which permits a borrower to receive a tax credit.

HOW DOES THE MORTGAGE CREDIT WORK?

Homebuyers who qualify for the program receive an MCC from IHDA, which can be used to reduce their household's tax burden every year for the life of their mortgage loan. With an MCC, a percentage of what the homeowner pays in mortgage interest (25%, maximum $2000 per year), becomes a tax credit that can be deducted dollar-for-dollar from their income tax liability. The remaining 75% of the mortgage interest continues to qualify as an itemized tax deduction, as long as the homeowner has sufficient tax liability.

Click here to view our video fully describing the MCC.

HOW DOES REISSUANCE WORK?

If a borrower currently has an MCC on their primary residence, and the borrower refinances their first mortgage loan, they may request reissuance of their MCC as long as the property remains their primary residence. Processing time varies.

To request a re-issued MCC, the borrower provides the following documentation:

- Request for re-issued MCC on primary residence with contact information,
- Copy of signed Closing Disclosure from refinance,
- Copy of existing (and any other re-issued) MCC, and
- Check in the amount of $150.00 payable to Illinois Housing Development Authority.

DO NOT SEND REQUESTS FOR REISSUANCE TO THE LOCKBOX.

Forward the above-listed re-issuance documentation ONLY to:

Illinois Housing Development Authority
111 E. Wacker Drive, Suite 1000
Chicago, IL 60601
Attn: Homeownership Programs

Addendum B: SmartBuy Program

Closed
02.24.2025

IHDA
MORTGAGE

(CLOSED 2.24.2025) To offer SmartBuy, lender must be an approved IHDA Mortgage participating lender, and someone who holds a leadership role (CEO, CFO, SVP), or someone authorized by leadership, must indicate they want to participate via https://www.ihdamortgage.org/sbrequest.

It is expected that Lender will provide all required documents in the file when delivered to IHDA for prior review and for post-close purchase review.

NOTE: A PRE-CLOSE REVIEW BY IHDA IS REQUIRED. We expect the file has been fully underwritten and ready to close when submitted to IHDA for review. Once reserved and at least 5 business days prior to close, Lenders will be required to submit the following items for review via upload to the IHDA LOS including but not limited to:

1. Completed SmartBuy Pre-Close Submission Cover
2. Completed/signed Student Loan Attestation (auto filled by submission cover)
3. Payoff statements for all student loans (within 30 days of closing)
4. Copies of most recent student loan monthly statements
5. Credit report
6. Copy of 1003 (with most current assets and liabilities listed) *(regardless of loan type)*,

   Reminder: All student loans for at least 1 of the Borrower(s) must be paid in full at closing

   - **Section 2c –**
     - All Borrower(s) and/or Co-Borrower(s) student loans should be listed
     - Student loans being paid off should be marked as being "paid at closing"
     - If only paying off 1 of the Borrowers loans - only those loans should be marked as being "paid at closing"
   - **Section 4b –**
     - Add IHDA DPA 2nd as subordinate lien with $5,000 loan amount, if applicable
     - Will be left blank if the Borrower opts out of the IHDA 2nd
   - **Section 4d –**
     - Add IHDA SmartBuy Assistance as grant for student loan payoff amount up to $40,000
7. Evidence of Underwriter Approval
8. AUS results (must be approve/eligible for all loan types – FNMA, FHLMC, and FHA)

   - **In DU - FNMA,**
     - The existing student loan(s) marked as "paid at closing"
     - *HFA Preferred* is a special feature code
     - The IHDA DPA of $5,000 is shown as subordinate financing, if applicable
     - The SmartBuy assistance will be inputted as a grant
   - **In LPA - FHLMC,**
     - The existing student loan(s) marked as "paid at closing"
     - *HFA Advantage* is an offering identifier
     - The IHDA DPA of $5,000 is shown as subordinate financing & affordable second, if applicable

    - The SmartBuy assistance will be inputted as a grant
  - **In <u>DU/LPA/TOTAL Scorecard - FHA</u>,**
    - The existing student loan(s) marked as "paid at closing"
    - The IHDA DPA of $5,000 is shown as subordinate financing, if applicable
    - The SmartBuy assistance will be inputted as a grant

PLEASE NOTE: All regular IHDA documents must be provided as well but not for the pre-close review. <u>It will take up to 5 business days for IHDA to review the pre-close package</u>. If any items are updated after IHDA's pre-close review, you must submit for pre-close approval. The 5-day clock will restart IHDA review if a second review is needed.

After the documentation is received and approved, IHDA will generate the following documents in TPO Connect in the folder named "SmartBuy IHDA Docs." Lender will receive notification via email that the pre-close file was approved, with instructions on how to download.

- Guaranty Letter to be signed by Lender
- Completed Promissory Note for signature by Borrower(s) at close
- Completed Deed Restriction for signature by Borrower(s) at close

If <u>*ANY*</u> student loan payoff amounts change, the lender must email Compliance Officer to request an update to the Promissory Note, Deed Restriction, and/or Guaranty Letter for corrected data.

Once closed, Lender will **upload signed IHDA documents** to IHDA via TPO Connect in IHDA Delivery File with full closing package to Investor Delivery.

IHDA Delivery file will include signed IHDA specific docs and all closing documentation, including, but not limited to:

1. Completed SmartBuy Post Close Submission Cover
2. SmartBuy 2nd Mortgage
3. SmartBuy 2nd Note
4. IHDA Mortgage Rider
5. SmartBuy Signed Servicing Letter
6. IHDA Impact Assistance Letter
7. IHDA Final Recapture
8. Final Signed CD to show all student loans being paid off and IHDA SmartBuy Assistance
9. All Agency required documents as listed on the IHDA Delivery Checklist, as applicable
10. Signed Guaranty Letter (released by IHDA staff in TPO Connect)
11. Signed Promissory Note (released by IHDA staff in TPO Connect)
12. Signed Deed Restriction (released by IHDA staff in TPO Connect)

<u>If any items are found to be missing during the post close review, the file will be suspended.</u>

Additional details on the program can be located at www.ihdamortgage.org/smartbuy.

Addendum C: Program Fact Sheets

These can be located in the Document Library at www.IHDAMortgage.org/docs

Addendum D: Resources

RESOURCE LIST

BECOME AN IHDA LENDER: https://www.ihdamortgage.org/join

DAILY IHDA INTEREST RATES / LENDER DASHBOARD: https://www.ihdamortgage.org/rates. This is only available to lenders that are approved to do business with IHDA. It requires a login with approval from IHDA to access.

FHA COMMITMENT LETTER AND AWARD LETTER FOR DPA: Located in each program document set in the FHA section https://www.ihdamortgage.org/docs

FHA/HUD WEBSITE: www.hud.gov

IHDA DOCUMENT SETS/FILLABLE PDFS: https://www.ihdamortgage.org/docs

IHDA EIN#: 36-2708817

IHDA HUD ID: 12508-09996

INCOME & PURCHASE PRICE LIMITS: https://www.ihdamortgage.org/limits

IRS: www.irs.gov

RECERTIFY YEARLY BY MARCH 31: https://www.ihdamortgage.org/recertification

RESERVATION MANUAL (THE IHDA LOS GUIDE): https://www.ihdamortgage.org/tpotraining

TARGETED AREAS: Located on the right side of the page as an option to "Look up Targeted Areas" https://www.ihdamortgage.org/limits

TPO CONNECT WEBSITE: https://www.ihdamortgagetpoconnect.org/

U.S. BANK HFA DIVISION MORTGAGE AGREEMENT FOR UNDERWRITING: Please contact U.S. Bank HFA Division at 1-800-562-5165.

U.S. BANK HFA LENDING GUIDE: Guide on how to sell loans to U.S. Bank HFA Division. Please contact U.S. Bank at 1-800-562-5165. The link to the guide is https://www.allregs.com/TPL/?r=fa23ef06-95cb-4582-8dd9-dd2e237b601f#

Addendum E: Glossary

GLOSSARY OF TERMS

AGENCY GUIDELINES/REGULATIONS: The guidelines/regulations published by Fannie Mae (FNMA), Freddie Mac (FHLMC), Ginnie Mae (GNMA), FHA/HUD, VA, and/or USDA.

AREA MEDIAN INCOME (AMI): The median divides the income distribution into two equal parts: one-half of the cases falling below the median income and one-half above the median. HUD uses the median income for families in metropolitan (MSA) and non-metropolitan (non-MSA) statistical areas to calculate income limits for eligibility in a variety of housing programs. HUD estimates the median family income for an area in the current year and adjusts that amount for different family sizes so that family incomes may be expressed as a percentage of the Area Median Income. For example, a family's income may equal 80 percent of the Area Median Income, a common maximum income level for participation in HUD programs, or for affordable housing programs.

BORROWER AFFIDAVIT: A legally binding document, to be completed by the borrower(s) and non-borrowing spouse(s) of a residential housing unit that affirms the terms of the transaction and that is sworn to before an officer who is authorized to administer an oath or affirmation.

CONDOMINIUM/CONDO: A multi-unit housing development in which the ownership of the units includes the fee simple ownership of a specified residential unit together with an undivided pro-rata interest in ancillary real estate and any improvements thereon.

ELECTRONIC SIGNATURE: Use must be in accordance with Electronic Signature Performance Standards and must comply with all Federal, Agency, and state guidelines including requirements of the E-Sign Act (Global & National Commerce Act/UETA) and State law. When recertifying annually lenders will certify to this and then be authorized to use electronic signature. When doing so, a notary is not required. Note and Mortgage must be "live" signature.

ELIGIBLE BORROWER:

a. If required by the program Borrower(s) AND non-borrowing spouse(s) must be a *first-time buyer* or Exempt (see exemption under first-time homebuyer.
b. *Household Income* must be below the maximum county limit for the program.
c. Purchase must be a *Qualified Dwelling.*
d. *Purchase Price* of the qualified dwelling must be below the maximum county limit for the program.

EXEMPT/EXEMPTION: If the residence to be purchased is within a *targeted* area or the borrower is a qualified *Veteran*, neither borrower(s) nor spouse need be first-time homebuyers. A copy of DD214 and/or COE is required to document honorable discharge and veteran status.

FEDERAL INCOME TAX RETURNS: IRS Form 1040, 1040A, or 1040EZ, **and** all applicable schedules.

FEDERAL RECAPTURE TAX: The Federal Recapture Tax is designed to help the IRS and the U.S. Federal Government recapture profits gained when a homeowner gets their mortgage from the Federal Mortgage Revenue Bond program and sells or transfers ownership of their property. These loans are typically below market interest rate loans gotten through participating lenders in conjunction with their respective state's housing agency. Recapture applies to the first mortgage or if the loan includes an MCC.

First-Time Homebuyer: A first-time homebuyer is a person who has not had an ownership interest in a principal residence at any time during the three-year period prior to the date of purchase. Borrower(s) **and** non-borrowing spouse(s) must be first-time homebuyers. EXEMPTION: If the residence to be purchased is within a *targeted* area or the borrower is a *Veteran*, this requirement is waived.

Gross Monthly Income: The sum of monthly gross pay plus overtime, part-time employment, bonuses, dividends, interest, royalties, pensions, Veterans Administration compensation, net rental income, alimony, child support, public assistance, sick pay, Social Security benefits, unemployment compensation, income received from trusts, and income received from business activities (such as eBay or PayPal, investments, etc.). Essentially, it includes ***all income from all sources***. Gross income means that no reduction to income is made for expenses such as unreimbursed business expenses.

Household Members: All persons expected to reside in the subject property. Discrepancies between persons listed on tax returns vs. application, new additions to the household, etc. may require a signed letter of explanation.

Household Income: The total annualized gross income of any person who is expected to a) live in the Qualified Dwelling; and b) be liable, or secondarily liable, on the Note. Annualized gross income is the gross monthly income, at the time of closing, multiplied by 12. (*Tax code requires that income be projected forward for one year).* On the calculator, input year-to-date gross income from each job for borrowers and co-borrowers, and the date paid (not the pay period ending date). This should include any income from self-employment, W-2s, or SSI/SSDI.

Interest Rate: The percentage of a sum of money charged for its use. IHDA sets the interest rate for all IHDA loan programs.

Lender: The mortgage bankers, commercial banks, credit unions, and thrift institutions (savings banks and savings & loan associations) signatory to the master agreement.

Loan Application: The Uniform Residential Loan Application (Fannie Mae Form 1003 and any addendum (i.e. 92900A, 1802), as applicable for the program).

Loan Closing: The act of transferring ownership of a property from seller to buyer in accordance with a sales contract. At the loan closing, several documents will be executed, including the Mortgage (and riders), Note, and Affidavits.

Loan Officer/Loan Originator: The individual employed by a participating Lender who is responsible for the origination of the mortgage loan.

Loan-To-Value Ratio (LTV): The portion of the amount borrowed compared to the cost or value of the property purchased; that is, mortgage obligation divided by the value of the property (the appraised value or purchase price, whichever is less).

Example: $90,000 loan amount; $100,000 value of residence = 90% LTV

Master Servicer: The entity that collects mortgage loan payments, manages escrow accounts, makes escrow disbursements, and deals with the mortgagor on a regular basis. This is currently U.S. Bank HFA Division.

Mortgage: A written instrument that creates a lien upon real estate as security for the payment of a specified debt. The mortgage is the collateral that the buyer pledges to the Lender.

MORTGAGE CREDIT CERTIFICATE: A certificate that provides a qualified first-time (or Exempt) homebuyer with a federal income tax credit of 25%, (maximum of $2,000 per year), of the mortgage interest paid. (For Conventional (FNMA HFA Preferred or FHLMC HFA Advantage) loans and VA loans, this credit can be used as effective income; for FHA, this can offset mortgage payment or used as effective income. The amount used must be documented.)

MORTGAGEE: The party who holds a lien on the property as security for a debt (i.e., Master Servicer).

MORTGAGOR: The owner of real estate financed with a mortgage, which pledges the property as security for the loan (i.e., borrower).

NEW CONSTRUCTION: A residential housing unit, which has not previously been occupied

NOTE: A written instrument that acknowledges a debt and promises to pay.

PARTICIPATING LENDER: An IHDA Mortgage Participating Lender is approved by IHDA Mortgage after completing an application meeting all requirements at www.ihdamortgage.org/join. They must also, at minimum, be:

- Licensed to do business in Illinois,
- In good standing with their primary regulators,
- Direct originators (brokers are not permitted),
- Able to close and fund the loan in the lender's own name,
- Approved with the corresponding Agency or GSE (Government Sponsored Enterprise) whose lending products they intend to originate (i.e. – FNMA, FHLMC, FHA, VA, USDA), and
- Approved as a U.S. Bank Home Mortgage Correspondent/HFA Lender (information here).

PREPAYMENT: To retire all or a portion of the principal balance before it is due under the mortgage contract.

PROPERTY VALUE: The lesser of the acquisition cost or the appraised value of the Qualified Dwelling at the time of origination of the mortgage loan secured by a mortgage on such Qualified Dwelling.

PURCHASE PRICE: To qualify, the residence must have a total purchase price no greater than the allowable limit in effect at the time of application. The price includes *ALL* amounts paid, either in cash or in kind, to the seller as consideration for the residence.

QUALIFIED DWELLING: To be a qualified dwelling, the borrower must acquire a fee simple interest in the real estate. The property must become the principal place of residence of the borrower within 60 days after the closing of the IHDA loan. The residence must be located in Illinois and designed for residential use.

QUALIFIED VETERAN: The person(s) must have received an honorable discharge from active duty from any branch of the United States Armed Forces or must have been discharged due to disability incurred while on active duty. A copy of DD214 and/or COE is required to document honorable discharge and veteran status.

Relevant Parties: The term "relevant parties" includes a spouse ***even if*** they are not going on the title or are waiving homestead rights. Any adult (18+) who intends to live in the property is also considered a relevant party.

Reservation/Commitment: The process of registering a loan online with IHDA to ensure that funds are available for the purchase of the loan from the Lender. This is the Lender's commitment to deliver and is equivalent to a rate lock, which is valid for 60 days. The loan must be purchased by the 60^{th} day.

Targeted Area: A targeted area is an area of the state containing Qualified Census Tracts (QCT), or Areas of Chronic Economic Distress, as defined by the Internal Revenue Code. A QCT is a census tract in which seventy percent (70%) or more of the families have an income, which is eighty percent (80%) or less of the median family income, as established by HUD. If the residence to be purchased is within a ***targeted area***, neither borrower nor co-borrower need be first-time homebuyers. To obtain a list of targeted areas by county, please select "Look Up Targeted Areas" at https://www.ihdamortgage.org/limits. Additionally, for borrowers choosing a property in a targeted area, different (higher) income limits and purchase price limits apply.

Tax Code: 26 U.S. Code § 143

TPO Connect: IHDA's current Homeownership online loan origination/reservation commitment (lock) system. https://www.ihdamortgagetpoconnect.org/

Veteran: A person whose military service to the United States Government has terminated under honorable conditions. A copy of DD214 and/or COE is required to document honorable discharge and veteran status.

Addendum F: Federal Recapture Tax

FEDERAL RECAPTURE TAX

When tax exempt Mortgage Revenue Bonds finance a first mortgage, the borrower may be subject to a Federal Recapture Tax. The tax helps the IRS recapture any profits gained when a homeowner who received a benefit through non-taxable bond proceeds for their first mortgage, sells or transfers ownership of the property. The tax applies when a borrower sells or transfers ownership of their home within the first nine (9) years of ownership.

Recapture tax could apply to borrowers who are first-time homebuyers and does apply to all borrowers obtaining an MCC. If the loan includes an MCC, the recapture applies to the MCC and not to the first mortgage, so be sure to use and have the borrowers sign the correct Borrower Affidavit which addresses recapture information (HO-012) and the correct Final Recapture Notice (HO-035). The Lender is responsible for providing the final signed Recapture Notice to the borrower; a copy of the signed notice must be in all files submitted, except refinance, when applicable.

The payment of recapture tax occurs at the time the property is sold, only if all three of the following conditions apply at the same time:

1. The home is sold or disposed of within nine (9) years of being purchased, for reasons other than death, AND
2. There is a capital gain on the sale of the home, AND
3. The Household Income for the year in which the home is sold exceeds the federal recapture income limit at the time of sale.

ALL THREE MUST HAPPEN AT THE SAME TIME.

If recapture tax is due, the maximum recapture tax is either 50% of the gain on sale or 6.25% of the original loan amount - whichever is less. Specific details are located on the Final Recapture document that is signed at closing.

WHAT IS IHDA'S RECAPTURE REIMBURSEMENT POLICY?

Borrowers that fall subject to recapture tax shall be reimbursed in full by IHDA upon verification. Please note, **this reimbursement does not extend to borrowers utilizing a Mortgage Credit Certificate issued by IHDA**. The borrower will need to provide documentation showing that the recapture tax was paid. A copy of the IRS tax transcripts for the year in which the borrower paid the recapture tax will suffice.

Please note: The IHDA Recapture Reimbursement Policy does not apply to borrowers utilizing an MCC; the reimbursement policy applies to the first mortgage only, not to MCC.

WHAT ARE THE LENDER REQUIREMENTS?

Section 21 of the Borrower Affidavit provides information about The Notice of Recapture on Sale of Home (available in the doc sets at https://www.ihdamortgage.org/docs) must be communicated to the potential borrower and signed by the potential borrowers at the time of application for all MRB loans and loans taking an MCC. Lenders are also required to provide a **final** completed recapture notice to the borrower at the time of closing, which indicates the maximum amount of the potential recapture tax. A signed copy of the notice must be in the file delivered to IHDA after close. *Remember that recapture is different from repayment*; recapture applies to the first mortgage bond loan, repayment applies to the DPA 2nd mortgage.

What are the Federal Adjusted Qualifying Income Limits for Calculating Recapture Tax?

The limits are set by statute each year and annually adjusted 5% after loan closing. The Adjusted Qualifying Income Limits for targeted and non-targeted areas is an attachment to the Final MRB Recapture that is signed at close and lists the Income Limits for each year.

For a full understanding of the recapture tax, please refer to the final two pages of the Final MRB (or MCC) Recapture, included in each document set. Additional assistance can be found in the Recapture Guide as well, found on the website at https://www.ihdamortgage.org/recapture. *If a tax is owed,* ***IHDA will reimburse for the entire tax paid, if the borrower did not take the MCC option.***

How is the Tax Assessed?

The tax assumes that the amount of subsidy realized by the borrower is equal to 1.25% per year. The rate of tax is multiplied by the original loan amount to determine the amount of tax to be paid. The maximum recapture amount increases during the first five years of ownership to its maximum (6.25%) in the fifth year. The amount then decreases by 20% per year through the ninth year. If the sale occurs after the ninth year, there is no recapture tax. A chart included with the Recapture details this.

What determines how much the actual recapture tax will be?

1. The date of the sale or transfer,
2. The borrower's income in relation to the "Adjusted Qualifying Income" in the year of sale or transfer, and
3. The gain from sale or transfer.

What if the loan is refinanced?

No recapture tax is due at the time of refinancing. If, after refinancing, the owner sells or transfers the property within the initial nine-year period, they may owe a recapture tax. In these situations, it is best for the client to seek the advice of a tax attorney.

Can an IHDA loan be assumed?

No, IHDA loans are not assumable.

Is recapture due if the borrower dies within the nine-year period?

No. A death transfer is not a sale or transfer for the purposes of recapture.

In the case of divorce, who is responsible for the recapture tax?

A divorce settlement is not a sale or transfer for the purposes of recapture. Whoever receives the home in the divorce settlement pays any recapture tax due as a result of a subsequent sale or transfer if within the nine-year period.

ADDENDUM G: LOCK POLICY

FOR ALL IHDA MORTGAGE PROGRAMS

All guides located at https://www.ihdamortgage.org/tpotraining

IHDA
MORTGAGE

LOCK POLICY FOR ALL IHDA MORTGAGE PROGRAMS

Any loan locked with the Illinois Housing Development Authority (IHDA) and subsequently being purchased by IHDA, or any master servicer working on their behalf, shall be locked for 60 days with payment at the full Service Release Premium (SRP) as indicated in Addendum H.

Any loan that is set to be purchased after the initial 60-day lock period is still eligible for purchase at the same interest rate, but at a reduced SRP as indicated in Addendum H.

- IHDA asks that you, the lender, send notification to Mortgage@ihda.org when a loan is set to exceed the 90-day lock period, to ensure the loan remains active in our system. If a loan has not been purchased by the 90th day, IHDA is under no obligation to purchase the loan(s) if it is not salable on Secondary.

LOCK EXTENSIONS

Loans can be extended three (3) times within TPO Connect. This will reflect an extension on the Lock Confirmation, if needed for any internal lock desks. Loans that need to be extended more than three (3) times must email into Mortgage@ihda.org, and the process will happen on IHDA's end. There is an Extending a Loan Guide on the IHDA Mortgage website.

RE-PRICING BETWEEN PROGRAMS AND/OR LOAN TYPES

IHDA allows loans to be re-priced at the rate of the initial lock date of the loan. Loans may be repriced from the Lender's side within TPO Connect. For any questions on re-pricing through TPO Connect, please email Mortgage@ihda.org.

EXAMPLE:

- Rate always follows the *day of lock*.
- There is a Loan Program Changes Guide on the IHDA Mortgage website.

July 15, 2022

• Access 4% FHA	4.000%
• Access 4% Conventional	4.250%
• Access 10% FHA	3.875%
• Access 10% Conventional	4.125%

- Loan locked on July 15, 2022, as Access 4% Conventional at 4.000%.
- On July 22, 2022, the loan is updated to Access 10% FHA and is re-priced in TPO Connect.
- After the re-price, the lock confirmation is updated, and the lock date remains unchanged. However, the rate will realign with the *new* program's rate from the *day of the initial lock*.
- The *new lock* will indicate Access 10% FHA at 3.875%.

CANCELLATION AND RE-LOCKING

After a loan is canceled, IHDA will not allow a new reservation (lock) for the same subject property address within sixty (60) days of the cancellation date in IHDA's LOS; after which time the loan can be locked with IHDA at the new lock date's rate. With IHDA, the lock follows the property.

LOAN REINSTATEMENT

If a lock was canceled or withdrawn in error through TPO Connect, the Lender can email Mortgage@ihda.org to have the loan reinstated. All information on the lock, including the rate, lock date, and program will remain unchanged.

Addendum H: Service Release Premium (SRP) Grid

For All Programs and Initiatives

IHDA
MORTGAGE

SERVICE RELEASE PREMIUM (SRP) GRID

Any 1st mortgage loan locked with the Illinois Housing Development Authority (IHDA) Mortgage and subsequently being purchased by IHDA, or any master servicer working on their behalf, shall be locked for 60 calendar days with payment at the full Service Release Premium (SRP).

NOTE: The SRP is paid based on the loan's current principal balance at the time of purchase.

Any loan that is set to be purchased after the initial 60-day lock period is still eligible for purchase at the same interest rate, but at a reduced SRP as indicated below:

Purchased By	SRP Hit	SRP Paid
90th Day	25 bps	1.75%
120th Day	50 bps	1.50%
150th Day	75 bps	1.25%
180th Day	100 bps	1.00%
210th Day	125 bps	0.75%
240th Day	150 bps	0.50%
270th Day	175 bps	0.25%
300th Day	200 bps	0.00% (No SRP paid)
Purchased > 300 Days	Reviewed by IHDA on a case-by-case basis	

(continued below)

INITIATIVE OPENED 6.1.2022. EFFECTIVE 10.1.2024 THE AMOUNT INCREASED AS NOTED BELOW.

Any 1st mortgage loan locked with IHDA Mortgage that has a total loan amount of less than or equal to $60,000 and is subsequently being purchased by IHDA, or any master servicer working on their behalf, shall be locked for 60 calendar days with payment at an SRP in the flat amount of $5,000.

Any loan that is set to be purchased after the initial 60-day lock period is still eligible for purchase at the same interest rate, but at a reduced SRP as indicated below.

NOTE: THE SRP DAY HITS FOR ACCESS+ IS PAID BASED ON THE LOAN'S CURRENT UNPAID PRINCIPAL BALANCE (UPB) AT TIME OF PURCHASE.

Purchased By	SRP Hit	SRP Paid
90th Day	25 bps	$5,000 (-) 0.25% of UPB
120th Day	50 bps	$5,000 (-) 0.50% of UPB
150th Day	75 bps	$5,000 (-) 0.75% of UPB
180th Day	100 bps	$5,000 (-) 1.00% of UPB
210th Day	125 bps	$5,000 (-) 1.25% of UPB
240th Day	150 bps	$5,000 (-) 1.50% of UPB
270th Day	175 bps	$5,000 (-) 1.75% of UPB
300th Day	200 bps	$5,000 (-) 2.00% of UPB
Purchased > 300 Days	Reviewed by IHDA on a case-by-case basis	

EXAMPLE:

- Loan locked 1/1/2022 with a total loan amount of $47,000, with a lock expiration date of 3/2/2022
  - Interest Rate 5.875%
  - Principal Payment $47.92
  - Interest Payment $230.10
- Loan closes 1/20/2022, with a First Payment due 3/1/2022
- Loan is submitted for review on 2/22/2022
- Loan has conditions that are cleared and is purchased from the lender on 3/10/2022
  - Lender responsible for collecting March Payment
  - Days from lock to purchase 68
  - Unpaid Principal $46,952.08
  - Flat SRP $5,000
  - Day count delay (25bps) (-) $117.38
  - Total SRP paid $4,882.62
    - *SRP paid at %1.75 without Access+ (for comparison) $821.66*

Addendum I: Community Land Trusts

COMMUNITY LAND TRUST OVERVIEW

Community Land Trusts (CLT): a community land trust (CLT) is a nonprofit organization that helps low- and moderate-income families afford housing by owning land and leasing it to homeowners.

IHDA Mortgage has added CLTs as an allowable title ownership type effective 10.1.2024. To be eligible the CLT must be approved under the 'Shared Equity Certification Program' per Fannie Mae and Freddie Mac guidelines. Community Land Trusts under the 'Shared Equity Certification Program' will offer IHDA Mortgage Participating Lenders the ability to offer more affordable and sustainable homeownership options to their borrowers. IHDA has no overlays on this offering, Participating Lenders who opt to offer CLTs must follow all Agency and U.S. Bank guidelines as well as all applicable laws and regulations.

IHDA Mortgage recommends that before offering CLTs, its Participating Lenders familiarize themselves with this ownership type. This should include but not be limited to understanding the CLT certification process under Agency guidelines, as well as confirmation that any appraisers reviewing CLTs follow guidelines for appraising a CLT property. Appraisals on CLTs have stark differences when compared to fee simple property types and their value determination. Participating Lenders are responsible for any required credit qualifying or additional documents required for a saleable CLT loan.

IMPORTANT NOTE: IHDA Mortgage Programs require that the AUS use match the corresponding loan type. Please see the matrix below for reference, no other combinations are permitted for CLTs, or the loan may be unsaleable.

Loan Type	Acceptable Loan Template(s)	Acceptable AUS System
Fannie Mae	Fannie Mae HFA Preferred	Desktop Underwriter
Freddie Mac	Freddie Mac HFA Advantage	Loan Product Advisor

(Continued Below)

Appraisal Requirements	
FNMA Requirements	**FHLMC Requirements**
Please note this is not an all-encompassing list of appraisal requirements, but it is to be used as a lender guide. For more information please visit, https://selling-guide.fanniemae.com/sel/b4-1.4-06/community-land-trust-appraisal-requirements • Determine the fee simple market value of the home. This uses the same sales comparison approach for valuing properties that are not part of a CLT. Appraisers should use sales of homes outside of CLTs in their evaluations. • Determine the capitalization rate. Appraisers can do this in one of two ways: Use alternative low risk investment rates (such as long-term bonds) to determine a risk-less or safe rate. This is the most common method for determining the capitalization rate. If there are enough sales of fee simple homes and non-community land trust homes on ground leases, determine the capitalization rate by dividing the non-CLT annual ground rent by the difference in sales price (all things being equal). • Determine the lease fee value. This is done by dividing the annual rent due to the CLT for the ground lease by the capitalization rate. • Determine the leasehold value. Simply subtract the lease fee value from the property's fee simple value. This will be the final reported value of the property. Lease Fee Value = $\frac{\text{Annual Ground Lease Rent}}{\text{Capitalization Rate}}$ Final Leasehold Value = Fee Simple Property Value – Lease Fee Value	Please note this is not an all-encompassing list of appraisal requirements, but it is to be used as a lender guide. For more information please visit, https://guide.freddiemac.com/app/guide/section/4502.8 • Lender must ensure appraiser is knowledgeable and experienced in appraising a property subject to a leasehold estate held by a Community Land Trust (CLT). • Appraiser must analyze the property subject to the CLT Ground Lease and describe the terms and restrictions of the CLT Ground lease and Form 490. • The appraiser must develop the opinion of value for the leasehold interest based on the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions included in the Community Land Trust Ground Lease, which are removed by Form 490 upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure. • On the appraisal report form the appraiser must: - Indicate "leasehold" as the property rights appraised. - Report the applicable ground rent paid to the CLT. (Please note, on the FHLMC appraisal form, there may not be enough room to notate all of the details required for addressing properties in leasehold interest held in a CLT, therefore the appraiser must attach an addendum to the appraisal report.) • For a property subject to a leasehold interest created by a Community Land Trust, the appraiser should use sales of similar properties that are subject to other types of leasehold interests as comparable sales. • When the community or neighborhood has sales activity for other leasehold interests created by a Community Land Trust, the appraiser should analyze and report them in the appraisal report, but not use them as comparable sales if their sales prices were impacted or limited by restrictions in the ground lease.

For additional guidance, contact your Fannie Mae or Freddie Mac Account Representative, and/or email mortgage@ihda.org for further clarification. As with all IHDA Mortgage programs all other IHDA Mortgage overlays apply.