



IOWA FINANCE
AUTHORITY

Homeownership Program FAQ

Question	Answer
Do home buyers need to be first-time home buyers to use Homes for Iowans with 2nd loan?	<i>The new DPA loan program is available to first-time or repeat home buyers who meet the eligibility requirement of FirstHome or Homes for Iowans.</i>
Does the balance owed on the 2nd loan DPA reduce over time and if so, is there a specific amount of time that it is completely forgiven?	<i>No, borrowers must repay the loan when the home is sold, the first mortgage loan is refinanced, or the first mortgage loan is paid in full.</i>
Is there a specific way you want the 2nd loan DPA listed on the closing disclosure?	<i>The amount of the 2nd loan DPA should be listed on your CD as a credit just as you do for the plus grant. At the time of purchase the lender will be reimbursed.</i>
Does the 2nd loan DPA follow TRID?	<i>Please work with your compliance teams to determine TRID requirements.</i>
Is the 2nd loan DPA a 2nd mortgage or included in the first mortgage?	<i>The new loan DPA is a 2nd mortgage. It is a soft second, 0% interest loan that is due when the home is sold, the first mortgage loan is refinanced or the first mortgage loan is paid in full. No monthly payments.</i>
Is there a max CLTV with \$5,000 2nd loan DPA?	<i>Please follow secondary market guidelines for respective loan type.</i>
Can you pay back the 2nd loan DPA sooner than the sale or refinance of the home?	<i>Absolutely - there are no prepayment penalties. Must be paid in full, no partial payments are allowed.</i>
How is the 2nd loan DPA amortized out?	<i>This is considered a soft second, 0% interest and no monthly payment loan that is due when the home is sold, the first mortgage loan is refinanced or the first mortgage loan is paid in full.</i>
Can the 2nd loan DPA be used in conjunction with community seconds such as FHLB forgivable grant funds?	<i>Please follow secondary market guidelines, FHLB, etc. IFA has no overlay with the grant or loan being used with community seconds.</i>
Is the 2nd loan forgivable in a prorated schedule or due in full at time of sale/refinance?	<i>The full amount is due borrower(s) move, sell, refinance or pay off their first mortgage.</i>
Is the 2nd loan due upon sale even if the sale results in a loss?	Yes
The down payment assistance options will be either \$2500 with Plus or up to \$5000 with 2nd loan DPA--correct? It's not a combined \$7500.	<i>Correct, the borrower may use the grant OR 2nd loan option for DPA.</i>

Question	Answer
Will you provide the note and mortgage?	Yes, the note and mortgage will be available in the borrower record in Lender Online. <u>Sample Note</u> and <u>Same Mortgage Form</u>
Can we know the number of pages in advance so we know what to disclose for recording?	Five pages
Who will be the "lender" on the note and mortgage you provide? If IFA is the lender then we as lenders would not be responsible for a LE for this second "loan"?	Iowa Finance Authority will be listed at the lender. Lenders are responsible for disclosures.
Can we switch a plus grant to a 2nd loan DPA if the loan is currently in process?	Yes, we will allow the borrower to switch to the new loan option.
Does the 2nd loan DPA need to have a full set of loan disclosures?	Please work with your compliance team regarding disclosures.
What rate will the 2nd loan DPA use?	The rate will be the same for the grant OR the loan option.
Do you require LE/CD for the 2nd loan?	Lenders should work with their compliance department for assistance with questions related to which disclosure forms are required and the content of the forms prior to disclosure.
Can you use Military Grant and the 2nd loan DPA?	If and when funding is available the MHOA and the soft second DPA can be combined with FirstHome or Homes for Iowans loan programs.
What fees are associated with new 2nd loan DPA? recording lien etc.	IFA will allow for recording fees only.
Is this new program for Conventional and FHA?	IFA will allow the new DPA program on FHA, VA, RD, FNMA, FHLMC - lenders must use the most restrictive guidelines and ensure the loan meets secondary market guidelines and the loan is saleable.
Is the 2nd required TRID or Partial Exemption?	Lenders should consult their compliance or legal departments for assistance with questions related to which disclosure forms. The fees allowed fall under Partial Exemption
What is the mortgagee/loss payee clause used for the hazard insurance policy for the 2nd lien?	HomeLoanServ, ISAOA/ATIMA P.O. Box 818007 Cleveland, OH 44181 Fax: 888-218-9257 Email: insdocs8263@oscis.com
Will the lender be funding the 2nd loan at closing?	Yes and the lender will be reimbursed at the time the first loan is purchased
Is the 2nd loan going to be assumable?	The 2nd loan is not assumable
FirstHome - \$2,500 grant and up to \$5,000 2nd loan?	A home buyer may use the grant OR 2nd loan, not both.

Is the \$5,000 2nd loan interest free?	Yes - 0% interest and no monthly payments.
Question	Answer
If the military grant becomes available again can borrowers get the military grant AND the 2nd loan DPA?	Only when used with a FirstHome or Homes for lowans program.
So IHFA will be assigned the mortgage and the soft 2nd loan DPA?	Yes - IHFA will provide the servicing and release on behalf of IFA
Will the soft 2nd loan DPA consider subordination on a refi?	No subordination requests will be considered. This is due when the home is sold, the first mortgage loan is refinanced or the first mortgage loan is paid in full.
If we have a situation where the \$5K 2nd loan and seller paid closing costs go above and beyond our actual loan costs, can we apply the additional funds towards the principal balance or do they just not receive the full \$5K on the 2nd?	Because the 2nd loan is up to 5% or \$5,000 max the first course of action would be to reduce the 2nd if possible, however a minimal principal reduction can be applied to the first mortgage as long as underwriting guidelines are met.
Who is responsible for the recording fees on the second mortgage?	The borrower would be responsible for recording fees if the lender chooses to pass this fee on.
Will Idaho automatically list the second mortgage payoff when the first mortgage payoff is requested?	There will be two payoffs issued one for the first and a separate payoff statement for the 2nd.
Is a separate flood determination required	Please work with your compliance/underwriting team to ensure the loan is saleable as this is not an IFA requirement.
MCC related questions	
Question	Answer
Do you have to be a first-time home buyer to use the Mortgage Credit Certificate (MCC)?	Yes, unless your borrower is purchasing in a targeted area or is utilizing the military exemption for FTHB status.
Can a home buyer use the MCC if they have owned a home before and are purchasing a home in a targeted area?	Yes, they may be eligible for MCC.
Can the MCC be layered with the other programs?	Yes, you can combine the MCC with Homes for lowans and MHOA.
Can you use MCC with First Home Plus or FirstHome with 2nd loan DPA?	No - MCC and FirstHome, FirstHome Plus, FirstHome w/2nd are tax exempt and only one tax exempt program may be used. You can combine the MCC with Homes for lowans. This is a beneficial option for your borrower - no application fee and reimbursement of potential recapture tax for MCC's issued in 2018 or 2019.

Question	Answer
Are the income limits still in place for MCC?	<i>Yes, current income and purchase price limits have been in effect since 6/15/19. New limits will be coming soon.</i>
Are there MCC docs on your site that we need to complete for closing	<i>MCC 01 Buyer Affidavit and MCC 03 Seller Affidavit are the two forms required for MCC. These two documents can be found on our website here or the fillable form in the borrower record in Lender Online. You may have these documents signed prior to or at closing.</i>
HFA Preferred Lo MI and No MI questions	
Question	Answer
Can you repeat the DU special feature code	<i>Fannie Mae DU Special Feature Code 741</i>
What do we run that based on for that code?	<i>The special feature code is required to obtain the correct DU findings for HFA Preferred Lo MI or No MI</i>
What is the HFA with conventional financing?	<i>HFA Preferred has a lower MI coverage requirement and No MI is just that - no MI. These two 3% down programs are offered only through Housing Finance Agencies.</i>
MRB documents	
Question	Answer
Can the MRB 01 and MRB 03 be e-signed instead of notarized?	<i>No, the forms must be notarized because they are affidavits.</i>
What is the turn around for the payment on the recapture?	<i>We have not received a request, however would anticipate a two week turn time.</i>
IFA income calculations	
Question	Answer
Is alimony and child support included as income in the calculations?	<i>Yes, both alimony and child support are included in IFA's income calculation.</i>
Are parents who occupy the home considered in household size?	<i>If the parents will be on the loan and taking title to the property, their income and FTHB status will be considered.</i>
Is the income from a boyfriend/girlfriend considered in the income limits?	<i>If they will be on the loan and taking title to the property, their income and FTHB status will be considered.</i>

Tax returns or transcripts

Question	Answer
For all programs do you need tax returns or transcripts, or both?	<i>FirstHome programs OR MCC the most recent three years tax returns OR transcripts are required. Homes for lowans programs the most recent one year tax return OR transcript is required. MHOA - no tax return or transcript required.</i>
If a home buyer has not filed this year yet do you require 2015-2017 taxes plus extension paper?	<i>Yes - after April 15, extension requests will need to be provided for IFA's review.</i>

Personal Property

Question	Answer
Is a free standing stove within the cabinetry, but not built-in be considered included?	<i>Yes</i>
Is the "borrower funds" for personal property over and above the minimum required investment?	<i>Yes , personal property on FirstHome programs or MCC cannot be financed.</i>

MHOA

Question	Answer
How does lender handle closing an offer with the military wait list?	<i>For wait list military - do not underwrite the loan with these funds as a DPA. If and when funds are allocated, a principal reduction will occur. Wait List instructions can be found HERE</i>
Is MHOA now available?	<i>No, the funds have been fully reserved for the Military Homeownership Assistance Program for FY20 as of Sept. 10, 2019.</i>

Iowa Title Guaranty

Question	Answer
If a property is closed on and shortly after that an issue comes up with an easement on the driveway, and the lender or title work didn't catch it, and the previous owner didn't disclose this issue either. Who covers the cost of that and any attorney fees incurred?	<i>Please contact a team member in our Iowa Title Guaranty Division at (515) 725-4357 for further details</i>

Power Point	
Question	Answer
Can we get a copy of the powerpoint from the webinars?	<i>PowerPoint Presentation</i>
Cash back	
Question	Answer
Do you allow cash back at closing of borrowers pocs?	<i>Yes - please follow secondary market guidelines, lender's compliance/underwriting guidelines and ensure the grant or soft second funds are not given as cash back.</i>
Signature requirements	
Question	Answer
Question on the requirement for signed LE"s and signed CD's	<i>Signatures are required on the final CD.</i>
In-Home Daycare	
Question	Answer
Are in-home daycares allowed?	<i>Allowed only with Home for lowans program.</i>