

**NOTICE OF RULE MAKING  
OF THE IDAHO HOUSING AND FINANCE ASSOCIATION  
CONCERNING REVISED RULES AND REGULATIONS RELATING TO THE  
PURCHASING OF MORTGAGE LOANS**

NOTICE IS HEREBY GIVEN that the Idaho Housing and Finance Association ("IHFA") is considering comments to an amendment to the revised IHFA Rules and Regulations relating to the Purchasing of Mortgage Loans (the "Rules"). The said amended Rules are being adopted in accordance with Section 67-6207 (d), Idaho Code, as amended.

Copies of the said Rules may be obtained from the Executive Vice President, Homeownership Lending of IHFA at 565 W. Myrtle Street, P.O. Box 7899, Boise, Idaho 83707-1899, (208) 331-4726 or viewed on the IHFA website at <https://www.idahohousing.com/about/events-public-notice>. Written comments on said changes may be submitted to the Executive Vice President, Homeownership Lending at the above address until 5:00 p.m. on May 28, 2023.

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**RULES AND REGULATIONS OF THE IDAHO HOUSING AND FINANCE  
ASSOCIATION RELATING TO THE PURCHASING OF SINGLE FAMILY  
MORTGAGE LOANS**

**Section 1: Authority**

These Rules and Regulations are issued under and pursuant to the authority of Section 67-6206 (r) of the Act.

**Section 2: Purpose and Objectives**

These Rules and Regulations are established to expand the supply of funds in the State available for Mortgage Loans and to encourage an adequate supply of safe and decent housing at reasonable cost available for occupancy of eligible persons and families in the State.

**Section 3: Definitions**

Unless a different meaning is required from the context in which they are used herein, all words and terms which are defined in the Act are used in these Rules and Regulations as defined in the Act.

The following words or terms as used in the Rules and Regulations shall have the following meanings:

“Acquisition Cost” means, subject to the provisions of Section 143 of the Code, the cost of acquiring the residence as a completed unit, including, but not necessarily limited to:

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 or financing costs.

If a residence is incomplete, the reasonable cost of completing the residence, whether or not the cost of completing construction is to be financed with bond proceeds, but shall not include the value of services performed by the mortgagor or members of the mortgagor's family in completing the residence.

The purchase price of the land, or where a residence is purchased subject to a ground rent, the capitalized value of the ground rent.

All real estate commissions, construction items, all builder's fees, hook up and drop fees, permits, architectural fees, work credit, subcontracted items and construction loan interest.

“Act” shall mean Idaho Code, Title 67, Chapter 62, as amended. “Association” means Idaho Housing and Finance Association.

“Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time and all implementing regulations promulgated hereunder.

“Eligible Borrower” means a person or persons, and families of two or more persons, irrespective of race, creed, national origin or sex, with Gross Income for federal tax purposes as provided in the IHFA Single Family Underwriting Guide and equal to or less than the amounts set therein or herein. A family shall consist of all persons who will occupy the Housing which will be purchased with the proceeds of the Forward Commitment Mortgage Loan, plus any dependents not occupying such Housing but who are supported by a family member pursuant to a binding separation agreement or final divorce decree or other evidence approved by the Association. An Eligible Borrower must also, at the time of loan application, intend to reside in the State of Idaho and must, in fact, occupy the financed property as their Principal Residence within 30 days after closing the Mortgage loan. Except for those targeted counties listed in the IHFA Underwriting Guide, or as otherwise may be permitted by law, an Eligible Borrower shall not have owned a Principal Residence located within or without the State during a period of three years from the date he/she executes the Qualified Mortgage Loan documents, provided that he/she may have owned a mobile home located on a rented lot with a lease term of one (1) year or less. The Association may waive this ownership limitation for otherwise eligible borrowers on Mortgage Loans made to finance properties owned by the Association in non-targeted counties, provided that at no time shall the aggregate principal amount of such Mortgage Loans purchased under any issue of the Association" tax-exempt bonds exceed such amount as may be permitted under Section 143 of the Code. The foregoing requirements may not be required for mortgage loans funded from other than the proceeds of tax-exempt bonds.

“Forward Commitment Mortgage Loan” means a Qualified Mortgage Loan made by a Lending Institution to an Eligible Borrower in the State after the execution of a Mortgage Loan Purchase Agreement and pursuant to the terms thereof.

“Gross Income” shall mean the gross annual income from all sources and before taxes or withholding, as determined for Federal Income tax purposes, of the mortgagor (or mortgagors),

the spouse of a mortgagor or any other person who both lives in the Housing being financed and who is secondarily liable on the Mortgage Loan, all as more fully provided in the Single Family Underwriting Guide.

“Housing” means owner-occupied single family dwelling units in the State, including any buildings, land, improvements, equipment, facilities or other real or personal properties which are deemed by the Association to be necessary, convenient, ancillary or desirable in connection therewith and includes only those single family dwellings which are permanently affixed to real property.

“Lending Institution: (also referred to as Seller or Lender) means any bank or trust company; mortgage banker; savings bank; credit union; national banking association; insurance company; financial institution or governmental agency which customarily provides service or otherwise aids in the financing of mortgages located in the State; and is approved by the Association; is a Federal Housing Administration Direct Endorsement Lender and a Veterans Administration approved Automatic Lender; or an approved “Seller” under the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation programs.

“Loan-to-Value Ratio” means the ratio at the time of purchase of a Qualified Mortgage Loan by the Association of the outstanding principal amount of the Qualified Mortgage Loan to the Market Value.

“Market Value” means the lower of (a) appraised value as determined by a Qualified Appraiser (b) selling price of the mortgaged property or (c) the Acquisition Cost of the property.

“Mortgage” means a mortgage deed, deed of trust, or other instrument which shall constitute or create a first lien on real property held in fee simple.

“Mortgage Loan” means an interest-bearing obligation secured by a Mortgage.

“Mortgage Loan Purchase Agreement” means an agreement by and between the Association and a Lending Institution providing for the sale of an individual Qualified Mortgage Loan to the Association.

“Mortgage Loan Servicing Contract” means an agreement by and between the Association and a Lending Institution providing for the servicing of Qualified Mortgage Loans by a qualified Lending Institution.

“Principal Residence” means Housing which the Eligible Borrower intends to occupy as his primary and permanent residence within 30 days after receiving the Qualified Mortgage Loan which occupancy will continue without interruption of six (6) months or more and which is not reasonably expected to be used in a trade or business, as an investment property, or as a recreational home.

“US Department of Agriculture Rural Development” means the US Department of Agriculture Rural Development and all successors in interest thereto.

“Qualified Appraiser” means an appraiser of real estate approved by the Lending Institution and by the Federal Housing Administration or Veterans Administration, as applicable.

“Qualified Mortgage Loan” means a Mortgage Loan which is either insured or guaranteed pursuant to Qualified Mortgage Enabling Legislation and meets all of the requirements of these Regulations, the Single Family Underwriting Guide, the Act, the applicable requirements of the Code and all provisions of any applicable documents relating to bonds issued by the Association to finance the purchase of such mortgage loan.

“Qualified Mortgage Loan Enabling Legislation” means the National Housing Act of 1949, being Public Law 479, 73rd Congress, 48 Stat. 1246, 12 U.S.C. 1701 et seq., in the case of Mortgage Loans insured by the Federal Housing Administration; the Servicemen's Readjustment Act, being Title 38 of U.S.C., Section 1801 et seq., in the case of Mortgage Loans guaranteed by the Veterans Administration; or Title 42 of U.S.C., Section 1472 et seq., in the case of Mortgage Loans guaranteed by the US Department of Agriculture Rural Development.

“Qualified Private Mortgage Insurer” means a private mortgage insurance company, approved by the Association as having a credit rating sufficient to maintain the AA rating on the Association's bonds and to meet any other reasonable requirements of the Association.

“Reservation Procedures” means the online Reservation Procedures of the Association as amended from time to time which provide for the procedures under which Lenders will reserve Qualified Mortgage Loans for purchase and the Association will commit to purchase Qualified Mortgage Loans.

“Single Family Underwriting Guide” means the guide so designated which contains the terms and provisions for use by Lending Institutions in underwriting and originating Qualified Mortgage Loans, as amended from time to time by the Association.

“State” means the State of Idaho.

#### **Section 4: Program**

These Rules and Regulations are adopted to provide for the Association's program of purchasing Forward Commitment Mortgage Loans from Lending Institutions.

All Mortgage Loans purchased pursuant to this program shall be Qualified Mortgage Loans.

No Forward Commitment Mortgage Loan shall be purchased by the Association unless the Mortgage Loan is made to an Eligible Borrower secured by a Principal Residence located within the State.

Forward Commitment Mortgage Loans will have a final maturity date of not more than thirty (30) years from the first payment date or a shorter or longer term as may be required or permitted by the Association. It shall be a condition of all such Mortgage Loans that in the event the mortgaged property is sold or otherwise transferred, the outstanding principal plus accrued interest of such Mortgage Loan, subject to any applicable Federal Housing Administration, US Department of Agriculture Rural Development, Qualified Private Mortgage Insurer or Veterans

Administration requirements, shall be immediately due and payable unless such sale or transfer and the assumption of the Mortgage Loan meets the requirements of the Code and is approved in writing by the Association and the applicable insurer or guarantor.

Forward Commitment Mortgage Loans shall bear interest rates below the conventional interest rates on comparable mortgage loans at the time the Association sells its bonds to fund the making of such Mortgage Loans. The Association may permit parties other than the Borrower to buy down the interest rate on the mortgage loans in accordance with applicable FHA, VA, US Department of Agriculture Rural Development, and Conventional requirements.

Prior to the time of closing of the purchase of Qualified Mortgage Loans by the Association, the Lending Institution will execute a Mortgage Loan Purchase Agreement stating, among other things, that the Qualified Mortgage Loan would in all respects be a prudent investment (except with respect to the interest rate).

The Association may charge a Lender a commitment fee to assure the purchase of Qualified Mortgage Loans by the Association.

Forward Commitment Mortgage Loans shall be evidenced by Mortgages on forms prepared by or approved by the Association.

Qualified Mortgage Loans shall meet all the criteria set forth in the Single Family Underwriting Guide, including, but not limited to the following requirements:

Market Value of Housing. The Market Value, or if greater, the Acquisition Cost, of existing Housing to be financed by Forward Commitment Mortgage Loans shall not exceed the lesser of IRS limitations (if the loan is funded or to be funded from the proceeds of tax-exempt Association bonds) or the applicable single family FHA maximum mortgage limit for the county in which the Housing is located as may be further described in the Single Family Underwriting Guide. For newly constructed housing which has not been previously occupied, the Market Value, or if greater, the Acquisition Cost, shall not exceed the lesser of the IRS limitations (if the loan is funded or to be funded from the proceeds of tax-exempt IHFA bonds) or the applicable single family FHA maximum mortgage limit for the county in which the Housing is located as may be further described in the Single Family Underwriting Guide. applicable single family FHA maximum mortgage limit for the county in which the Housing is located.

With respect to Mortgage Loans for New Construction, the cost of the land shall be included in determining the market value for lending purposes in accordance with the provisions of the Single Family Underwriting Guide.

Prohibition Against Refinancing. The Association will not accept for purchase Mortgage Loans funded or to be funded from the proceeds of tax-exempt bonds, the purpose of which is to refinance an existing permanent mortgage loan which is secured by property where the title has previously been vested in the applicant's name (except for construction period financing or bridge loans or similar temporary initial financing, of not more than 24 months duration).

Prohibition Against Rental. The Housing shall not be rented by the Eligible Borrower, unless

otherwise approved in writing by the Association, provided that a room constituting less than 15% of the total area of the Housing may be rented to a member of the family of the Eligible Borrower. However, the amount of rent paid by the family member used to qualify the Borrower cannot exceed one-half (1/2) of the principal and interest portion of the monthly payment for the Qualified Mortgage Loan. The foregoing prohibitions against rental of properties may be waived by the Association, provided the following conditions are met:

A request for waiver is submitted to the Association in writing, indicating that the Eligible Borrower has been transferred to a different military service or employment location or has otherwise been required to move from the Housing. A Transfer to a different military service location must meet the following criteria:

- (i) The transfer must be involuntary
- (ii) The service person must intend to return to Idaho and use the Housing as his principal residence upon completion of his tour of duty or retirement, whichever occurs first.
- (iii) The service person must not attempt to sell the residence or intend to profit from the rental of the residence during his absence beyond reasonable amounts for maintenance, repair, taxes, insurance and similar expenses.
- (iv) The service person must not purchase housing at his new location unless rental housing is not reasonably available.
- (v) The service person must comply with all other applicable Association requirements. For military service transfers, the request for waiver must be accompanied by an Occupancy Waiver Form, affidavit of the service person verifying the requirements of 3) a. above and a copy of the service person's transfer orders. In all other cases, the request for waiver must be accompanied by (a) a copy of the real estate sales listing and (b) a letter from the listing real estate broker stating that the property has been reasonably priced to sell in the local market area or other evidence of the use of the property acceptable to the Association.

Except in the case of active military service transfer meeting the requirements of 3) a. above, the waiver shall extend for no more than six (6) months from the date the property is first vacated by the Eligible Borrower. For active military service transfers, the waiver may extend until the service person's return to Idaho.

**Prohibition Against Recreation or Trade or Business Use.** Housing shall not be used as a recreational home nor shall more than 15% of the total area of the Housing be used primarily in a trade or business.

**Principal Residence.** The Eligible Borrower must intend to use the Housing as his principal residence within 14 days after closing of the Mortgage loan of the Housing.

**Loan to Value Ratio.** The Loan to Value ratio of a Qualified Mortgage Loan, after deducting any mortgage loan insurance or guarantee, shall be less than 80% or as otherwise provided in the

Single Family Underwriting Guide.

The Housing and the Mortgage Loan shall meet all requirements set forth in the Single Family Underwriting Guide.

### **Section 5: Private Mortgage Insurance**

Any Mortgage Loan purchased by the Association which is to be insured by a private mortgage insurer, must be insured by a Qualified Private Mortgage Insurer and must meet all applicable requirements of such Qualified Private Mortgage Insurer and all applicable requirements of the Single Family Underwriting Guide.

### **Section 6: Procedure**

The Association shall execute Mortgage Loan Purchase Agreements with Lending Institutions that the Association has determined to be qualified under its single-family mortgage purchase program.

The Association shall, in accordance with its Reservation Procedures, provide for the making and acceptance of reservations for Qualified Mortgage Loans all as may be further provided in the Single Family Underwriting Guide.

### **Section 7: Allocation**

To the extent that the amount of funds requested by all interested Lending Institutions exceeds the amount of the funds available there for, the Association, in making commitments of funds to Lending Institutions, may take into consideration the need for Mortgage Loans in the proposed geographical area to support the public purpose stated in the Act, the capabilities of the Lending Institution to act as a servicer and originator and its past lending activities in the State.

### **Section 8: Interest Rate And Other Terms Of Mortgage Loans**

Qualified Mortgage Loans shall bear interest at a rate which shall produce a yield on the Mortgage Loans which shall not be greater than the maximum permitted under applicable provisions of the Internal Revenue Code and applicable Internal Revenue Service Regulations. In no event shall such rate of interest for the Mortgage Loans exceed any maximum rate of interest specified in the Mortgage Loan Purchase Agreement or as otherwise provided for by law. Other terms of the Qualified Mortgage Loans shall comply with the Mortgage Loan Purchase Agreement, the Act, the Code, and the provisions of any contract with holders of outstanding bonds of the Association. The Association has determined that the Qualified Mortgage Loans are not otherwise being made by private mortgage lenders upon reasonably equivalent terms and conditions.

### **Section 9: Association Review And Underwriting Standards**

The Association hereby establishes and approves certain criteria, set forth in its Single Family Underwriting Guide for use by Lending Institutions in processing and originating Qualified

Mortgage Loans, which criteria may be amended from time to time and shall be maintained on file at the Association and available upon request of interested parties.

### **Section 10: Additional Requirements**

The Association may require Lending Institutions participating in the Association's single family mortgage loan program to provide the Association with such further material and information as the Association may from time to time require and to comply with such additional rules and regulations as the Association may adopt in order to assist the Association in carrying out its powers and duties under the Act or the Code.

### **Schedule I: Program Income Limits**

For mortgage loans funded from the proceeds of tax-exempt bonds of the Association, gross income for Eligible Borrowers under the Association's Single Family Program shall not exceed 100% of the greater of the statewide or area median income for families of 1 or 2 persons and 115% of the greater of statewide or area (County) median income for families of 3 or more as determined by the Internal Revenue Service pursuant to Section 143 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). For targeted counties (as listed in the Single Family Underwriting Guide) the gross income for Eligible Borrower shall not exceed 120% of the greater of statewide or area (County) median income for families of 1 or 2 persons and 140% of the greater of statewide or area (County) median income for families of 3 or more and certain other limitations of the Code. The Association's Single Family Program income limits shall be automatically adjusted to the same extent that the federal income limitations under Section 143 of the Code are adjusted or revised. For Mortgage Loans funded from other than the proceeds of tax-exempt bonds, the gross income limits for qualified borrowers shall be determined as provided in Resolution No.22-5-4 of the Association, dated May 20, 2022.

View current income limits for all programs here:

<https://www.idahohousing.com/documents/borrower-income-limits.pdf>