TITLE 47: HOUSING AND COMMUNITY DEVELOPMENT
CHAPTER II: ILLINOIS HOUSING DEVELOPMENT AUTHORITY

PART 260
HOMEOWNER MORTGAGE REVENUE BOND PROGRAM

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AUTHORITY: Authorized by Sections 7.19 and 7.23 of the Illinois Housing Development Act [20 ILCS 3805/7.19 and 7.23].


SUBPART A: GENERAL RULES

Section 260.103 Definitions

As used in this Part, the following words or terms mean:

"Act": The Illinois Housing Development Act [20 ILCS 3805].

"Allocation": The amount of funds reserved to a Lender in a Series Program pursuant to a Lender Application and a Notice of Acceptance.

"Assistant Director": The Assistant Director of the Authority.

"Authority": The Illinois Housing Development Authority.

"Bonds": The Homeowner Mortgage Revenue Bonds issued by the Authority pursuant to the Act from time to time to finance the Program.

"Code": The Internal Revenue Code of 1986, as amended and supplemented, and the regulations promulgated by the Treasury Department thereunder.
"Commitment Fee": The fee that the Authority may require a prospective HomeBuilder to pay to the Authority at the time it files its HomeBuilder Application.

"Deputy Director": The Deputy Director of the Authority.

"Director": The Director of the Authority.

"Eligible Borrower": A person:

who is or will be a resident of the State within sixty days after the closing of his purchase of a Qualified Dwelling;

whose Household Income does not exceed the Maximum Income;

who intends to use the Qualified Dwelling being financed by a Mortgage Loan as his permanent residence within 60 days after the closing of the Mortgage Loan;

who occupies or intends to occupy as a single household the Qualified Dwelling purchased or being purchased as a permanent residence; and

who at no time during the 3-year period ending on the date of closing of the Mortgage Loan had a present ownership interest in his principal residence.

An Eligible Borrower who purchases a Targeted Area Residence or a Qualified Rehabilitation Residence, or who qualifies under any other provision of the Code, is exempt from the 3-year requirement of this definition. For purposes of this definition, the Eligible Borrower's interest in the Qualified Dwelling financed under this Program shall not be taken into account.

A residence that is used as an investment property or a recreational home, or that is primarily intended to be used in a trade or business (including, without limitation, any residence of which more that 15% of the total area is reasonably expected to be used primarily in a trade or business), does not satisfy the requirements of this subparagraph.

"FHA": The Federal Housing Administration.

"FHLMC": The Federal Home Loan Mortgage Corporation.

"FmHA": The Farmer's Home Administration.

"HomeBuilder": An individual or entity approved by the Authority that:

for the 12-month period preceding the date of its HomeBuilder Application for participation in a Series Program had insurance coverage for product liability, worker's compensation and builder's risk;

and had constructed at least two buildings in that same 12-month period or, in the alternative, had constructed at least four buildings in the 24-month period preceding the date of its HomeBuilder Application for participation in a Series Program.

"HomeBuilder Application": A prospective HomeBuilder's application to construct Qualified Dwellings for sale to Eligible Borrowers pursuant to the terms of a HomeBuilder Participation Agreement and other Program documents.

"HomeBuilder Participation Agreement": The agreement between the Authority and a HomeBuilder pursuant to which the HomeBuilder agrees to construct new Qualified Dwellings for purchase by Eligible Borrowers, and the Authority agrees to purchase Mortgage Loans financing such newly constructed Qualified Dwellings, under the terms and conditions set forth therein.

"Household Income": The total annualized gross income of the Eligible Borrowers, and any other person who is expected to live in the Qualified Dwelling and be secondarily liable on the Note, all persons residing or intending to reside as a single household in a Qualified Dwelling, from whatever source derived and before taxes or withholdings; provided that if a married person takes title to the Qualified Dwelling individually the income of the spouse shall also be included.

"Lender": A State-chartered bank, national banking association, mortgage banking association or institution, credit union, or State or federal savings and loan association:

that is located and qualified to do business in the State;

that is qualified to sell mortgages to FNMA and/or FHLMC (this requirement may be waived by the Director after determination that the assets of the Lender exceed $500,000, that the percentage of mortgage delinquencies in the Lender’s single family portfolio do not exceed 2.15 times the Statewide average as determined by the last quarterly pronouncement by the United States Federal Home Loan Bank Board and that the Lender has an asset-to-liability ratio of at least 1.01/1);

the deposits of which are insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration, or which
deposits its funds in Illinois financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation; and whose Lender Application has been accepted by the Director, Deputy Director or Assistant Director based upon the satisfaction of the requirements of the Series Program under which the Lender has submitted such Lender Application and a determination of financial suitability after consideration of the net assets, lending capacity, and experience of the potential Lender over the past 12 months in residential mortgage lending. The Authority may also be a Lender.

"Lender Application": A prospective Lender's application to sell Mortgage Loans to the Authority pursuant to the terms of a Mortgage Purchase Agreement and other Series Program documents.

"Maximum Income": Unless otherwise permitted by the Code, 115% of the median family income of either the metropolitan statistical area or primary metropolitan statistical area in which the Qualified Dwelling is located or the State, whichever is greater, as determined by the Internal Revenue Service.

"Members": The Members of the Authority.

"Mortgage": The mortgage, or other instrument in the nature of a mortgage, creating a first mortgage lien on a fee interest in real estate, together with all supplements, modifications or amendments to it.

"Mortgage Loan": A loan made by a Lender to an Eligible Borrower for the purchase of a Qualified Dwelling and secured by a Mortgage on such Qualified Dwelling. No Mortgage Loan shall be a replacement or refinancing of an existing mortgage loan except in the case of a Qualified Rehabilitation Loan or other temporary loans, as permitted by Section 143 of the Code.

"Mortgage Purchase Agreement": The agreement between the Authority and a Lender pursuant to which the Authority agrees to purchase Mortgage Loans from the Lender on the terms and conditions set forth therein and which establishes the requirements for Mortgage Loans to be purchased by the Authority.

"Net Proceeds": With respect to the proceeds of each series of Bonds, all moneys made available by the Authority for the purchase of Mortgage Loans.

"Notice of Acceptance": The Authority's notice to a Lender accepting its Lender Application.

"Notice of Reservation of Funds": The Authority's notice to a HomeBuilder accepting its Homebuilder Application and setting forth the amount of the HomeBuilder's Reservation.
"Part":  This Part 260.

"Prepayment":  Any moneys, however derived, that are received or recovered by the Authority from any payment of, or with respect to, principal on any Mortgage Loan prior to scheduled payments of principal required under such Mortgage Loan.

"Private Mortgage Insurance":  Insurance coverage paid for by the Eligible Borrower that insures the Authority against losses with respect to defaults on a Mortgage Loan according to the terms of the insurance policy. The Authority may provide Private Mortgage Insurance or its equivalent.

"Program":  The Authority's single family mortgage purchase program that is funded with proceeds of Bonds issued after the date of the adoption of the Resolution.

"Property Value":  The lesser of the purchase price or the appraised value of the Qualified Dwelling at the time of the origination of the Mortgage Loan secured by such Qualified Dwelling.

"Qualified Dwelling":  A fee simple interest in real property:

that is located in the State;

upon which there is located a structure or structures designed for residential use;

that is a single family residence; a condominium unit meeting the requirements of the Mortgage Purchase Agreement; a one-, two-, three- or four-unit structure meeting the requirements of the Code; or factory-made housing that is permanently fixed to real property;

of which not more than 15% of the total area is reasonably expected to be used primarily in a trade or business; and

that can reasonably be expected to become the principal residence of the Eligible Borrower within a reasonable time after financing is provided. For purposes of this subparagraph, a "reasonable time after financing is provided" shall be deemed to be a period within 60 days after closing of the Mortgage Loan. This period may be extended if the Authority determines that undue hardship to the Eligible Borrower or Lender or an unreasonable result will otherwise occur.

"Qualified Rehabilitation Loan":  A Mortgage Loan for the purchase of a Qualified Rehabilitation Residence. An Eligible Borrower for a Qualified Rehabilitation Loan must be the first resident of the Qualified Rehabilitation
Residence after the completion of the rehabilitation.

"Qualified Rehabilitation Residence": A qualified Dwelling for which there has been a qualified rehabilitation, as defined in Section 143 of the Code.

"Reservation": The amount of funds reserved to a Homebuilder in a Series Program pursuant to a HomeBuilder Application and a Notice of Reservation of Funds.

"Resolution": The Authority's Homeowner Mortgage Revenue Bonds General Resolution setting forth the general terms and conditions under which the Authority may issue, deliver and sell Bonds.

"Rules": The rules of the Authority, as amended and supplemented from time to time.

"Series Program": A mortgage purchase program authorized by a Series Resolution to become a part of the Program.

"Series Resolution": A resolution issued pursuant to the Resolution authorizing the Authority to conduct a Series Program and to issue Bonds to provide financing for the purchase of Mortgage Loans under such Series Program.

"Servicer": A Lender, or its designated servicer, that has been approved by the Director, Deputy Director or Assistant Director as a Servicer and that has executed a Servicing Agreement with the Authority. The Authority may also be a Servicer. A designated servicer other than the Authority must be:

   a State-chartered bank, national banking association, mortgage banking association or institution, credit union or State or federal savings and loan association;

   that is qualified to do business in the State;

   that is qualified to sell mortgages to FNMA and/or FHLMC, unless such requirement is waived by the Director based upon a determination of financial suitability made by the Director after consideration of the net assets, servicing capacity, and experience of the potential Servicer over the past 12 months in residential mortgage servicing; and

   the deposits of which are insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration, or that deposits its funds in Illinois financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation.

"Servicing Agreement": The agreement between a Servicer and the Authority
(except when the Authority is the Servicer) that sets forth the terms and conditions for the servicing of Mortgage Loans purchased by the Authority.

"Special Hazard Insurance": Insurance that provides protection with respect to loss on properties acquired in connection with the foreclosure of a defaulted Mortgage Loan by reason of damage to properties caused by certain hazards (including earthquakes, and to a limited extent, tidal waves and related water damage) not insured against under a standard hazard insurance policy required to be obtained by each Eligible Borrower, or a flood insurance policy if the property is in a federally designated flood area. The Authority may provide Special Hazard Insurance or its equivalent.

"Staff": The Director, Deputy Director, Assistant Director and employees of the Authority.

"State": The State of Illinois.

"Supplemental Mortgage Coverage": The coverage, if required by a Series Resolution, whether in the form of insurance, a letter of credit, a guarantee, pledged funds or other forms of coverage, of losses incurred from Mortgage Loan defaults under that Series Program. Supplemental Mortgage Coverage may supplement other mortgage insurance and may include any insurance or reserve fund funded by the Authority.

"VA": The United States Department of Veterans Affairs.

Section 260.104 Borrowing by the Authority

To the extent allowed by State or federal law and the Act, the Authority may borrow funds with which to purchase Mortgage Loans under the Program.

Section 260.105 Compliance with Federal Law

Notwithstanding anything in this Part to the contrary, this Part shall be construed in conformity and compliance with applicable federal law, including, without limit, Section 143 of the Code.

Section 260.106 Standards

In administering the Program, the Authority and the Staff, in those instances permitting the exercise of discretion, shall consider, in addition to the criteria specifically set forth in this Part, the following factors:

a) the purpose of the Program;

b) the financial condition and previous lending experience of potential and participating Lenders and Servicers;
c) the Authority's ability to purchase or redeem the Bonds and to comply with the requirements of the Resolution and applicable Series Resolutions;

d) the financial integrity of the Program;

e) the desirability of achieving a reasonable geographic distribution of Net Proceeds throughout the State; and

f) the standards of the prudent lender or investor.

Section 260.107 Forms for the Program

The Staff may prepare, use, supplement, and amend such forms, agreements, and other documentation as may be necessary to implement the Program, including, without limitation, a HomeBuilder Application, a Lender Application, a Notice of Acceptance, a Notice of Reservation of Funds, a Mortgage Purchase Agreement and a Servicing Agreement, all as may be prescribed by the Director, Deputy Director or Assistant Director.

Section 260.108 Fees and Charges of the Authority

The Authority may establish and collect a Commitment Fee from each HomeBuilder submitting a HomeBuilder Application in an amount not greater than three percent (3%) of the HomeBuilder Reservation in such amount as the Authority may deem appropriate. The Authority shall return any Commitment Fee to any HomeBuilder with which it does not enter into a HomeBuilder Participation Agreement. The Authority may establish such other charges, premiums and penalties as it may deem necessary to administer the Program after consideration of such factors as, including but not limited to, financing requirements of the Program, preferences of bond rating agencies, earnings and arbitrage limitations established by federal or State law and other financial factors relevant to the Program.

Section 260.109 Waiver (Repealed)

Section 260.110 Amendment

This Part may be amended or repealed by the Members from time to time in accordance with the Illinois Administrative Procedure Act and in such manner as they may determine consistent with the Act, the purposes of the Program and other applicable provisions of law. This Part shall not constitute or create any contractual rights.

Section 260.111 Severability

If any clause, sentence, subsection, Section or Subpart of this Part shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, subsection, Section, and Subpart thereof as to which such judgment is rendered.
Section 260.112  Gender and Number

All terms used in any one gender or number shall be construed to include any other gender or number as the context may require.

Section 260.113  Titles and Captions

Titles and captions of Subparts, Sections, and subsections are used for convenience and reference and are not a part of the text.

Section 260.114  Calendar Days

Days shall mean calendar days. Due dates falling on a Saturday, Sunday or legal State or federal holiday shall be deemed to fall on the next calendar day that is not Saturday, Sunday, or a legal State or federal holiday.

SUBPART B: LENDER APPLICATION PROCESS

Section 260.201 Invitations to Sell Mortgage Loans

From time to time the Authority may send application materials to potential Lenders inviting them to submit to the Authority Lender Applications to participate in a Series Program. Lenders wishing to participate in such Series Program shall execute and return to the Authority the following documents: the Lender Application, the Mortgage Purchase Agreement (if not already executed), and the Servicing Agreement (if applicable and if not already executed). In addition, the Lender Application shall contain, but not be limited to, the following:

a) The unconditional agreement of the prospective Lender, effective upon acceptance of the Lender Application by the Authority, to sell to the Authority Mortgage Loans that comply with the terms of the Lender Application, the Mortgage Purchase Agreement and the Notice of Acceptance;

b) The date by which the Lender Application must be submitted to the Authority to be considered for an Allocation;

c) Provision for the prospective Lender to furnish such financial and other information as the Authority may reasonably require;

d) A pro forma copy of any letter of credit the Authority may require as security for the Lender's performance of its obligations under the Series Program; and

e) A statement of the maximum amount of fees and charges the Lender may charge a prospective Eligible Borrower in connection with a Mortgage Loan.

Section 260.202 Security for Allocation of Net Proceeds
The Authority may require all prospective Lenders for a Series program to deposit, as part of their Lender Applications and as security for performance of their obligations under such Series Program, a letter of credit or cash deposit in an amount not to exceed 2% of such Lender's Allocation. The cash deposit or letter of credit shall be returned if the Lender does not participate in such Series Program. If the Lender does participate in such Series Program, the Authority may retain from the cash deposit, or draw on the letter of credit, as the case may be, an amount proportionate to the amount of the Lender's unused Allocation as of the termination of that Series Program.

Section 260.203 Allocation of Net Proceeds for Purchase of Mortgage Loans

The Authority may allocate Net Proceeds among prospective Lenders from which it has received timely Lender Applications. In making such Allocations, the Authority shall consider with respect to each prospective Lender, among other things, the financial condition of the prospective Lender; the aggregate amount of residential mortgage loans made in the State by the prospective Lender during the preceding 12-month period relative to the demand for such loans and the funds available to the prospective Lender to make such loans during such period; the Allocations requested by all prospective Lenders; the ability of the prospective Lender to act as a Servicer of Mortgage Loans; previous participation by the prospective Lender in the Authority's Series Programs; the desirability of achieving a reasonable geographic distribution of Net Proceeds throughout the State; and the existence of any local governmental mortgage purchase program. The Authority shall use its best efforts to allocate Net Proceeds to achieve the purposes set forth in Section 260.102 of this Part. Allocations of Net Proceeds by the Authority shall be conclusive, subject to adjustments permitted in Section 260.403(b) of this Part.

Section 260.204 Notice of Acceptance

The Authority, by Notice of Acceptance, may commit itself, subject to the conditions set forth in the Lender Application and the Mortgage Purchase Agreement, to purchase Mortgage Loans, as offered by a potential Lender in its Lender Application. Immediately after the Authority has issued its Notice of Acceptance to the Lender, the Authority shall execute a Mortgage Purchase Agreement (if not previously executed) with such Lender. The aggregate principal amount of Mortgage Loans that the Authority agrees to purchase from any Lender shall not exceed, and may be less than, the Lender's requested Allocation in its Lender Application. Upon receipt of the Notice of Acceptance, the Lender shall be obligated to originate Mortgage Loans in accordance with the terms of the Lender Application, the Notice of Acceptance and the Mortgage Purchase Agreement. The obligation of the Authority to purchase any Mortgage Loan shall be subject to the issuance and sale of Bonds by the date set forth in the Lender Application in an amount sufficient to permit such purchase.

Section 260.205 Commitments for Mortgage Loans

Upon receipt of the Notice of Acceptance, the Lender shall issue commitments to Eligible Borrowers to make Mortgage Loans. The Lender may continue to issue firm commitments for
the period set forth in the Notice of Acceptance. All Mortgage Loans shall be purchased by the Authority by the date indicated in the Notice of Acceptance.

Section 260.301 HomeBuilder Invitations

From time to time, the Authority may send application materials to potential Homebuilders inviting them to submit to the Authority HomeBuilder Applications to participate in a Series Program. Homebuilders wishing to participate in that Series Program shall execute and return to the Authority the HomeBuilder Application and HomeBuilder Participation Agreement. In addition, the HomeBuilder Application shall contain among other things, the following:

a) A requirement that the HomeBuilder state the amount of funds that it wishes to reserve in its name for the financing of Qualified Dwellings constructed or to be constructed by such HomeBuilder in the Series Program;

b) The unconditional agreement of the prospective HomeBuilder, effective upon acceptance of the HomeBuilder Application by the Authority, to construct Qualified Dwellings for sale to Eligible Borrowers that comply with the terms of the Notice of Reservation of Funds and the HomeBuilder Participation Agreement;

c) The date by which the HomeBuilder Application must be submitted to the Authority;

d) Provision for the prospective HomeBuilder to provide such information about the HomeBuilder's construction activities during the period of 24 months prior to the date of its HomeBuilder Application and such other information as the Authority may reasonably require; and

e) A statement of the amount of any required Commitment Fee and requirement that such Commitment Fee be submitted in connection with the HomeBuilder Application.

Section 260.302 Reservation of Funds for Construction of Qualified Dwellings

The Authority may make Reservations for prospective HomeBuilders from which the Authority has received timely HomeBuilder Applications and Commitment Fees (if required). In making such Reservations, the Authority shall consider with respect to each such prospective HomeBuilder the number of residential homes and other structures constructed by the HomeBuilder in the State within the 24 month period prior to its HomeBuilder Application; the Reservations requested by all prospective HomeBuilders for the Series Program; the participation of the HomeBuilder in the Authority's previous Series Programs; and the desirability of achieving a reasonable geographic distribution of Net Proceeds for newly-constructed residences throughout the State. Reservations shall be conclusive, subject to the adjustments permitted in Section 260.305 of this Part.
Section 260.303 Notice of Reservation of Funds

The Authority may commit itself by Notice of Reservation of Funds, subject to the terms and conditions set forth in the HomeBuilder Application and the HomeBuilder Participation Agreement, to make a Reservation for a prospective HomeBuilder for the financing of Qualified Dwellings constructed or to be constructed for Eligible Borrowers under a Series Program. Contemporaneously with the issuance of the Notice of Reservation of Funds to the HomeBuilder, the Authority shall execute a HomeBuilder Participation Agreement with that HomeBuilder. The amount of the Reservation for the HomeBuilder shall not exceed, and may be less than, such HomeBuilder's requested Reservation in its HomeBuilder Application. Upon receipt of the Notice of Reservation of Funds, the HomeBuilder shall be obligated to construct Qualified Dwellings in accordance with the terms of the HomeBuilder Application and the HomeBuilder Participation Agreement. The obligation of the Authority to make Reservations to HomeBuilders shall be subject to the issuance and sale of Bonds by the date set forth in the HomeBuilder Application in an amount sufficient to permit such Reservations.

Section 260.304 Real Estate Purchase Contracts

Upon receipt of the Notice of Reservation of Funds, the HomeBuilder shall construct Qualified Dwellings for sale to Eligible Borrowers. The HomeBuilder shall enter into standard residential purchase contracts with prospective Eligible Borrowers and refer such Eligible Borrowers to Lenders participating in the Series Program to obtain Mortgage Loans in connection with the purchase of Qualified Dwellings. All Qualified Dwellings shall be constructed and sold to Eligible Borrowers by the date indicated in the HomeBuilder Participation Agreement.

Section 260.305 Transfer of Reserved Funds

If a HomeBuilder fails or is unable to construct and sell Qualified Dwellings in the amount of its Reservation on the terms and conditions, and within the time period, set forth in the HomeBuilder Participation Agreement, the Authority may, at the request of the HomeBuilder, reallocate all or a part of the unused portion of the HomeBuilder's Reservation to other HomeBuilders; redeem all or part of the Bonds issued with respect to such unused portion of the Reservation, but only if permitted by the Series Resolution authorizing the issuance of the Bonds; or undertake a combination of the above.
SUBPART D: PURCHASE OF MORTGAGE LOANS

Section 260.401 Mortgage Loans
Each Mortgage Loan to be purchased under the Program shall comply with the terms of the Lender Application, the HomeBuilder Application (if applicable), the Notice of Acceptance and the Mortgage Purchase Agreement and shall specifically comply with the following requirements, among others:

a) The original principal amount of each Mortgage Loan, unless such Mortgage Loan is the subject of insurance or guaranty by the FHA, the VA or the FmHA, shall not exceed 100% of the Property Value. Each Mortgage Loan that has a loan-to-Property Value ratio in excess of 80% at the time of origination shall:

1) be insured by a private mortgage insurer licensed to do business in the State and qualified to insure single family mortgages purchased by the FHLMC or successor federal agency to the extent, if any, required, so that the uninsured portion of such Mortgage Loan shall not exceed 75% of the Property Value; or

2) be subject to insurance or guaranty by the FHA or the VA or any other agency or instrumentality of the United States of America having similar powers to insure or guarantee mortgage loans.

b) Each Mortgage Loan to be purchased by the Authority shall be secured by a Mortgage on a Qualified Dwelling and shall also meet the applicable terms and conditions set forth in this Part, the HomeBuilder Application (if applicable), the Lender Application, the Notice of Acceptance and the Mortgage Purchase Agreement. Lenders shall sell to the Authority, and the Authority shall purchase, only Mortgage Loans made to Eligible Borrowers.

c) Each Mortgage securing a Mortgage Loan to be purchased by the Authority shall:

1) be executed on a form approved by the Authority;
2) be a valid first mortgage lien on a Qualified Dwelling;
3) be consistent with Illinois law; and
4) conform with the requirements prescribed by the Authority and any applicable insurer.

d) Each Mortgage Loan to be purchased by the Authority shall be non-assumable and non-assignable, unless otherwise required by applicable State or federal law, and shall contain a provision giving the Authority the right to accelerate the maturity of the Mortgage Loan upon sale or lease of the Qualified Dwelling.

e) The purchase price of each Qualified Dwelling that is the subject of a Mortgage Loan to be purchased by the Authority under the Program shall not exceed 90% of
the average area purchase price applicable to the areas in which such Qualified Dwelling is located (except that in the case of Targeted Area Residences the purchase price shall not exceed 110% of the average area purchase price), except to the extent permitted by the Code. Average area purchase price shall be established pursuant to procedures prescribed by the Code.

f) The Authority shall not purchase any Mortgage Loan if, on the date of purchase, the obligor of the Mortgage Loan is delinquent in the payment of any installment of principal, interest or other amounts due under the terms of such Mortgage Loan.

g) The Authority may foreclose Mortgages held as security for Mortgage Loans purchased under this Part that are in default according to their terms, or reassign such Mortgages to the Lender in accordance with the terms of the Mortgage Purchase Agreement. The Authority may take title in its name upon foreclosure and to subsequently convey title to such property to any qualified insurer of the mortgage or any bona fide purchaser of the property.

Section 260.402 Yield on Mortgage Loans

In no event shall the yield on Mortgage Loans sold to the Authority exceed the maximum permitted by application of the provisions of Section 143 of the Code.

Section 260.403 Terms and Conditions of the Purchase of Mortgage Loans

a) The Authority shall purchase Mortgage Loans on the terms and conditions and in the manner prescribed in the Mortgage Purchase Agreement. The Mortgage Purchase Agreement shall contain such warranties of the Lender in connection with the Mortgage Loans to be sold thereunder as the Authority shall require, which shall include, among others, the following:

1) The mortgagor is an Eligible Borrower;

2) The purchase price of the Qualified Dwelling subject to the Mortgage Loan does not exceed any maximum purchase price limitations established by the Authority;

3) The Mortgage Loan is evidenced by a properly executed promissory note made payable or assigned to the order of the Lender, endorsed by the Lender to the Authority and secured by a Mortgage on the Qualified Dwelling; both the note and the Mortgage are the legal, valid, and binding obligations of the makers and mortgagors thereof and are enforceable in accordance with their terms, except only as such enforcement may be limited by laws affecting the enforcement of creditors' rights generally, and all parties to each Mortgage Loan had full legal capacity to execute all Mortgage Loan documents at the time of execution;
4) The Mortgage, the Uniform Commercial Code Form 1 and Form 2 financing statements, if any, and any other document required to be filed in a public office to perfect the mortgage lien against third parties have been duly and timely filed, registered, or recorded by the Lender in the proper public office in order to give constructive notice of them to all subsequent purchasers or encumbrancers;

5) The Lender, being the sole owner and holder of the Mortgage Loan, has full right to sell and assign the Mortgage Loan to the Authority and such assignment conveys a good and marketable mortgagee's title to the Authority free and clear of all liens and encumbrances and subject only to real property taxes and assessments not yet due and encumbrances customarily accepted in accordance with applicable title standards and disclosed to the Authority prior to purchase of the Mortgage Loan;

6) The Mortgage creates a valid and existing first mortgage lien on the Qualified Dwelling to secure the Mortgage Loan; the term "first mortgage lien" means such classes of first liens as are commonly given to secure loans on real estate under the laws of the State;

7) The Lender has not modified in any respect, has not satisfied, canceled, subordinated, or compromised in whole or in part the Mortgage Loan indebtedness and has not released the mortgaged property in whole or in part from the lien of the indebtedness evidenced by the note and secured by the Mortgage; and the terms, covenants, and conditions of the note evidencing the Mortgage Loan and the Mortgage securing the Mortgage Loan have not been waived, altered, or modified in any respect that would materially affect the validity or enforceability of the Mortgage Loan or the security of the lien of the Mortgage;

8) The real property securing the Mortgage Loan is a Qualified Dwelling;

9) The Qualified Dwelling is covered by a valid and existing policy of hazard insurance meeting the requirements of the Authority;

10) The Lender has complied as follows:

A) as to each FHA-insured Mortgage Loan, with the National Housing Act (12 U.S.C. Section 1701 et seq.) as amended and supplemented, all rules and regulations issued thereunder and all administrative publications. The FHA insurance shall be in full force and effect and, upon purchase by the Authority of the Mortgage Loan, shall inure to the benefit of the Authority;
B) as to each Mortgage Loan guaranteed by the VA or FmHA, with the Servicemen's Readjustment Act (38 U.S.C. Section 1803 et seq.), the Consolidated Farm and Rural Development Act (7 U.S.C. Section 1921 et seq.), Title V of the Housing Act of 1949 (42 U.S.C. Sections 1471-1482) or other applicable federal law, as amended and supplemented, all rules and regulations issued thereunder and all administrative publications. Any such guaranty shall be in full force and effect and, upon purchase by the Authority of the Mortgage Loan, shall inure to the benefit of the Authority; and

C) as to each Mortgage Loan insured by a private mortgage insurance company, with all rules and requirements of such company. Any such insurance shall be in full force and effect and, upon purchase by the Authority of the Mortgage Loan, shall inure to the benefit of the Authority;

11) The Mortgage Loan is covered by a fully paid mortgagee's title insurance policy in such form as the Authority may require; and

12) To the best of Lender's information, knowledge and belief, no condition exists that would prohibit the purchase of the Mortgage Loan by the Authority under all applicable rules, regulations and contractual provisions.

b) If a Lender fails to deliver Mortgage Loans to the Authority in the amount, on the terms and conditions, and within the time period set forth in the Mortgage Purchase Agreement, the Authority may, if it so chooses and in its sole discretion, reallocate all or part of the unused portion of that Lender's Allocation to other Lenders; redeem all or part of the applicable Bonds issued with respect to such unused portion of the commitment, but only if permitted by the Series Resolution of the Authority authorizing issuance of the Bonds; or undertake a combination of the above. The Mortgage Purchase Agreement may provide for liquidated damages, extension fees, and forfeiture of all or a part of any letter of credit or cash deposit deposited with the Authority by the Lender if the Authority makes any reallocation pursuant to this subsection.

c) The Mortgage Purchase Agreement shall provide that the Authority shall have the right to require the Lender to repurchase Mortgage Loans sold to the Authority by the Lender if the Director, Deputy Director or Assistant Director determines that the Lender has failed to comply with the requirements of either this Part or its contracts and agreements with the Authority under the Program.

Section 260.404 Prepayment

The Authority shall apply any Prepayment it receives as follows:
a) to the purchase of additional Mortgage Loans in accordance with the requirements of the Program;

b) to the purchase or redemption of Bonds, subject in each case to the requirements of the Series Resolutions relating to the issuance of its Bonds; or
c) for other corporate purposes of the Authority, to the extent permitted by the Resolution.

Section 260.405 Targeted Area Residences

The Authority shall comply with the requirements of Section 143 of the Code in connection with the purchase of Mortgage Loans on Targeted Area Residences.

Section 260.406 Supplemental Mortgage Coverage

If required by the applicable Series Resolution, the Authority shall obtain Supplemental Mortgage Coverage for a Series Program in an amount not less than that percentage of the original aggregate principal amount of the Mortgage Loans authorized by such Series Resolution. Such Supplemental Mortgage Coverage shall insure the Authority against losses arising from an event of default under any Mortgage Loan covered by the policy in an amount equal to the unpaid principal balance of, and accrued interest on, the Mortgage Loan and customary fees and expenses paid by the Authority to preserve and protect the mortgaged premises and to foreclose or otherwise dispose of such premises, such as real estate taxes, hazard and private insurance premiums and foreclosure expenses, less the amount received by the Authority under any other insurance policy on the Mortgage Loan or from disposition of such premises or substantially similar benefits.

Section 260.407 Special Hazard Insurance

If required by the applicable Series Resolution, the Authority shall obtain Special Hazard Insurance for a Series Program in the amount required by that Series Resolution.

SUBPART E: ADMINISTRATIVE RULES

Section 260.501 Restrictions on Return Realized by Lenders

The Authority shall establish the maximum income that may be realized by any Lender and by any agent of any Lender from Mortgage Loans, including any fees, premiums, bonuses, points charged by the Lender or the Lender's agent in connection with the making of Mortgage Loans. Such maximum income shall be set at such amounts as the Authority finds reasonably necessary to induce participation in the Program by Lenders in order to accomplish the purposes of the Act, or to ensure compliance with arbitrage and income limitations of Section 143 of the Code.

Section 260.502 Servicing of Mortgage Loans
The Authority shall cause all Mortgage Loans purchased by the Authority to be serviced by a Servicer pursuant to the Servicing Agreement. Such Servicer may be the Authority or the Lender from which such Mortgage Loans are purchased.

Section 260.503 Purchase of Authority Bonds

No Lender or Eligible Borrower, including any "related person," as defined in Section 144(a)(3) of the Code, pursuant to any arrangement, formal or informal, direct or indirect, shall agree to purchase the Bonds or other obligations of the Authority in an amount related to the aggregate principal amount of the Mortgage Loans to be sold by or made to such Lender, Eligible Borrower or related person.

Section 260.504 Equal Opportunity Lending

In making Mortgage Loans, the Lender shall not deny such Mortgage Loans to any person or persons or discriminate against such person or persons in fixing the amount, interest rate, duration, or other terms and conditions of such loans on account of race, color, religion, age, sex, marital status, family status, handicap, ancestry, national origin or unfavorable military discharge; and shall otherwise be subject to all State and federal requirements with respect to non-discrimination in lending including, without limitation, Title VI of the U.S. Civil Rights Act of 1964 (42 U.S.C. Section 2000 et seq.), Title VIII of the U.S. Civil Rights Act of 1968 (42 U.S.C. Section 3604 et seq.), as amended by the Housing and Community Development Act of 1974 (42 U.S.C. Section 5301 et seq.), the Equal Credit Opportunity Act (15 U.S.C. Sections 1691-1691F), the Fair Credit Reporting Act (15 U.S.C. Sections 1681-1681t), the Fair Housing Act (42 U.S.C. 3601-20), the Illinois Human Rights Act [775 ILCS 5] and Section 13 of the Act.

Section 260.505 Inspection of Books and Records

Upon prior written notice, the Authority may inspect, examine, and copy the books and records of each Lender for the purpose of determining compliance with the Act and all contracts and agreements between the Authority and such Lender relating to the Program.

Section 260.506 Termination

The Authority shall retain the right to terminate its obligation to purchase Mortgage Loans associated with any particular issue of Bonds under the Program, subject to applicable State law and to its existing contractual obligations, including contractual obligations arising under a HomeBuilder Application, a Lender Application, a Notice of Reservation of Funds, a Notice of Acceptance, a Mortgage Purchase Agreement and a Servicing Agreement.