



IOWA FINANCE
AUTHORITY

Homeownership

Program Guide

Iowa Finance Authority
1963 Bell Avenue, Suite 200
Des Moines, Iowa 50315

IFA Programs

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PROGRAM SUMMARY

FirstHome offers expanded mortgage loan opportunities to qualifying First-time homebuyers, including government and conventional 30-year fixed rate first mortgage loan options that may include down-payment and/or closing cost assistance. Homebuyer must meet IRS tax-exempt guidelines to be eligible.

Program eligibility is determined by purchase price, household income and first-time homebuyer status.

PROCESS OVERVIEW

1. Lender pre-screens homebuyer for IFA eligibility (i.e. income, purchase price, property eligibility and first-time homebuyer status).
2. Lender reserves respective IFA program(s) in Lender Online.
3. As early as possible, lender uploads pre-close submission through eDocs in Lender Online. Concurrently, lender completes credit underwriting in accordance with agency guidelines (FHA, VA, RD and FNMA/FHLMC). **IFA does not underwrite.**
4. IFA reviews all documentation for each reserved IFA program(s) uploaded through eDocs in Lender Online.
5. IFA verifies program eligibility and issues pre-close commitment(s)/conditions for each reserved IFA program. **A written commitment is required prior to closing.**
6. Lender closes loan and advances any associated DPA on closing disclosure.
7. Upon closing, lender uploads post-close submission through eDocs in Lender Online.
8. Concurrently, lender will also upload post-close delivery file to Lender Connection, the master servicer's portal, and forward original Note to master servicer.
9. IFA reviews all documentation uploaded to Lender Online and commits loan for purchase.
10. Master servicer reviews post-close delivery file.
11. Upon satisfactory review, master servicer purchases loan and reimburses lender for advanced DPA funds.

IFA OVERLAYS

The lender is responsible for underwriting according to applicable agency guidelines for respective loan type. IFA does not underwrite and will only conduct our eligibility review. Master Servicer will not purchase any loan without IFA's Eligibility Approval.

Loan Types

Loan types offered through IFA programs. Follow agency guidelines for respective loan type.

FHA
VA
USDA

FNMA HFA Preferred*
FHLMC HFA Advantage*

*See conventional section below

Credit

- Minimum credit score of 640
 - **Non-Traditional Credit:** For cases where borrower does not have a credit score, non-traditional credit documentation is allowed in accordance with agency guidelines for each specific loan type. All credit underwriting decisions should be made regarding the most restrictive of the requirements between IFA and agency guidelines. It is up to the lender to be sure that all AUS findings have been addressed pertaining to the loan type being used.
 - **Foreclosure:** Follow agency guidelines for respective loan regarding borrowers with recent foreclosure on credit report.
- Maximum total debt-to-income ratio of 45%

Conventional Loan

Follow IFA income and purchase price guidelines for eligibility.

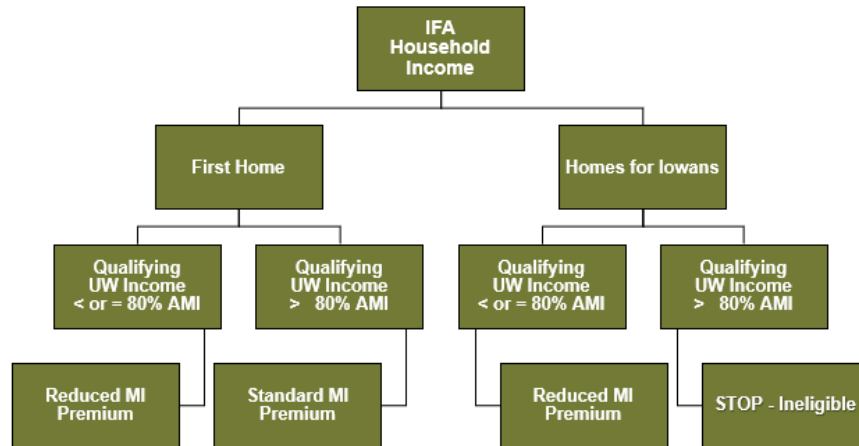
Mortgage Insurance:

- Below 80% AMI: Lender's qualifying income must be at or below 80% AMI to be eligible for the minimum MI coverage option.
- Above 80% AMI: Loans that exceed the 80% AMI limits are allowed in the program, however, are subject to higher MI coverage.
 - Standard coverage applies for lender's qualifying income of greater than 80% of the AMI.
 - **If qualifying income exceeds 80% AMI and lender obtains the lower MI option vs. standard coverage, lender will be assessed the additional Loan-Level Price Adjustment (LLPA) per FNMA/FHLMC matrix.**

See Conventional flow chart below.

This will help determine FirstHome Conventional product eligibility.

IFA CONVENTIONAL FLOWCHART



IFA Household Income:

- Income derived from borrower, spouse, titleholder and spouse of any titleholder
- Income projected over 12-month period
- Included: Current income (paystub/VOE include overtime & incentive/bonus, commissions, shift differential, etc.), self-employment (P&L), interest/dividends, court-ordered income (even if not received), non-taxable income (social security, disability, retirement, etc.), gambling winnings or any other sources shown on tax returns.

Qualifying UW Income:

- Any and all income the secondary market would consider acceptable for loan approval. Should match income used on AUS findings.
- Fannie Mae HFA Preferred = Desktop Underwriter (DU)
- Freddie Mac HFA Advantage = Loan Product Advisor (LPA)

This does not apply to Government loans under FirstHome or Homes for lowans.
2020.02 IFA Conventional Flowchart

Conventional loan for HFA Preferred or HFA Advantage products require the use of *Special Feature Codes (SFC)* or *Investor Feature Identifiers (IFI)* to receive the appropriate AUS findings. Refer to Fannie Mae or Freddie Mac's current product matrix for appropriate SFC/IFI. Ensure correct AUS for loan type is used (see below) and loan type matches the program reservation in Lender Online.

- Fannie Mae HFA Preferred = Desktop Underwriter (DU)
- Freddie Mac HFA Advantage = Loan Product Adviser (LPA).

Homebuyer Education:

Homebuyer education required for Conventional loan types only. The preferred course is Finally Home!®, however there are multiple acceptable course options, as detailed below. Homebuyer education through a MI company is not an approved course.

If a provider of a community second program requires its own HUD approved homebuyer education this is acceptable.

If a borrower lacks access to the internet, in-person homebuyer education with a HUD certified counselor is allowed.

If all borrowers are first-time homebuyers, then only one of borrowers must complete the education. The education course must be completed prior to closing. For additional information, refer to HBE FAQ under Resources on website.

Finally Home!®

Cost:

- FREE for borrowers under 80% AMI
- \$35 for borrowers over 80% AMI

Note: This course includes borrower counseling for the life of the loan

Fannie Mae Framework®

Cost: Currently FREE

Note: Available only to borrowers using the HFA Preferred product

Freddie Mac CreditSmart®

Cost: Currently FREE

Note: Available only to borrowers using the HFA Advantage loan product

Other

Escrow:

Tax and insurance escrow required for all LTVs. For additional servicer overlays, refer to specific servicer section in program guide.

Hazard and Flood Insurance Requirements:

Minimum Coverage amount: Equal to the loan amount or replacement cost.

Hazard Insurance Maximum Deductible may not exceed 2% or \$2500

Flood Insurance Maximum Deductible may not exceed 2% or \$2500

- Flood Determination must reflect HomeLoanServ and include IHFA Loan #

Residency Requirement

Non-Permanent Resident Alien and Non-U.S. Citizen Borrower Eligibility:

Mortgage loans must conform to the requirements of FHA, VA, USDA, Fannie Mae or Freddie Mac.

Down Payment Assistance

The down payment and closing costs assistance may be used to fund the borrower's cash requirements to close, including the down payment, closing cost, pre-paid items, and other allowable mortgage loan fees.

Grant: This down payment assistance grant provides homebuyers with a \$2,500 grant to assist with down payment and closing costs.

OR

Loan: The 2nd loan program offers a loan of up to 5% of the home's sale price or \$5,000 (whichever is less). Terms of 2nd loan: no required monthly payment and is due upon sale, refinance, or payoff of the associated 1st mortgage. There are no additional costs (other than recording fees), interest, pre-payment penalties or finance charges related to the 2nd mortgage loan. Lenders should consult their compliance department for assistance with questions related to disclosure forms. The recording fee allowed falls under Partial Exemption.

If the homeowner received down payment and closing cost assistance from IFA, the approved Participating Lender will process and close the second mortgage loan in our name. An assignment is not required for the 2nd mortgage. First and second mortgage loans meeting all requirements will be purchased from the Participating Lender and will be serviced by the Master Servicer.

MHOA Grant: The Military Homeownership Assistance program provides a \$5,000 grant to eligible service members and veterans for down payments and closing costs on qualifying homes. The funds may be used in conjunction with the FirstHome and Homes for lowans programs.

Cash Back to Borrower

No portion of the DPA can be paid to the borrower except for earnest money, application fee and/or loan fees paid outside of closing. Any remaining funds should be applied as a minimal principal reduction to the first mortgage loan. A minimal principal reduction must be under \$1,000.

For loans with IFA DPA, borrower may not receive tax proration as cash back at closing.

Non-Occupant Co-Borrower OR Co-Signer:

Not allowed.

RESERVATION

In order to reserve an IFA program, the lender must utilize IFA's lender portal, *Lender Online*. The lender must have an executed real estate contract and loan application (1003) in place **prior** to reservation of IFA program(s).

The interest rate is locked for 60 days. The loan must close prior to the expiration date. This does not mean the loan needs to be delivered by this date.

Reservation Changes

If a change is necessary after the initial reservation, a reservation change form should be completed and uploaded through eDocs in Lender Online. A reservation change form is available in Lender Online under “Loan Status” by clicking on the “PDF docs” icon associated with reservation or by clicking on “Program Documents” at the top of the page. Examples of such changes may be loan amount, sale price, loan type, cancellation, etc. These requests will be processed within one business day of submission.

A request for cancellation and new reservation for an existing Homebuyer will not be permitted unless property has changed, or the original expiration date has exceeded ninety (90) days. If the current reservation expiration date has not exceeded ninety (90) days, the existing reservation will remain and be subject to IFA’s relock policy. For additional information, refer to our Product Reservation & Rate Lock Policies, available on website.

Our *Lender Online* manual is available under “Resources” on our website with additional information related to making a reservation and other components of our lender portal.

IFA PRE-CLOSE ELIGIBILITY REVIEW

IFA’s Pre-Close Eligibility Review is unique to our programs and must be performed by a Homeownership Program Specialist for all IFA programs prior to closing. This includes IFA’s first mortgage with an associated Plus grant or 2nd Loan and/or Military Home Ownership Assistance (MHOA) grant. The lender is responsible for uploading a submission package through eDocs in Lender Online in accordance with IFA’s pre-close transmittal. Please stack the loan package in the order of the transmittal form. Use of the transmittal form is required.

If loan remains incomplete after eligibility review, lender will need to follow up and submit additional documentation to satisfy outstanding conditions. Email notification of an incomplete file will be issued to the lender contact on the pre-close transmittal. Any additional document uploaded through eDocs is considered a resubmission.

Once the loan has been determined to be eligible by a program specialist a commitment will be issued by IFA. Loan should not close without a commitment. Omission of lender contact information on transmittal may cause delay in delivery of commitment.

IFA’s pre-close eligibility review consists of documenting three program requirements:

(1) First-Time Homebuyers

Any persons, who are expected both to live in the residence being financed and to be secondarily liable on the note, must be a First-Time Homebuyer (FTHB). Such persons must not have had an ownership interest in his or her principal residence at any time during the three (3) year period prior to the date on which the mortgage is executed. The homebuyer(s) may be **exempt** from the first-time homebuyer requirement, see *Scenarios that may impact First-Time Homebuyer*.

Verification of First-Time Homebuyer status

The following documentation is required to determine first-time homebuyer status and must be included with pre-close package for each borrower, spouse, and titleholder:

- Form 1040, 1040A or 1040EZ federal income tax returns or IRS tax transcripts for the past three (3) years with ALL schedules that show no real estate deductions for real property which was the borrower's principal residence.
- In the event the homebuyer was not obligated to file federal income tax returns for any of the preceding three (3) years, it will be necessary for them to provide a letter of explanation (LOX) with reasoning for non-filing and initial #2 of MRB 01 (*Affidavit of Purchaser*).

If one or more of the borrower's tax returns reflect real estate deductions on real property that was not their principal residence, lender may need to provide verification of residence (VOR) for the last three-year period to the application date.

State income tax returns cannot be used as an alternative to federal returns.

Scenarios that may impact First-Time Home Buyer

Exempt Status: There are two scenarios where a borrower may be exempt from the first-time homebuyer requirement:

- 1) Veteran Exemption: Borrower is exempt from "first-time homebuyer requirement" due to other than dishonorable discharge from United States military service and has not previously received financing under the FirstHome program or similar program for financing the acquisition of a residence with funds made available through tax-exempt financing. Borrower to certify on *Affidavit of Purchaser* (MRB01) by selecting option 1-b and providing copy of DD form 214; OR
- 2) Targeted Area Exemption: Borrower is purchasing a residence located in a federally Targeted area. A listing of Targeted areas, by county, is available on our income and purchase price sheet. Borrower to certify on *Affidavit of Purchaser* (MRB01) by selecting option 1-c.

If borrower is exempt only one year of tax return or tax transcript is required.

Prior Ownership of a Mobile Home: Prior ownership of a mobile home may not disqualify a borrower as a first-time homebuyer if review of the county assessor/treasurer web pages conducted confirm land is not taxed as real estate. Mobile home may not be permanently affixed to the land.

New Construction: The borrower may not 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 provided that the mortgage has a stated term of 24 months or less. Evidence that the bridge loan has been recorded must be provided.
- This must be the first time the unit will be occupied as a residence to qualify as new construction. A model home qualifies, provided it was never rented nor occupied as a residence prior to being sold.

Contract for Deed: A recorded contract for deed, or an installment sales contract, is not eligible with an IFA program.

Divorce within the last three years: A borrower who is divorced may have ownership in another residence and may qualify as a first-time homebuyer. If the borrower resided in another property, lender may need to provide verification of residence (VOR) for the last three-year period to the application date. A copy of recorded divorce decree and stipulations are required.

Separated Borrower: Provide copy of recorded legal separation agreement. If unable to provide agreement, spouse will need to provide last three-year tax returns or tax transcripts and income.

(2) Income

Any persons, who are expected both to live in the residence being financed and to be secondarily liable on the Note, (with the exception of a non-borrowing, occupying spouse) income is to be taken into account in determining the gross monthly income.

The total income of borrower and spouse (even if not on the loan) shall not exceed the program limit in effect. Refer to IFA's income and purchase price limit under resources on website. The determination of borrower and spouse's income must be made based on information provided by the borrower and spouse within the four (4) month period ending on the closing date for the loan.

For purposes of determining household size, those included are the borrower(s), spouse and any of dependents of the borrower(s) and spouse.

Calculation:

The total eligibility income is calculated using the annualized gross income comprised of the monthly income from current employer(s), self-employment and any other sources of income at the time of application to loan closing. IFA will include all sources of income to determine eligibility even if lender is not using for qualifying.

If there is a change in income or employment after issuance of commitment to loan closing, the lender should provide documentation to IFA to recalculate income and ensure the borrower is still within the income limit for the program.

Income Limits:

The total income must be equal to or less than the applicable income limits contained in IFA's income and purchase price limits, available on our website, for the program. Income must be below the county limit at the time the loan is reserved. This includes those purchasing in a targeted and non-targeted area. Program income limits typically change annually and are posted on our website.

For purposes of determining household size, those included are the homebuyer(s), spouse and any of dependents of the homebuyer(s) and spouse.

Documenting income

Paystubs/Verification of Employment: Total income is best documented by providing pay stubs and/or verification of employment (VOE) covering a consecutive 30-day period from each employer. Any bonus, overtime, or other sporadic income will be included in IFA's income calculation. If borrower is less than 12 months on current job, obtain a full VOE with start date and breakdown of pay.

Provide all prior year W-2(s) to equal wages claimed on prior year tax return. All prior year employers need to be verified with current income or termination date. Acceptable verification for termination options – termination date listed on 1003, VOE or verbal VOE.

Self-Employed: To determine the income of a self-employed borrower, average their income using most recent two (2) years of federal income tax returns and a year-to-date Profit and Loss (P&L) Statement signed/dated by borrower for the current year. The current P&L does not need to be an audited version.

Interest & Dividends: Interest and dividends from prior year tax return will be included in IFA's income calculation.

Other Taxable Income: Provide documentation of any other sources of income, as shown on tax return, including, but not limited to, gambling winnings, investment property, inheritance, etc.

Child Support/Alimony: Child support and alimony payments must be included as income. The documentation needed to verify the amount of child support/alimony is a copy of the most current divorce decree and/or court order, which sets forth the amount of the support. Child support and/or alimony must be included in IFA's income calculations, even if it is not being received by borrower or used for credit underwriting purposes. Provide notarized 1010 statement if no formal support order is in place.

Grants/Scholarships: If borrower is currently in school and within \$10,000 of the income limit, lender to provide copy of borrower's record of account from their school's financial aid office. Any grants and scholarships received in excess of the cost of tuition and books will be included in IFA's income calculation.

Other Sources of Income: All other income sources must be documented and will be included in IFA's income calculation, including, but not limited to, Social Security, disability, retirement/pension, VA benefits, etc. Award letters must be dated within 12 months of application date. IFA does not gross up income when calculating income.

No Source of Income: Provide letter of explanation (LOX) of intent for employment over next 12 months.

For those who are seeking employment, borrower should include the job field and potential wage earnings projected for next 12 months.

Job Changes/Previous Employment: If a borrower has changed employment, current or within the previous calendar year and employer is listed on the application (1003) with the start and termination dates, no further documentation is needed. If not listed on the application (1003), verify start and termination dates with a verification of employment. All W-2(s) from the prior year must be verified. Verbal verifications are acceptable. Verify the start date of any new employment.

Separated borrower: Provide copy of recorded legal separation agreement. If unable to provide agreement, spouse will need to provide last three-year tax returns or tax transcripts and income.

Non-Occupant Co-Borrowers or Co-Signers: Not allowed.

Household Occupants 18 and Over: With the exception of the borrower's spouse living in the residence, family income is the total income for any person both liable on the Note and living in the residence

(3) Purchase Price Limit and Property Eligibility

The total purchase price must be equal to or less than the applicable purchase price limits contained in our Income and Purchase Price Limits, available on our website.

Location

The property being purchased must be located within the State of Iowa.

Type

Limited to a one-unit property of existing or new construction. Homebuyer must acquire a fee simple interest in the real estate. Property must become the primary residence of the homebuyer within 60 days after closing.

The following property types are allowed in accordance with agency guidelines (FHA, VA, RD, and FNMA/FHLMC).

Dwelling units for security properties may be detached, attached, or semi-detached. Properties may also be located -

- on an individual lot,
- in a condo project,
- in a planned unit development (PUD) or subdivision project, or
- manufactured home.

New Construction: This must be the first time the unit will be occupied as a residence to qualify as new construction. A model home qualifies, provided it was never rented nor occupied as a residence prior to being sold.

Acreage/Excess Land: Financing is limited to a residence located on land needed to reasonably maintain basic livability. If the appurtenant land that does not exceed five acres (unless the Authority, in writing, approves a greater amount) and reasonably maintains the basic livability of the residence, and which residence and appurtenant land does not provide, other than incidentally, a source of income to the Borrower.

If the parcel of land is larger than five (5) acres it may still be okay, if we can demonstrate that applicable zoning requirements prevent the land upon which the residence is built from being subdivided into additional lots; then the land appurtenant to the residence does not prevent the entire property from being considered as property to be used by the owner as a residence.

Business Use of Home: The borrower may not intend to, or have entered an arrangement to rent, sell, assign or transfer any part of the property. Any portion of the residence, including the surrounding land and any outbuildings, may not be used primarily for purposes of a trade or business. If more than 15% of the residence is reasonably expected to be used in a trade or business, the property may not be financed in FirstHome. Federal tax returns should be reviewed for any business use of home.

Any in-home daycare services on a regular basis for compensation may not be financed with FirstHome.

Personal Property: A borrower may not finance personal property with the FirstHome program; therefore, borrower must have their own funds in the transaction to cover the personal property item(s). Instead of requiring each lender to independently verify the value of each personal property item, we have researched valuations across the State of Iowa and determined the median value for those most requested items. If standard personal property valuation is used, no further documentation is needed from lender. For more information, refer to our *Standard Personal Property Valuations* sheet, available under All Resources on website. For items not listed on standard valuation sheet, lender is responsible for providing proper valuations such as current listing from Craigslist or other reputable source. Personal property includes items not attached to the home. The following are examples of personal property, but not limited to washer, dryer, hot tub, pool table and lawn mower. A bill of sale is not acceptable; IFA's standard valuations apply.

Common items considered “attached” or built-in do not require valuation. These items include some of the following one kitchen refrigerator, one kitchen stove, one kitchen dishwasher or one kitchen microwave.

REQUIRED DOCUMENTS

Pre-Close

MRB01 – Affidavit of Purchaser and Recapture Notice

MRB03 – Affidavit of Seller

Post-Close

MRB04A – FHA/VA Rider to Mortgage

MRB04B – Conventional/Rural Development (RD) Rider to Mortgage

MRB04 rider must be signed at closing and attached to mortgage for recording.

FEES

IFA’s goal is to offer affordable homeownership to borrowers across the state of Iowa. The lender’s fees are limited to one percent (1%) of loan amount or less.

Lenders may charge settlement or financing costs that do not exceed “reasonable and customary” costs which would be paid by the buyer where financing is not provided through an IFA program. Settlement fee is capped by IFA. For additional information, refer to our Settlement and Financing Costs, available on website. There are currently no fees paid directly to IFA.

Master servicer will charge a tax service fee which will be deducted from loan proceeds at the time of purchase. For additional information, refer to our Settlement and Financing Costs, available on website. **Ensure this fee is labeled as payable to *Idaho Housing and Finance Association* on Closing Disclosure (CD).**

Escrow holdbacks are allowable in accordance with agency guidelines (FHA, VA, RD and FNMA/ FHLMC) regarding escrows for repairs and work completion, etc. IFA grant funds cannot be applied to holdbacks.

Lender will receive additional compensation for all loans based on the Service Release Premium (SRP) grid. To obtain maximum lender compensation, it is highly recommended that the loan is purchased within thirty (30) days of closing. If a loan has not been purchased within this time frame, lender is subject to SRP reduction. If a loan has not been purchased by the 91st day may be subject to cancellation. IFA and master servicer are under no obligation to purchase the loan. For additional information, refer to our Mortgage Origination Agreement, available on website.

IOWA TITLE GUARANTY

Iowa Title Guaranty (ITG) is required with all IFA program transactions. As Iowa's exclusive title coverage provider, ITG offers lenders and owners low-cost title coverage for Iowa real property.

IFA'S POST CLOSE REVIEW

The first mortgage loan must close in the lender's name and the IFA rider (MRB04-FirstHome only) is attached to, and recorded with, the first mortgage. After the loan has closed, the lender will:

1. Upload post-close submission through eDocs in Lender Online per post-close transmittal; and
2. Concurrently, lender will also upload post-close delivery file to Lender Connection, master servicer's portal, and forward original Note to master servicer.

The lender is responsible for uploading a submission package through eDocs in Lender Online in accordance with IFA's post-close transmittal. Please stack the loan package in the order of the transmittal form. Use of the transmittal form is required. Master servicer's transmittal form is available in Lender Connection.

If loan remains incomplete after review, lender will need to follow up and submit additional documentation to satisfy outstanding conditions. Email notification of incomplete file will be issued to the lender contact on post-close transmittal. Any additional document uploaded through eDocs is considered a resubmission. Omission of lender contact information on transmittal may cause delay in delivery of commitment.

Once the loan has been determined to be eligible by a program specialist compliance approval will be issued to servicer. Lender will be required to repurchase any loan files if determined to be non-compliant by either IFA or master servicer. To maximize lender compensation, it is highly recommended the package be uploaded as soon as possible after loan close.

FEDERAL RECAPTURE TAX

Borrowers receiving a mortgage loan from the proceeds of a tax-exempt bond receive the benefit of a lower interest rate than is customarily charged on other mortgage loans, therefore if the residence is sold or otherwise disposed of during the following nine years, this benefit may be "recaptured". The Internal Revenue Service (IRS) recaptures this benefit by increasing Borrower's federal income tax for the year in which the residence is sold. Borrower must pay the Recapture Tax, however, only if residence is sold at a gain and Borrower's income increases above specified levels. Within ninety (90) days of closing date, IFA will issue Borrower additional information to assist in calculating the recapture tax.

Borrowers may consult a tax advisor or local office of the IRS at the time the residence is sold to determine the amount, if any, of the recapture tax.

Recapture Tax Reimbursement:

FirstHome loans that closed on or after November 14, 2011, and are required to pay any recapture tax upon sale or disposition of their residence may submit a Reimbursement Request by July 15th following the year in which the residence was sold. IFA will reimburse Borrower for the actual amount of any Recapture Tax paid to the IRS.

SERVICER INFORMATION

IFA's approved Participating Lenders will process and close first mortgage loans in their name and will execute an assignment to the Master Servicer.

Our Master Servicer is Idaho Housing and Finance Association for mortgage loans closed on and after January 1, 2014.

Collecting Loan Payments

The Participating Lender is responsible for collecting loan payments on the first mortgage loan until the loan is purchased by the Master Servicer. Once purchase has occurred, the homeowner will receive a welcome packet from the Master Servicer providing payment and other instructions.

Loan Payoffs Requests/Releases

IFA loans do not have any prepayment penalties. Payoff quotes are provided by the Master Servicer for all first mortgage and second mortgage loans (if applicable). The Master Servicer prepares all releases for execution and sends them to the county recorder's office for recording.

Loan Assumptions

IFA first mortgage loans may be assumable subject to certain requirements. IFA's first-time homebuyer, maximum household income limits and maximum purchase price limits apply. Certain credit underwriting requirements also apply. The Master Servicer has the authority to approve loan assumption requests.

Please note IFA second mortgage loans are not assumable and must be paid in full prior to closing an assumption request.

Servicer Reference Guide

Detailed servicer requirements relating mortgagee clause, note endorsement, trailing documents, etc. can be found below.

Idaho Housing and Finance Association

565 Myrtle Street, Boise, ID 83702 Ph# 1.800.219.2285

Monday thru Friday: 8am to 5pm (Mountain Time) Closed on certain holidays

Tax ID#: 82-03023333 Branch 001 **MERS ID#:** 1009670 **HUD ID#:** 10101-09998

VA ID#: 9250990000 **RD ID #:** 82-0302333 Branch 001 **Corelogic ID#:** 2503177

ServiceLink ID#: 1000167877

Lender Connection: <https://www.lenderifa.com>

Borrower Connection: <https://www.borrowerifa.com>

CONTACTS:

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Mark Suderman

Director of Loan Acquisition & Shipping

Ph# 208.331.4870

Email: _marks@ihfa.org

Endorsements:

1st Note Endorsement: Pay To The Order of

Idaho Housing and Finance Association

(No Ampersand sign, must spell out "and")

Without Recourse

Lender Name as it appears on the Note

Lender Signature w/ Signatory's typed name and title

IFA DPA 2nd Notes should not be endorsed

Deliver Original Note(s) to:

Idaho Housing and Finance Association

Attn: Doc Center

565 W. Myrtle Street

Boise, ID 83702

The Iowa IHFA checklist can be found on the home page in Lender Connection

Please stack the loan file in the order of the checklist

Loans Purchased within 15 Days of 1st Payment Due Date

1st payment netted out of the purchase amount - Lender retains 1st payment

Post Purchase Ins & Tax Bills: _servicing@homeloanserv.com

Post Purchase Reimbursements: _hol-adjustments@ihfa.org

Borrower's Payments/Servicing Questions (Goodbye Letter)

HomeLoanServ

P.O. Box 7541, Boise, ID 83707-1899

Ph# 1.800.526.7145

Overnight Payment Address:

565 W Myrtle Street, Boise, ID 83702

Email Servicing Questions: support@homeloanserv.com
Online Banking: _www.homeloanserv.com

Hazard and Flood Insurance Requirements

Minimum Coverage amount: Equal to the loan amount or replacement cost.
Hazard Insurance Maximum Deductible may not exceed 2% or \$2500
Flood Insurance Maximum Deductible may not exceed 2% or \$2500

Flood Determination must reflect HomeLoanServ and include IHFA Loan #

Mortgagee Clause

HomeLoanServ, ISAOA/ATIMA
PO Box 818007, Cleveland, OH 44181
Fax: 88-218-9257 Email: insdocs8263@oscis.com
Must include IHFA Loan Number

2nd Mortgagee Clause

Iowa Finance Authority ISAOA
c/o HomeLoanServ
PO Box 818007,
Cleveland, OH 44181

Trailing Documents due within 90 Days of Loan Purchase

Original Recorded Mortgage(s) (1st and 2nd, if applicable) *to be delivered.*

Final Title Insurance Policy *to be uploaded to Lender Connection as a **Trailing Document.***

MIC, RD Loan Note Guaranty, VA LGC *(if applicable) to be uploaded to Lender Connection as a **Trailing Document***

Document Center: doccenter@ihfa.org

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PROCESS OVERVIEW

Repeat or first-time homebuyers are eligible for this program.

1. Lender pre-screens homebuyer for IFA eligibility (i.e. income, purchase price, and property eligibility).
2. Lender reserves respective IFA program(s) in Lender Online.
3. As early as possible, lender uploads pre-close submission through eDocs in Lender Online. Concurrently, lender completes credit underwriting in accordance with agency guidelines (FHA, VA, RD and FNMA/FHLMC). **IFA does not underwrite.**
4. IFA reviews all documentation for each reserved IFA program(s) uploaded through eDocs in Lender Online.
5. IFA verifies program eligibility and issues pre-close commitment(s)/conditions for each reserved IFA program. **A written commitment is required prior to closing.**
6. Lender closes loan and advances any associated DPA on closing disclosure.
7. Upon closing, lender uploads post-close submission through eDocs in Lender Online.
8. Concurrently, lender will also upload post-close delivery file to Lender Connection, master servicer's portal, and forward original Note to the master servicer.
9. IFA reviews all documentation uploaded to Lender Online and commits loan for purchase.
10. Master servicer reviews post-close delivery file.
11. Upon satisfactory review, master servicer purchases loan and reimburses lender for advanced DPA funds.

CREDIT OVERLAYS

The lender is responsible for underwriting according to applicable agency guidelines for respective loan type. IFA does not underwrite and will only conduct our eligibility review. Master Servicer will not purchase any loan without IFA's Eligibility Approval.

Loan Types

Loan types offered through IFA programs. Follow agency guidelines for respective loan type.

FHA
VA
USDA

FNMA HFA Preferred*
FHLMC HFA Advantage*
*See conventional section below

Credit

- Minimum credit score of 640
 - **Non-Traditional Credit:** For cases where borrower does not have a credit score, non-traditional credit documentation is allowed in accordance with agency guidelines for each specific loan type. All credit underwriting decisions should be made regarding the most restrictive of the requirements between IFA and agency guidelines. It is up to the lender to be sure that all AUS findings have been addressed pertaining to the loan type being used.

- **Foreclosure:** Follow agency guidelines for respective loan regarding borrowers with recent foreclosure on credit report.
- Maximum total debt-to-income ratio of 45%

Conventional Loan

Follow IFA income and purchase price guidelines for eligibility.

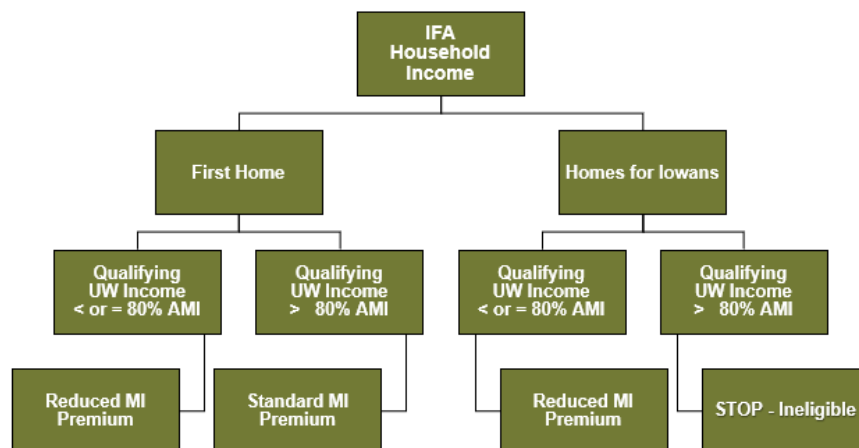
Mortgage Insurance:

- Below 80% AMI: Lender's qualifying income must be at or below 80% AMI to be eligible for the minimum MI coverage option.
- Above 80% AMI: NOT ALLOWED.

See Conventional flow chart below.

This will help determine Homes for lowans Conventional product eligibility.

IFA CONVENTIONAL FLOWCHART



IFA Household Income:

- Income derived from borrower, spouse, titleholder and spouse of any titleholder
- Income projected over 12-month period
- Included: Current income (paystub/VOE include overtime & incentive/bonus, commissions, shift differential, etc.), self-employment (P&L), interest/dividends, court-ordered income (even if not received), non-taxable income (social security, disability, retirement, etc.), gambling winnings or any other sources shown on tax returns.

Qualifying UW Income:

- Any and all income the secondary market would consider acceptable for loan approval. Should match income used on AUS findings.
- Fannie Mae HFA Preferred = Desktop Underwriter (DU)
- Freddie Mac HFA Advantage = Loan Product Advisor (LPA)

This does not apply to Government loans under FirstHome or Homes for lowans.
2020.02 IFA Conventional Flowchart

Conventional loan for HFA Preferred or HFA Advantage products require the use of *Special Feature Codes (SFC)* or *Investor Feature Identifiers (IFI)* to receive the appropriate AUS findings. Refer to Fannie Mae or Freddie Mac's current product matrix for appropriate SFC/IFI.

Ensure correct AUS for loan type is used (see below) and loan type matches the program reservation in Lender Online.

- Fannie Mae HFA Preferred = Desktop Underwriter (DU)
- Freddie Mac HFA Advantage = Loan Product Adviser (LPA).

Homebuyer Education

The preferred course is Finally Home! ®, however there are multiple acceptable course options, as detailed below. Homebuyer education through a MI company is not an approved course.

If a provider of a community second program requires its own HUD approved homebuyer education this is acceptable.

If a borrower lacks access to the internet, in-person homebuyer education with a HUD certified counselor is allowed.

If all borrowers are first-time homebuyers, then only one of borrowers must complete the education. The education course must be completed prior to closing. For additional information, refer to HBE FAQ under Resources on website.

Finally Home! ®

Cost:

- FREE for borrowers under 80% AMI
- \$35 for borrowers over 80% AMI

Note: This course includes borrower counseling for the life of the loan

Fannie Mae Framework®

Cost: Currently FREE

Note: Available only to borrowers using the HFA Preferred product

Freddie Mac CreditSmart®

Cost: Currently FREE

Note: Available only to borrowers using the HFA Advantage loan product

Other

Escrow

Tax and insurance escrow required for all LTVs. For additional servicer overlays, refer to specific servicer section in program guide.

Hazard and Flood Insurance Requirements

Minimum Coverage amount: Equal to the loan amount or replacement cost.

Hazard Insurance Maximum Deductible may not exceed 2% or \$2500

Flood Insurance Maximum Deductible may not exceed 2% or \$2500

- Flood Determination must reflect HomeLoanServ and include IHFA Loan #

Residency Requirement

Non-Permanent Resident Alien and Non-U.S. Citizen Borrower Eligibility:

Mortgage loans must conform to the requirements of FHA, VA, USDA, Fannie Mae or Freddie Mac.

Down Payment Assistance

The down payment and closing costs assistance may be used to fund the borrower's cash requirements to close, including the down payment, closing cost, pre-paid items, and other allowable mortgage loan fees.

Grant: This down payment assistance grant provides homebuyers with a \$2,500 grant to assist with down payment and closing costs.

OR

Loan: The 2nd loan program offers a loan of up to 5% of the home's sale price or \$5,000 (whichever is less). Terms of 2nd loan: no required monthly payment and is due upon sale, refinance, or payoff of the associated 1st mortgage. There are no additional costs (other than recording fees), interest, pre-payment penalties or finance charges related to the 2nd mortgage loan. Lenders should consult their compliance department for assistance with questions related to disclosure forms. The recording fee allowed falls under Partial Exemption.

If the homeowner received down payment and closing cost assistance from IFA, the approved Participating Lender will process and close the second mortgage loan in our name. An assignment is not required for the 2nd mortgage. First and second mortgage loans meeting all requirements will be purchased from the Participating Lender and will be serviced by the Master Servicer.

MHOA Grant: The Military Homeownership Assistance program provides a \$5,000 grant to eligible service members and veterans for down payments and closing costs on qualifying homes. The funds may be used in conjunction with the FirstHome and Homes for lowans programs.

Cash Back to Borrower

No portion of the DPA can be paid to the borrower except for earnest money, application fee and/or loan fees paid outside of closing. Any remaining funds should be applied as a minimal principal reduction to the first mortgage loan. A minimal principal reduction must be under \$1,000.

For loans with IFA DPA, borrower may not receive tax proration as cash back at closing.

Non-Occupant Co-Borrower OR Co-Signer

Not allowed.

RESERVATION

In order to reserve an IFA program, the lender must utilize IFA's lender portal, *Lender Online*. The lender must have an executed real estate contract and loan application (1003) in place **prior** to reservation of IFA program(s).

The interest rate is locked for 60 days. The loan must close prior to the expiration date. This does not mean the loan needs to be delivered by this date.

Reservation Changes

If a change is necessary after the initial reservation, a reservation change form should be completed and uploaded through eDocs in Lender Online. A reservation change form is available in Lender Online under "Loan Status" by clicking on the "PDF docs" icon associated with reservation or by clicking on "Program Documents" at the top of the page. Examples of such changes may be loan amount, sale price, loan type, cancellation, etc. These requests will be processed within one business day of submission.

A request for cancellation and new reservation for an existing Homebuyer will not be permitted unless property has changed, or the original expiration date has exceeded ninety (90) days. If the current reservation expiration date has not exceeded ninety (90) days, the existing reservation will remain and be subject to IFA's relock policy. For additional information, refer to our Product Reservation & Rate Lock Policies, available on website.

Our *Lender Online* manual is available under "Resources" on our website with additional information related to making a reservation and other components of our lender portal.

IFA PRE-CLOSE ELIGIBILITY REVIEW

IFA's Pre-Close Eligibility Review is unique to our programs and must be performed by a Homeownership Program Specialist for all IFA programs prior to closing. This includes IFA's first mortgage with an associated Plus grant or 2nd Loan and/or Military Home Ownership Assistance (MHOA) grant. The lender is responsible for uploading a submission package through eDocs in Lender Online in accordance with IFA's pre-close transmittal. Please stack the loan package in the order of the transmittal form. Use of the transmittal form is required.

If loan remains incomplete after eligibility review, lender will need to follow up and submit additional documentation to satisfy outstanding conditions. Email notification of an incomplete file will be issued to the lender contact on the pre-close transmittal. Any additional document uploaded through eDocs is considered a resubmission.

Once the loan has been determined to be eligible by a program specialist a commitment will be issued by IFA. Loan should not close without a commitment. Omission of lender contact information on transmittal may cause delay in delivery of commitment.

IFA's pre-close eligibility review consists of documenting three program requirements:

(1) Ownership Status

Repeat or first-time homebuyers are eligible for this program.

New Construction: The borrower may not 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 provided that the mortgage has a stated term of 24 months or less. Evidence that the bridge loan has been recorded must be provided.
- This must be the first time the unit will be occupied as a residence to qualify as new construction. A model home qualifies, provided it was never rented nor occupied as a residence prior to being sold.

Contract for Deed: A recorded contract for deed, or an installment sales contract, is not eligible with an IFA program.

Separated Borrower: Provide copy of recorded legal separation agreement. If unable to provide agreement, spouse will need to provide last year tax returns or tax transcripts and income.

(2) Income

Any persons, who are expected both to live in the residence being financed and to be secondarily liable on the Note, (with the exception of a non-borrowing, occupying spouse) income is to be taken into account in determining the gross monthly income.

The total income of borrower and spouse (even if not on the loan) shall not exceed the program limit in effect. Refer to IFA's income and purchase price limit under resources on website. The determination of borrower and spouse's income must be made based on information provided by the borrower and spouse within the four (4) month period ending on the closing date for the loan.

For purposes of determining household size, those included are the homebuyer(s), spouse and any of dependents of the borrower(s) and spouse.

Calculation

The total eligibility income is calculated using the annualized gross income comprised of the monthly income from current employer(s), self-employment, and any other sources of income at

the time of application to loan closing. IFA will include all sources of income to determine eligibility even if lender is not using for qualifying.

If there is a change in income or employment after issuance of commitment to loan closing, the lender should provide documentation to IFA to recalculate income and ensure the borrower is still within the income limit for the program.

Income Limits

The total income must be equal to or less than the applicable income limits contained in IFA's income and purchase price limits, available on our website, for the program. Program income limits typically change annually and are posted on our website.

For purposes of determining household income, those included are the borrower(s), spouse, and any other titleholders.

Documenting income

Paystubs/Verification of Employment: Total income is best documented by providing pay stubs and/or verification of employment (VOE) covering a consecutive 30-day period from each employer. Any bonus, overtime, or other sporadic income will be included in IFA's income calculation. If borrower is less than 12 months on current job, obtain a full VOE with start date and breakdown of pay.

Provide all prior year W-2(s) to equal wages claimed on prior year tax return. All prior year employers need to be verified with current income or termination date. Acceptable verification for termination options – termination date listed on 1003, VOE or verbal VOE.

Self-Employed: To determine the income of a self-employed borrower, average their income using most recent two (2) years of federal income tax returns and a year-to-date Profit and Loss (P&L) Statement signed/dated by borrower for the current year. The current P&L does not need to be an audited version.

Interest & Dividends: Interest and dividends from prior year tax return will be included in IFA's income calculation.

Other Taxable Income: Provide documentation of any other sources of income, as shown on tax return, including, but not limited to, gambling winnings, investment property, inheritance, etc.

Child Support/Alimony: Child support and alimony payments must be included as income. The documentation needed to verify the amount of child support/alimony is a copy of the most current divorce decree and/or court order, which sets forth the amount of the support. Child support and/or alimony must be included in IFA's income calculations, even if it is not being received by borrower or used for credit underwriting purposes. Provide notarized 1010 statement if no formal support order is in place.

Grants/Scholarships: If borrower is currently in school and within \$10,000 of income limit, lender to provide copy of borrower's record of account from their school's financial aid office. Any grants and scholarships received in excess of the cost of tuition and books will be included in IFA's income calculation.

Other Sources of Income: All other income sources must be documented and will be included in IFA's income calculation, including, but not limited to, Social Security, disability, retirement/pension, VA benefits, etc. Award letters must be dated within 12 months of application date. IFA does not gross up income when calculating income.

No Source of Income: Provide letter of explanation (LOX) of intent for employment over next 12 months.

For those who are seeking employment, borrower should include the job field and potential wage earnings projected for next 12 months.

Job Changes/Previous Employment: If a borrower has changed employment, current or within the previous calendar year and employer is listed on the application (1003) with the start and termination dates, no further documentation is needed. If not listed on the application (1003), verify start and termination dates with a verification of employment. All W-2(s) from the prior year must be verified. Verbal verifications are acceptable. Verify the start date of any new employment.

Separated borrower: Provide copy of recorded legal separation agreement. If unable to provide agreement, spouse will need to provide last three-year tax returns or tax transcripts and income.

Non-Occupant Co-Borrowers or Co-Signers: Not allowed.

Household Occupants 18 and Over: With the exception of the borrower's spouse living in the residence, family income is the total income for any person both liable on the Note and living in the residence

(3) Purchase Price Limit and Property Eligibility

The total purchase price must be equal to or less than the applicable purchase price limits contained in our Income and Purchase Price Limits, available on our website.

Location

The property being purchased must be located within the State of Iowa.

Type

Limited to a one-unit property of existing or new construction. Homebuyer must acquire a fee simple interest in the real estate. Property must become the primary residence of the homebuyer within 60 days after closing.

The following property types are allowed in accordance with agency guidelines (FHA, VA, RD, and FNMA/FHLMC).

Dwelling units for security properties may be detached, attached, or semi-detached. Properties may also be located -

- on an individual lot,
- in a condo project,
- in a planned unit development (PUD) or subdivision project, or
- manufactured home.

New Construction: This must be the first time the unit will be occupied as a residence to qualify as new construction. A model home qualifies, provided it was never rented nor occupied as a residence prior to being sold.

Acreage/Excess Land: Financing is limited to a residence located on land needed to reasonably maintain basic livability. If the appurtenant land that does not exceed five acres (unless the Authority, in writing, approves a greater amount) and reasonably maintains the basic livability of the residence, and which residence and appurtenant land does not provide, other than incidentally, a source of income to the Borrower.

If the parcel of land is larger than five (5) acres it may still be okay, if we can demonstrate that applicable zoning requirements prevent the land upon which the residence is built from being subdivided into additional lots; then the land appurtenant to the residence does not prevent the entire property from being considered as property to be used by the owner as a residence.

REQUIRED DOCUMENTS

Pre-Close

None

Post-Close

None

FEES

IFA's goal is to offer affordable homeownership to borrowers across the state of Iowa. The lender's fees are limited to one percent (1%) of loan amount or less.

Lenders may charge settlement or financing costs that do not exceed "reasonable and customary" costs which would be paid by the buyer where financing is not provided through an IFA program. Settlement fee is capped by IFA. For additional information, refer to our Settlement and Financing Costs, available on website. There are currently no fees paid directly to IFA.

Master servicer will charge a tax service fee which will be deducted from loan proceeds at the time of purchase. For additional information, refer to our Settlement and Financing Costs, available on website. **Ensure this fee is labeled as payable to *Idaho Housing and Finance Association on Closing Disclosure (CD)*.**

Escrow holdbacks are allowable in accordance with agency guidelines (FHA, VA, RD and FNMA/ FHLMC) regarding escrows for repairs and work completion, etc. IFA grant funds cannot be applied to holdbacks.

Lender will receive additional compensation for all loans based on the Service Release Premium (SRP) grid. To obtain maximum lender compensation, it is highly recommended that the loan is purchased within thirty (30) days of closing. If a loan has not been purchased within this time frame, lender is subject to SRP reduction. If a loan has not been purchased by the 91st day may be subject to cancellation. IFA and master servicer are under no obligation to purchase the loan. For additional information, refer to our Mortgage Origination Agreement, available on website.

IOWA TITLE GUARANTY

Iowa Title Guaranty (ITG) is required with all IFA program transactions. As Iowa's exclusive title coverage provider, ITG offers lenders and owners low-cost title coverage for Iowa real property.

IFA'S POST CLOSE REVIEW

The first mortgage loan must close in the lender's name. After the loan has closed, the lender will:

1. Upload post-close submission through eDocs in Lender Online per post-close transmittal; and
2. Concurrently, lender will also upload post-close delivery file to Lender Connection, master servicer's portal, and forward original Note to master servicer.

The lender is responsible for uploading a submission package through eDocs in Lender Online in accordance with IFA's post-close transmittal. Please stack the loan package in the order of the transmittal form. Use of the transmittal form is required. Master servicer's transmittal form is available in Lender Connection.

If loan remains incomplete after review, lender will need to follow up and submit additional documentation to satisfy outstanding conditions. Email notification of incomplete file will be issued to the lender contact on post-close transmittal. Any additional document uploaded through eDocs is considered a resubmission. Omission of lender contact information on transmittal may cause delay of final purchase.

Once the loan has been determined to be eligible by a program specialist final IFA approval will be issued to servicer. Lender will be required to repurchase any loan files if determined to be

non-compliant by either IFA or master servicer. To maximize lender compensation, it is highly recommended the package be uploaded as soon as possible after loan close.

SERVICER INFORMATION

IFA's approved Participating Lenders will process and close first mortgage loans in their name and will execute an assignment to the Master Servicer.

Our Master Servicer is Idaho Housing and Finance Association for mortgage loans closed on and after January 1, 2014.

Collecting Loan Payments

The Participating Lender is responsible for collecting loan payments on the first mortgage loan until the loan is purchased by the Master Servicer. Once purchase has occurred, the homeowner will receive a welcome packet from the Master Servicer providing payment and other instructions.

Loan Payoffs Requests/Releases

IFA loans do not have any prepayment penalties. Payoff quotes are provided by the Master Servicer for all first mortgage and second mortgage loans (if applicable). The Master Servicer prepares all releases for execution and sends them to the county recorder's office for recording.

Loan Assumptions

IFA first mortgage loans may be assumable subject to certain requirements. IFA's maximum household income limits and maximum purchase price limits apply. Certain credit underwriting requirements also apply. The Master Servicer has the authority to approve loan assumption requests.

Please note IFA second mortgage loans are not assumable and must be paid in full prior to closing an assumption request.

Servicer Reference Guide

Detailed servicer requirements relating mortgagee clause, note endorsement, trailing documents, etc. can be found below.

Idaho Housing and Finance Association

565 Myrtle Street, Boise, ID 83702 Ph# 1.800.219.2285

Monday thru Friday: 8am to 5pm (Mountain Time) Closed on certain holidays

Tax ID#: 82-03023333 Branch 001 **MERS ID#:** 1009670 **HUD ID#:** 10101-09998

VA ID#: 9250990000 **RD ID #:** 82-0302333 Branch 001 **Corelogic ID#:** 2503177

ServiceLink ID#: 1000167877

Lender Connection: <https://www.lenderifa.com>

Borrower Connection: <https://www.borrowerifa.com>

CONTACTS:

Rita Aafedt

Loan Acquisition Supervisor

Ph# 208.424.7048

Email: _ritaa@ihfa.org

Mark Suderman

Director of Loan Acquisition & Shipping

Ph# 208.331.4870

Email: _marks@ihfa.org

Endorsements:

1st Note Endorsement: Pay To The Order of

Idaho Housing and Finance Association

(No Ampersand sign, must spell out "and")

Without Recourse

Lender Name as it appears on the Note

Lender Signature w/ Signatory's typed name and title

IFA DPA 2nd Notes should not be endorsed

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Idaho Housing and Finance Association

Attn: Doc Center

565 W. Myrtle Street

Boise, ID 83702

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1st payment netted out of the purchase amount - Lender retains 1st payment

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Post Purchase Reimbursements: _hol-adjustments@ihfa.org

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HomeLoanServ

P.O. Box 7541, Boise, ID 83707-1899

Ph# 1.800.526.7145

Overnight Payment Address:

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Email Servicing Questions: support@homeloanserv.com
Online Banking: _www.homeloanserv.com

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Flood Determination must reflect HomeLoanServ and include IHFA Loan #

Mortgagee Clause

HomeLoanServ, ISAOA/ATIMA
PO Box 818007, Cleveland, OH 44181
Fax: 88-218-9257 Email: insdocs8263@oscis.com
Must include IHFA Loan Number

2nd Mortgagee Clause

Iowa Finance Authority ISAOA
c/o HomeLoanServ
PO Box 818007,
Cleveland, OH 44181

Trailing Documents due within 90 Days of Loan Purchase

Original Recorded Mortgage(s) (1st and 2nd, if applicable) *to be delivered.*

Final Title Insurance Policy *to be uploaded to Lender Connection as a **Trailing Document.***

MIC, RD Loan Note Guaranty, VA LGC *(if applicable) to be uploaded to Lender Connection as a **Trailing Document***

Document Center: doccenter@ihfa.org

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There is currently no funding available for new Mortgage Credit Certificates, please see re-issuance instructions for existing borrowers with a Mortgage Credit Certificate

REISSUANCE

The MCC may be reissued upon refinance and may be transferable upon sale under certain conditions if reissued by IFA in accordance with program requirement.

REQUIRED DOCUMENTS

- Complete Form MCC10-Reissuance Affidavit
- Original Mortgage Credit Certificate OR original Reissued Mortgage Credit Certificate
- Copy of Payoff Statement/Certificate from the previous mortgage lender (loan being refinanced)
- Copy of the new executed Note
- Copy of the new executed Mortgage
- Executed copy of Closing Disclosure
- Copy of executed Application, FNMA Form 1003

FEES

Reissuance fee payable to IFA of \$250 per application.

Lender may charge reissuance processing fee of \$250 per application.

FEDERAL RECAPTURE TAX

Borrowers receiving a mortgage loan from the proceeds of a tax-exempt bond receive the benefit of a lower interest rate than is customarily charged on other mortgage loans, therefore if the residence is sold or otherwise disposed of during the following nine years, this benefit may be “recaptured”. The Internal Revenue Service (IRS) recaptures this benefit by increasing Borrower’s federal income tax for the year in which the residence is sold. Borrower must pay the Recapture Tax, however, only if residence is sold at a gain and Borrower’s income increases above specified levels. Within ninety (90) days of closing date, IFA will issue Borrower additional information to assist in calculating the recapture tax.

Borrowers are recommended to consult a tax advisor or local office of the IRS at the time the residence is sold to determine the amount, if any, of the potential recapture tax.

Recapture Tax Reimbursement: MCC files associated with IFA’s Homes for lowans loan program that closed on or after March 12, 2018, and are required to pay any recapture tax upon sale or disposition of their residence may submit a Reimbursement Request Form by July 15th following the year in which the residence was sold. IFA will reimburse borrower for the actual amount of any recapture tax paid to the IRS. This form is available on website.

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PROGRAM SUMMARY:

The Military Homeownership Assistance Program (MHOA) provides a \$5,000 grant to service members and veterans for down payments and closing costs assistance on a qualifying home. This program is for one-time use per service member and only one award per home purchase. The funds may be used in conjunction with the FirstHome, Homes for lowans, or as a standalone grant. To apply for MHOA the eligible service member shall provide the participating or facilitating lender with the status documentation and all necessary program documents. In the case of a cash purchase, the eligible service member shall work directly with IFA for approval prior to closing.

The purchase of a qualified home is by mortgage financing or cash, with prior approval of the assistance by IFA and Department of Veteran Affairs (VA). Approval of the request will include supporting document review by IFA and a determination of the service member's eligibility by VA.

Funding for this program is provided by state appropriation and is subject to funding availability.

PROCESS OVERVIEW

1. Lender pre-screens homebuyer for IFA eligibility (i.e. income, purchase price, property eligibility and first-time homebuyer status).
2. Lender reserves respective IFA program(s) in Lender Online.
3. As early as possible, lender uploads pre-close submission through eDocs in Lender Online. Concurrently, lender completes credit underwriting in accordance with agency guidelines (FHA, VA, RD and FNMA/FHLMC). **IFA does not underwrite.**
4. IFA reviews all documentation for each reserved IFA program(s) uploaded through eDocs in Lender Online.
5. IFA verifies program eligibility and issues pre-close commitment(s)/conditions for each reserved IFA program. **A written commitment is required prior to closing.**
6. Lender closes loan and advances any associated DPA on closing disclosure.
7. Upon closing, lender uploads post-close submission through eDocs in Lender Online.
8. Concurrently, lender will also upload post-close delivery file to Lender Connection, the master servicer's portal, and forward original Note to master servicer.
 - If using standalone MHOA grant, submission to Lender Connection is not necessary.
9. IFA reviews all documentation uploaded to Lender Online and commits loan for purchase.
10. Master servicer reviews post-close delivery file.
11. Upon satisfactory review, master servicer purchases loan and reimburses lender for advanced DPA funds.

RESERVATION

To reserve an IFA program, the lender must utilize IFA's lender portal, *Lender Online*. The lender must have an executed real estate contract and loan application (1003) in place **prior** to reservation of IFA program(s).

The interest rate is locked for 60 days. The loan must close prior to the expiration date. This does not mean the loan needs to be delivered by this date.

Reservation Changes

If a change is necessary after the initial reservation, a reservation change form should be completed and uploaded through eDocs in Lender Online. A reservation change form is available in Lender Online under "Loan Status" by clicking on the "PDF docs" icon associated with reservation or by clicking on "Program Documents" at the top of the page. Examples of such changes may be loan amount, sale price, loan type, cancellation, etc. These requests will be processed within one business day of submission.

A request for cancellation and new reservation for an existing Homebuyer will not be permitted unless property has changed, or the original expiration date has exceeded ninety (90) days. If the current reservation expiration date has not exceeded ninety (90) days, the existing reservation will remain and be subject to IFA's relock policy. For additional information, refer to our Product Reservation & Rate Lock Policies, available on website.

Our *Lender Online* manual is available under "Resources" on our website with additional information related to making a reservation and other components of our lender portal.

IFA PRE-CLOSE ELIGIBILITY REVIEW

IFA's Pre-Close Eligibility Review is unique to our programs and must be performed by a Homeownership Program Specialist for all IFA programs prior to closing. This includes IFA's first mortgage with an associated Plus grant or 2nd Loan and/or Military Home Ownership Assistance (MHOA) grant. The lender is responsible for uploading a submission package through eDocs in Lender Online in accordance with IFA's pre-close transmittal. Please stack the loan package in the order of the transmittal form. Use of the transmittal form is required.

If loan remains incomplete after eligibility review, lender will need to follow up and submit additional documentation to satisfy outstanding conditions. Email notification of an incomplete file will be issued to the lender contact on the pre-close transmittal. Any additional document uploaded through eDocs is considered a resubmission.

Once the loan has been determined to be eligible by a program specialist a commitment will be issued by IFA. Loan should not close without a commitment. Omission of lender contact information on transmittal may cause delay in delivery of commitment.

IFA's pre-close eligibility review consists of documenting three program requirements:

(1) Qualified Service

Status Documentation means written documentation verifying that the applicant is an eligible service member. This documentation may include, but is not limited to, a copy of a valid DD Form 214, showing character of service other than dishonorable, or the applicant's most recent leave and earnings statements representing 90 days of active duty under the following -

- Have served 90 days active duty between August 2, 1990 and April 6, 1991 or September 11, 2001 to present, OR
- is a federal status injured service person having served in active duty August 2, 1990 to April 6, 1991 or September 11, 2001 to present, OR
- is a surviving spouse of said eligible service person who has had a discharge other than dishonorable.

Note: Active duty need not be consecutive; it may be cumulative. Inactive duty training, annual training and active duty for training may not count toward active duty.

IFA will submit the status documentation, upon receipt, to the Iowa Department of Veterans Affairs (VA) for verification that the applicant is an eligible service member. VA shall be the final authority as to whether an applicant is an eligible service member.

Upon confirmation of the applicant's eligibility by the VA and IFA, IFA will notify the lender, or eligible service member in the case of a cash purchase, that the MHOA application has been approved.

(2) Qualified Home

A home located in the state of Iowa that an eligible service member purchases, occupies, and uses as the service member's primary residence. The home must be existing or newly constructed residential real estate and fall into one of the following categories:

1. Single-family residence,
2. Modular or manufactured style home, as defined in Iowa Code section 435.1,
 - a. Home must be attached to a permanent foundation and taxed as real estate.
3. Condominium,
4. Townhome, or
5. A property containing two to four residential units, where one unit is to be occupied by the eligible service member as the service member's primary residence.
 - a. Purchase of two to four units is only allowed under the standalone MHOA option.

New Construction: The borrower may not 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 provided that the mortgage has a stated term of 24 months or less. Evidence that the bridge loan has been recorded must be provided.

- This must be the first time the unit will be occupied as a residence to qualify as new construction. A model home qualifies, provided it was never rented nor occupied as a residence prior to being sold.

(3) Qualified Financing

A permanent mortgage loan made pursuant to one of IFA's home buyer mortgage programs unless the lender offers financing that is more financially advantageous for the service member. Co-signers are not allowed.

- 1) IFA financing: Subject to interest rate and fees, based on date of first mortgage reservation with associated MHOA grant.
- 2) Standalone:
 - a. Lower Cost financing: Lender to demonstrate non-IFA financing is a fixed rate, permanent, fully amortizing mortgage loan that is lower cost than the most comparable IFA mortgage product available at the time the applicable loan estimate is issued. Balloon financing is not allowed.
 - b. Other: Lender to demonstrate non-IFA financing due to ineligibility for IFA mortgage due to purchase price, income limits, or credit overlays.
- 3) Cash: In the case of a cash purchase, the eligible service member shall work directly with IFA for approval prior to closing. The request may be sent via US Mail or email to homebuyer.inquiry@iowafinance.com.

IOWA TITLE GUARANTY

Iowa Title Guaranty (ITG) is required with all IFA program transactions. As Iowa's exclusive title coverage provider, ITG offers lenders and owners low-cost title coverage for Iowa real property.

IFA'S POST CLOSE REVIEW

The first mortgage loan must close in the lender's name. After the loan has closed, the lender will:

1. Upload post-close submission through eDocs in Lender Online per post-close transmittal; and
2. Concurrently, lender will also upload post-close delivery file to Lender Connection, master servicer's portal, and forward original Note to master servicer.
 - a. If using standalone MHOA grant, submission to Lender Connection is not necessary.

The lender is responsible for uploading a submission package through eDocs in Lender Online in accordance with IFA's post-close transmittal. Please stack the loan package in the order of the transmittal form. Use of the transmittal form is required. Master servicer's transmittal form is available in Lender Connection.

If loan remains incomplete after review, lender will need to follow up and submit additional documentation to satisfy outstanding conditions. Email notification of incomplete file will be issued to the lender contact on post-close transmittal. Any additional document uploaded through eDocs is considered a resubmission. Omission of lender contact information on transmittal may cause delay in delivery of commitment.

Once the loan has been determined to be eligible by a program specialist compliance approval will be issued to servicer. Lender will be required to repurchase any loan files if determined to be non-compliant by either IFA or master servicer. To maximize lender compensation, it is highly recommended the package be uploaded as soon as possible after loan close.

FACILITATING LENDER

A facilitating lender does not participate in IFA's mortgage and down payment assistance programs, however upon approval, may offer standalone MHOA grants only.

Lender must be an Iowa or federally regulated lender with a physical location in the state of Iowa to apply. The approval to be a facilitating lender shall be valid for one year, and lender must renew facilitating lender status annually, including the application fee. This application fee may not be charged in part or in full to a service member or to a property seller.

Please contact lender.inquiry@iowafinance.com to obtain facilitating lender application.