

First Loan Tax Exempt Training



**Idaho Housing
and Finance**
Association

idahohousing.com



First Loan-Tax Exempt

Tax Exempt Mortgage Revenue Bonds

Mortgage Revenue Bond (MRB) are financing tools used by state housing finance agencies (HFAs) to finance low-interest mortgages for low- and moderate-income home buyers. Investors in mortgage revenue bonds are willing to accept a lower rate of return because the interest on the bonds is exempt from federal income tax. *

This allows IHFA to offer a Tax Exempt MRB loan program with interest rates up to 1% below market rates, and sometimes lower!

*Source: <https://www.ncsha.org/wp-content/uploads/Housing-Bonds-FAQs-2022.pdf>

First Loan-Tax Exempt Loan Program

- Must be a First Time Homebuyer – except in Targeted Counties
- Owner Occupied
- Single Family dwelling –Manufactured allowed -No multiple units
- May be paired with Second Mortgage
- Income limits
 - Follow First Loan- Tax Exempt Income Limits
 - **Household Income**
 - Non-Occupying Co-Borrowers Not Allowed

Annual Gross Household income is the total of all sources of income from anyone:

- On title
- All spouses, whether borrowing or non-borrowing
- All other adult individuals 18 years or older who will both occupy the residence and be liable (primarily or secondarily) on the deed, mortgage, or note

*This income calculation methodology is applied to each loan to accurately and completely measure the household's total gross income for the **prospective 12 months (in the future) from the application date.***

Income to be included in household income calculation:

- Base
- Overtime, Bonus & Commission
- Social Security Income
- Alimony and/or Child Support
 - Pensions, Annuities, Disability, or Death Benefits or Long-Term Care Insurance
- Recurring Cash Allowances & Gifts
- Business Income
- Interest / Dividend Income

Other Income: *tips, unemployment income, seasonal employment, National Guard, supplemental income*

Payments in lieu of earning : *unemployment, disability compensation, worker's compensation, severance pay, welfare assistance*

Some Income Exclusions may apply

Including but not limited to the following:

- *Payments received for care of foster children or adults*
- *Lump-sum additions to family assets,
such as inheritance, insurance payments*
- *Amounts received by household that are specific reimbursements for expenses*

Household Income vs Qualifying Income

Household – Projected 12 months

Qualifying – Past

Annual Gross Household Income – projected income from loan application date forward 12 months

To determine full time income multiply:

- Hourly wages by 2080
- Weekly wages by 52
- Bi-weekly wages by 26
- Semi-monthly wages by 24
- Monthly wages by 12

To determine Annual Gross Household Income for less than full time employment, multiply:

- Hourly wages by the number of hours the person is expected to work per week X 52

If a range of hours is given, you must use the highest number of hours. If this puts the HH income over limits, you may need to contact the employer and clarify. If the hours are irregular, average the number of regular hours at current regular pay rate and average the overtime hour's times current overtime rate.

Lenders must determine the household earnings for the “current period”. The “current period” begins with the pay period prior to the date of the loan application and ends at loan approval.

If a VOE reflects a raise within the first 12 months of loan, the raise must be considered in calculations.

Part-Time Employment –

Average of hours worked in “current period” by regular rate of pay.

If a VOE reflects differently you must use the higher of the two.

Overtime -

To calculate overtime for compliance purposes, first consider the amount earned during the "current period" and annualize it.

If the Borrower claims that the overtime earned in the "current period" is excessive or unusual, the Mortgage Lender may average the number of hours of overtime worked during the previous two years. Multiply the average monthly hours by the current rate of overtime pay and use that figure for overtime earnings.

Bonus: The gross amount of a recurring bonus before any payroll deductions is to be included in the income calculation when the following applies:

- a) The bonus is included in the computation of income by the employer; or
- b) There is a history of bonuses.

If the information is available, the amount of the bonus income to be included for compliance is the bonus paid or payable for the calendar year in which the loan is closed.

Commissions: Income derived from commissions should be based on the "current period" unless evidence is provided which justifies averaging the commissions.

Self-employment: The procedure for calculating Annual Gross Household Income for self-employed applicants is the same as under FHA, VA or Fannie Mae underwriting guidelines. As in standard underwriting, depreciation and depletion are to be added back to determine annual income. Tax returns, a current financial statement, current P&L Statement and a self-employed cash flow analysis are required for all self-employment applicants. Two years signed corporate, or partnership tax returns are required in addition to personal returns.



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**Income Limits for First Loan
Tax-Exempt Only**

County	Targeted vs. Non-Targeted (First Loan Only)	Home Sales Price Limits for First Loan Tax-Exempt (Effective 7-19-24)	1-or 2-Person Household (Effective 7-19-24)	3+ Person Household (Effective 7-19-24)	Income Limits for 80% AMI (Effective: Fannie 5-19-24, Freddie 5-19-24)	Income Limits for All Other Loan Products (Effective 9-3-24)
Ada	Non-Targeted	\$668,253	\$108,522	\$124,801	\$78,400	\$170,000
Adams	Targeted	\$567,710	\$108,600	\$126,700	\$63,680	\$170,000
Bannock	Non-Targeted	\$567,710	\$91,865	\$105,645	\$67,360	\$170,000
Bear Lake	Targeted	\$567,710	\$108,600	\$126,700	\$69,600	\$170,000
Benewah	Targeted	\$567,710	\$108,600	\$126,700	\$63,680	\$170,000
Bingham	Targeted	\$567,710	\$108,600	\$126,700	\$67,840	\$170,000
Blaine	Non-Targeted	\$864,798	\$110,640	\$129,080	\$74,400	\$170,000
Boise	Targeted	\$668,253	\$117,600	\$137,200	\$78,400	\$170,000
Bonner	Targeted	\$596,187	\$108,600	\$126,700	\$63,920	\$170,000
Bonneville	Non-Targeted	\$567,710	\$91,405	\$105,116	\$79,760	\$170,000
Boundary	Targeted	\$567,710	\$108,600	\$126,700	\$63,680	\$170,000
Butte	Non-Targeted	\$567,710	\$92,880	\$107,370	\$69,760	\$170,000
Camas	Non-Targeted	\$864,798	\$92,880	\$108,360	\$63,680	\$170,000
Canyon	Targeted	\$668,253	\$117,600	\$137,200	\$78,400	\$170,000
Caribou	Non-Targeted	\$567,710	\$92,125	\$105,944	\$66,880	\$170,000
Cassia	Targeted	\$567,710	\$108,600	\$114,380	\$63,680	\$170,000
Clark	Targeted	\$567,710	\$108,600	\$126,700	\$63,680	\$170,000

Required Documentation

First-time homebuyer is verified using the credit report and/or borrower attestation.

Required Documentation:

- IHFA Borrower Affidavit and Lender/Broker Certification
- Recapture Notice
- Recapture Summary
- Recapture Reimbursement
- Sellers Affidavit
- Tax Exempt Rider
- Required to be attached to the Deed of Trust
- Income Certification Worksheet

All required documents* are available on the homepage of the IHFA Lender Connection website

****Note – You must use the most recent versions of required documents revised or reaffirmed date of 12/2024. No previous versions of these documents will be accepted.***

All must be fully executed prior to or at closing.

These documents must be included in the Loan File for IHFA review.

**IDAHO HOUSING AND FINANCE ASSOCIATION
BORROWER AFFIDAVIT
AND**

LENDER/BROKER CERTIFICATION

(Pursuant to Section 143 of the Internal Revenue Code)

STATE OF IDAHO)
COUNTY OF [])

County Property is Located In

I, the undersigned, being first duly sworn, state, under penalty of perjury, that each and every one of the following statements is true and correct.

Completely fill this section out

I certify that:

My Legal name(s) is:

My current address and phone are:

Street

City

State

Zip

Phone (work)

(home)

1. The residence being purchased is a single-family dwelling located in the State of Idaho at the following address:
Address of property being financed
and will become, and remain, my principal residence within sixty (60) days after the date of the Mortgage Loan closing.

Acquisition Cost

Total Acquisition cost will be \$ and will not exceed the acquisition cost limitation applicable to the residence.

Acquisition Cost The cost of acquiring a principal residence as a complete residential unit. All amounts paid, either in cash or in kind, by the purchaser (or a related party for the benefit of the purchaser) to the seller (or a related party for the benefit of the seller) as consideration for the residence, but not including usual and reasonable settlement costs. If a residence is incomplete, the reasonable cost of completing the residence should be included; however, it shall not include the value of services performed by the borrower or members of the borrower's family in completing the residence.

Enter **Total Acquisition Cost** in first blank field unless the subject property is still under construction on the day this document is fully executed.

8. The total amount of payments made to date and to be made in the future by me, or a person related to me, or for the benefit of me, for purchase of the residence is \$; OR if the Residence has not been completely constructed as of the date of my execution of this Affidavit, a reasonable estimate of the cost of completing the Residence is \$.

Revised 12/2024

If subject property is still under construction on the day this document is fully executed, then the **Estimated Total Acquisition Cost** should be entered in the second blank field.

Closing date

10. **PRIOR NON-HOME OWNERSHIP REQUIREMENT:** (Targeted Counties Exempt) I understand that I am not eligible for a Mortgage Loan, under this program, if I individually or together with another person had an ownership interest in a principal residence within three (3) years from (projected date of closing). For this purpose, a principal residence includes a single family residence or condominium owned by me (including any mobile or manufactured home which is permanently affixed to real property but excluding any mobile or manufactured home located on rented land with a lease term of one (1) year or less) during the three (3) year period prior to the date of execution of the Deed of Trust, in addition, mobile homes located on real property owned by the borrower will be considered prior home ownership. Interests which constitute present ownership include but are not limited to (a) a fee simple interest, (b) a joint tenancy, (c) a tenancy in common, (d) a tenancy by the entirety, (e) the interest of a tenant shareholder in a cooperative, (f) a life estate, (g) a land contract (i.e., a contract pursuant to which possessions and the benefits and burdens of ownership are transferred although legal title is not transferred until some later time), and (h) an interest held in trust for the Mortgagor (whether or not created by the Mortgagor) that will constitute a present ownership interest if held directly by the Mortgagor. I have not had a present ownership interest in a principal residence with the three years prior to the closing date.

Make sure the correct line item is checked,
do not leave a section incomplete

11. Check and complete the following sections that correctly apply to you, the undersigned borrower(s):

I have not owned a principal residence within the three (3) year period prior to _____ (projected date of closing), and do hereby submit a true and complete credit report obtained by the Lender/Broker related to my application for the Mortgage Loan.

I am exempt from the three (3) year non-ownership requirement because the Residence is located in a Targeted County of the State of Idaho. I acknowledge that I have received a list of Targeted Counties prior to execution of this Affidavit.

12. INCOME REQUIREMENTS

My gross annual household income does not exceed the maximum program for a household of _____ persons in _____ County.

- (i) Qualifying income from Loan Application/AUS: \$ _____ *(Annual Income)* Monthly X 12 1003
Income listed on AUS/URLA that is used to qualify borrower per agency guidelines. Income
- (ii) Household Income (as defined below) \$ _____ *(Annual Income)*
Annual Gross Household income is the total of all sources of income from anyone: on title, all spouses, whether borrowing or non-borrowing, and all other adult individuals 18 years or older who will both occupy the residence and be liable (primarily or secondarily) on the deed, mortgage, or note. This income calculation methodology is applied to each loan to accurately and completely measure the household's total gross income for the prospective 12 months (in the future) from the application date.

This calculation is used to determine adherence with current IRS Income Limits per IRS Mortgage Revenue Bond requirements.

I understand that I am not eligible for an Idaho Housing and Finance Association qualified tax exempt loan if my total annual income as stated on Line ii exceeds \$ _____ (Lender/Broker to insert applicable program limit)

Income Limit for respective County

Do not forget to check the appropriate box

I/WE CERTIFY THAT THE INFORMATION LISTED ABOVE IS GIVEN FOR THE PURPOSES OF OBTAINING AN IDAHO HOUSING AND FINANCE ASSOCIATION LOAN AND IS TRUE AND COMPLETE. I/WE REALIZE THAT THE LENDER/BROKER AND THE ASSOCIATION WILL RELY UPON THIS INFORMATION IN APPROVING THIS MORTGAGE LOAN. (THIS LOAN MUST CLOSE WITHIN 60 DAYS OF EXECUTION OF THIS AFFIDAVIT OR THE INCOME MUST BE REVERIFIED). I UNDERSTAND THAT MONEYS FOR THE PURCHASE OF SUCH RESIDENCE ARE BEING PROVIDED FROM PROCEEDS OF QUALIFIED MORTGAGE REVENUE BONDS ISSUED BY THE IDAHO HOUSING AND FINANCE ASSOCIATION. AS A BORROWER, I MAY RECEIVE BENEFITS FROM THIS FINANCING SUCH AS SAVINGS IN MORTGAGE LOAN INTEREST COSTS. AS A RESULT, PURSUANT TO SECTION 143(M) OF THE INTERNAL REVENUE CODE, I MAY, AT THE TIME OF RESALE BY ME OF THE RESIDENCE FINANCED BY THE MORTGAGE, BE SUBJECT TO A SPECIAL "RECAPTURE TAX" FOR FEDERAL INCOME TAX PURPOSES

I/We have have not within the last year applied for an Idaho Housing and Finance Association loan, nor do I currently have an Idaho Housing and Finance Association loan in process at any other lending institution(s).

DATED this day of , 20

*This is a commonly missed section of the document.
This must be completed for Compliance Approval.*

LENDER/BROKER CERTIFICATION

Lender/Broker hereby reaffirms and restates all its representations, covenants and warranties referenced and contained in that most recent Mortgage Loan Purchase Contract between Lender/Broker and Idaho Housing and Finance Association, as amended, that may apply to the sale and purchase of this Mortgage Loan under the Mortgage Revenue Bond Program (the "Program"), including without limitation that all required insurance and surveys have been obtained, that the residence and the Borrower meet all purchase price and other program limits and that all applicable mortgage insurance or guaranty provisions and state and federal laws have been complied with. The Lender/Broker certifies that upon reasonable investigation, the Borrower meets applicable Program eligibility requirements and neither the Lender/Broker, Borrower, nor the Seller of the Residence have made any negligent or fraudulent, material misstatements in the above affidavit or otherwise in connection with the Borrower(s) application for a Mortgage Loan. Based upon its review of the application and related documents, the Lender/Broker further certifies that this Mortgage Loan is in all respects a prudent investment (except as to interest rate).

Date:

Lender/Broker: _____

By:

Title:

Signature of
Lender/Broker

Name of Signer
Title of Signer

Post Close Compliance Review

All First Loan Tax Exempt Loans are subject to a Post Close Compliance Review prior to IHFA Purchase.

The following items will be reviewed for program guideline adherence

- First Time Homebuyer Status
- Targeted County vs Non-Targeted County
- Household Income
 - Household Income worksheet to be included in Loan File for Review*
 - Include: (for all liable occupants)*
 - current pay stub or applicable income verification such as a*
 - Benefit Statement to verify Social Security Income*
- Adherence to Purchase Price Limits (as well as Acquisition costs)
- Properly completed documents, i.e. Tax-Exempt Rider, Recapture documents
(revision date of 12/24)

Acquisition Cost

2. That the acquisition cost of the residence is \$ _____ . This represents the gross amount to be paid for the residence from all sources and is equal to the total cost of acquiring a completed residential unit including:

“Seller” or additional relationship if applicable

There are no side arrangements between the purchaser and myself for the payment of additional sums by secondary financing, in kind payments, or otherwise.

3. I have no relationship to the purchaser other than _____ and to the best of my knowledge the financing provided in no way will serve to refinance the residence.

I fully understand that each of the above statements and the information of the Residential Loan Application is material to the obtaining of a Qualified Mortgage Loan or Mortgage Credit Certificates (tax credit) and declare that the above statements are true and correct.

Seller _____ Seller _____

Seller's name typed below Signature Line

TAX EXEMPT BOND ELIGIBILITY AND HOUSEHOLD INCOME CERTIFICATION

Borrower(s) _____

Property address _____

Total Qualifying Income _____

Income listed on AUS/URLA that is used to qualify borrower per agency guidelines.

Total Annual Household Income _____

Annual Gross Household income is the total of all sources of income from anyone: On title, all spouses, whether borrower or non-borrower, and all other adult individuals 18 years or older who will both occupy the residence and be liable (primarily on the deed, mortgage, or note). This income calculation methodology is applied to each loan to accurately and completely determine the household's total gross income for the prospective 12 months (in the future) from the application date.

This calculation is used to determine adherence with current IRS Income Limits. Per IRS Mortgage Revenue Bond regulations, the borrower's household income must not exceed the applicable income limit for the county in which the property is located.

Household size _____

All occupants regardless of relationship

Sales Price Limit: **Select County**

Max Income Limit – 1-2 Person Household, 3+ Person Household:

Select County

Select County
Ada, 1st Time Homebuyer Required, \$668,253
Adams, Targeted, \$567,710
Bannock, 1st Time Homebuyer Required, \$567,710
Bear Lake, Targeted, \$567,710
Benewah, Targeted, \$567,710
Bingham, Targeted, \$567,710
Blaine, 1st Time Homebuyer Required, \$864,798
Boise, Targeted, \$668,253
Bonner, Targeted, \$596,187
Bonneville, 1st Time Homebuyer Required, \$567,710
Boundary, Targeted, \$567,710
Butte, 1st Time Homebuyer Required, \$567,710
Camas, 1st Time Homebuyer Required, \$864,798
Canyon, Targeted, \$668,253
Caribou, 1st Time Homebuyer Required, \$567,710
Cassia, Targeted, \$567,710
Clark, Targeted, \$567,710
Clearwater, Targeted, \$567,710
Custer, Targeted, \$567,710
Elmore, 1st Time Homebuyer Required, \$567,710
Franklin, 1st Time Homebuyer Required, \$567,710
Fremont, 1st Time Homebuyer Required, \$567,710
Gem, Targeted, \$668,253
Gooding, Targeted, \$567,710
Idaho, Targeted, \$567,710
Jefferson, Targeted, \$567,710
Jerome, Targeted, \$567,710
Kootenai, Targeted, \$652,530
Latah, 1st Time Homebuyer Required, \$567,710
Lemhi, Targeted, \$567,710
Lewis, Targeted, \$567,710
Lincoln, Targeted, \$567,710
Madison, 1st Time Homebuyer Required, \$567,710
Minidoka, 1st Time Homebuyer Required, \$567,710
Nez Perce, 1st Time Homebuyer Required, \$567,710
Oneida, Targeted, \$567,710
Owyhee, Targeted, \$668,253
Payette, Targeted, \$567,710
Power, 1st Time Homebuyer Required, \$567,710
Shoshone, Targeted, \$567,710

Explanation of additional income source

***Lender must determine the household earnings for the "current period". The "current period" begins with the pay period prior to the date of the loan application and ends at loan approval.**

1. Does borrower(s) have additional income that has not been disclosed on the ULRA/1003 - Loan Application? **Select Answer**

1a. If yes, please list below

Borrower works 3 additional self-employed jobs his take home is \$400 per month

Select Answer
YES
NO

2. Does the WVOE indicate the amount of future pay increase? **Select Answer**

2a. If yes, does income calculation account for the pay increase? **Select Answer**

(enter comments)

3. Does borrower have ownership in an existing business? **Select Answer**

3a. If yes, is business still active and income producing? **Select Answer**

(enter comments)

3b. Are current signed/dated P&L for all businesses after application date provided?

Select Answer

(enter comments)

4. Does borrower(s) work variable hours? **Select Answer**

4a. If yes, does *current period income documentation accurately represent borrower(s) anticipated income over respective 12 months? **Select Answer**

(enter comments)

5. Does borrower(s) have varied earnings (OT, shift diff, weekend/night pay)? **Select Answer**

5a. If yes, does *current period income documentation accurately represent borrower's anticipated income over respective 12 months? **Select Answer**

(enter comments)

6. Does borrower earn bonus and/or commission pay? **Select Answer**

6a. If yes, WVOE or letter from employer indicating how often bonus is paid. **Select Answer**

(enter comments)

7. Is all documentation required to determine anticipated income in the loan file? **Select Answer**

8. Is there a non-borrowing spouse? **Select Answer**

8a. If yes, is income documentation or LOE indicating no income provided? **Select Answer**

(enter comments)

Borrower 2	
Base	\$ _____/month
Overtime	\$ _____/month
Bonus	\$ _____/month
Commission	\$ _____/month
Military Entitlements	\$ _____/month
Other	\$ _____/month
Other	\$ _____/month
Total**	\$ _____/month

Explanation: *(enter comments)*

Borrower 3	
Base	\$ _____/month
Overtime	\$ _____/month
Bonus	\$ _____/month
Commission	\$ _____/month
Military Entitlements	\$ _____/month
Other	\$ _____/month
Other	\$ _____/month
Total**	\$ _____/month

Explanation: *(enter comments)*

Borrower 4	
Base	\$ _____/month
Overtime	\$ _____/month
Bonus	\$ _____/month
Commission	\$ _____/month
Military Entitlements	\$ _____/month
Other	\$ _____/month
Other	\$ _____/month
Total**	\$ _____/month

Explanation: *(enter comments)*

Other	\$ _____/month
Other	\$ _____/month
Total**	\$ _____/month

Explanation: *(enter comments)*

****Add up Totals for each household member, then enter sum as the Total Annual Household Income.**

UW signature _____
(UW Name)

Date _____

Total Annual Household Income _____

Annual Gross Household income is the total of all sources of income from anyone: On title, all spouses, whether borrowing or non-borrowing, and all other adult individuals 18 years or older who will both occupy the residence and be liable (primarily or secondarily) on the deed, mortgage, or note. This income calculation methodology is applied to each loan to accurately and completely measure the household's total gross income for the prospective 12 months (in the future) from the application date. This calculation is used to determine adherence with current IRS Income Limits. Per IRS Mortgage Revenue Bond requirements.

Household size _____

All occupants regardless of relationship

Key Take Aways

Definition of Household Income:

Annual Gross Household income is the total of all sources of income from anyone: On title, all spouses, whether borrowing or non-borrowing, and all other adult individuals 18 years or older who will both occupy the residence and be liable (primarily or secondarily) on the deed, mortgage, or note. This income calculation methodology is applied to each loan to accurately and completely measure the household's total gross income for the prospective 12 months (in the future) from the application date.

Current Period:

Lender must determine the household earnings for the “current period”. The “current period” begins with the pay period prior to the date of the loan application and ends at loan approval.

Key Take Aways (Continued)

First Loan TE Program Specific Income Limits:

Ensure IRS Income Limits are adhered to – keep in mind these are County specific. Based on Targeted, non-Targeted Counties as well as size of household, 1-2 Household size and 3+.

Document Requirement: *ALERT – 12/2024*

All required documents, TE Rider, Borrower Affidavit, Recapture Summary, Recapture Notice, Recapture Reimbursement, Seller Affidavit & Income Certification dated 12/2024. No other documents will be accepted. Encompass program codes have been updated with correct documents.

Compliance Approval:

It is essential that all the items associated with this training are adhered to. A messy incomplete loan file will delay the turn times drastically. Remember Qualifying Income is not the same as Household Income.

Please reach out with Questions

It is imperative that all documentation is completed correctly.

Tax Exempt Rider **MUST** be recorded with the Deed of Trust

Recapture Docs **MUST** be fully filled out, signed and dated prior to or at closing

Use only documents with issue date or reaffirmed date of 12/2024

Household income calculation is **NOT** the same as Qualifying Income
Please review parameters of Household Income Calculations

Please reach out with Questions

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