



Advantage Mortgage Purchase Program

GUIDE UPDATE BULLETIN

MPP Bulletin 02-26 (effective 04/22/2026)

Please contact our MPP Department at 800-274-4636 with questions.

This Guide Update Bulletin is issued to update underwriting guidelines in Section 6 including clarification around eligibility of loans up to 97% LTV, Alternative Appraisal limitations and alignment with Fannie Mae/Freddie Mac cash back limitations on Rate-and-Term/Limited Cash Out/Special Purpose Cash-Out Refinance Mortgages.

Section 6. is adjusted in part as follows:

Section 6. FHLBank Indianapolis Underwriting Guidelines

FHLBank Indianapolis - Eligibility Matrix				
Fixed Rate, First Lien Only		Minimum Credit Score 680		Maximum DTI 45
Transaction Type 5-30-year terms	Number of Units	Maximum LTV/CLTV/HCLTV	Credit Score/LTV	Minimum Reserves
Primary Residence – with AUS approval				
95.01-97% LTV loans for first time home buyers only. First time homebuyer indicator must be used.				
Purchase Limited Cash-Out Special Purpose Refinance	1-Unit	97/97/97	680	2 months**
	2-4-Unit	95/95/95	680	5% own funds 2 months **
Cash-Out Refinance	1-Unit	80/80/80	720 if > 75% 680 if ≤ 75%	
	2-4 Unit	75/75/75	680	
Second Home – with AUS approval				
Purchase Limited Cash-Out Special Purpose Refinance	1-Unit	90/90/90	680	5% own funds 2 months **
Cash-Out Refinance	1-Unit	75/75/75	720 if > 75% 680 if ≤ 75%	2 months**
Construction Perm – with AUS approval				

Purchase Limited Cash-Out Refinance	1-Unit	95/95/95	680	2 months**
	2-4-Unit	85/85/85	680	5% own funds 2 months **
Cash-Out Refinance	1-Unit	80/80/80	720 if > 75% 680 if ≤ 75%	5% own funds
	2-4 Unit	75/75/75	720 if > 75% 680 if ≤ 75%	5% own funds
Home Possible/HomeReady – with AUS approval				
Special Feature Code 900 must be delivered for all HomeReady or Home Possible Mortgage loans.				
Affordable Housing Initiative indicator must be used for all HomeReady or Home Possible loans.				
Purchase Limited Cash-Out Refinance	1-Unit	97/105/97	680	
	2-Unit	95/95/95	680	3% for LTV/CLTV/HCLTV > 80%
Manual Underwriting – Follow Freddie Mac Guidelines (FHLBank Indianapolis restrictions still apply)				

Section 6.1 is adjusted in part as follows:

Section 6.1 Limitations and Restrictions

Alternative Appraisals – Fannie Mae and Freddie Mac Alternative Appraisal Products (appraisal waiver program) are acceptable **if the AUS feedback certificate specifies the alternative appraisal option** for Purchase and Limited Cash Out refinances with a maximum LTV of ~~70%~~ **80%**. Cash Out refinances are not eligible.

Section 6.2.1.3 is adjusted in part as follows:

Section 6.2.1.3 Loan Purpose

Rate-and-Term/Limited Cash Out/Special Purpose Cash-Out Refinance Mortgages

1. Rate-and-term refinance mortgages are mortgages that use all proceeds to pay off the existing first mortgage on the subject property.
2. Closing costs, including pre-pays, may be included in the new loan balance, provided they are reasonable and customary for the market.
- ~~3. Cash back to the mortgagor(s) or any other payee may not exceed the lesser of either.~~
 - ~~a. DU – 2% of the new refinance Mortgage or \$2,000~~
 - ~~b. LPA – up to the greater of 1% of the new refinance mortgage or \$2000~~
 - ~~c. Manual Underwrite – 2% of the new refinance Mortgage or \$2,000~~
- 3. For limits on cash back to the mortgagor follow Fannie Mae or Freddie Mac underwriting guidelines.**

4. Proceeds of refinances that are being used to pay off a junior lien (home equity line of credit, second mortgage, etc.) are eligible for FHLBank Indianapolis purchase as a rate and term refinance, provided:
 - a. The LTV and CLTV/HCLTV are based on a current Uniform Residential Appraisal Report (URAR) appraisal.
 - b. Payoff of a Junior Lien is acceptable under the following scenario:
 1. The Junior Lien originated as a Purchase Money Second Mortgage (seller or institutional financing) with the first and second lien recorded simultaneously.
5. Properties listed for sale must be taken off the market prior to application of the new mortgage loan.

FHLBank Indianapolis periodically issues Informational Bulletins to provide program updates and information to approved Mortgage Purchase Program (MPP) sellers, including: MPP Guide revisions and changes; operational guidance or clarifications; and notices/reminders of industry issues that may affect sellers and servicers. The Informational Bulletins are coded so that users can easily identify the issue and year of bulletin publication. For example, "Bulletin 02-24" indicates the second Informational Bulletin issued in 2024.

*Please retain these bulletins with your MPP Guide for easy reference. Bulletins can also be found posted on the **MPP Guide and Other Resources** page on www.fhlbi.com.*