



# Homeownership Project Member Information Packet 2009A Round

## I. Homeownership Project Information Packet

The information contained in this packet should be reviewed by all persons at the member bank that will be responsible for administering the project using the Affordable Housing Program funds. This form will familiarize you with requirements of the member bank and of the sponsor in administering the AHP project.

The Community Investment staff is available by phone or email to answer your questions. Here is our contact information:

The Bank's toll free phone number is 1-800-544-3452

Community Investment Department extension is 1173

Community Investment Department fax number is 515-699-1270

Community Investment Department general email address - [communityinvestment@fhlbdm.com](mailto:communityinvestment@fhlbdm.com)

Rick Bloxham - extension 1198 or [rbloxham@fhlbdm.com](mailto:rbloxham@fhlbdm.com)

Mary Jo Vogl - extension 1415 or [mvogl@fhlbdm.com](mailto:mvogl@fhlbdm.com)

## II. AHP Implementation Plan

The Federal Home Loan Bank of Des Moines (the Bank) suggests you review the 2009 Implementation Plan available on the Bank's web site, located at:

[http://www.fhlbdm.com/ci\\_ahp.htm](http://www.fhlbdm.com/ci_ahp.htm), or call the Bank for a copy of the Plan.

## III. Information on Forms and Documents for Owner-Occupied Projects

Most of the forms reviewed here are available on the Bank's web site at

[http://www.fhlbdm.com/ci\\_ahp\\_home.htm](http://www.fhlbdm.com/ci_ahp_home.htm), or click on "AHP Forms/Homeownership" on the Community Investment page of the website. If you need additional assistance contact the Community Investment Department at 1-800-544-3452 ext. 1173.

### A. AHP Subsidy Transfer Request Form

This two page form must be submitted with each request for disbursement of AHP funds. The form must be signed by a representative from the member bank who is authorized to borrow funds from the Bank or the member bank's designated AHP representative, as noted on the official signature card on file with the Bank.

### B. Homeownership Monitoring Spreadsheet



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In most cases, this will be requested of the sponsor at the second and any subsequent Subsidy Transfer Request. The Homeownership Monitoring Spreadsheet is an Excel spreadsheet to be used by the sponsor to identify households served and the amount of grants provided. Different spreadsheets are available for different types of projects. Sponsors should use the appropriate spreadsheet. If you require assistance determining which spreadsheet is appropriate, or need assistance completing the form, please call Mary Jo Vogl at 1-800-544-3452 extension 1415.

## C. Calculation of Income Worksheet and Instructions

**One worksheet must be completed for each household served.** This is typically completed by the sponsor, but may be completed by the member if they provided for income verification. The worksheet must list all household income, show how the income was calculated, and must be signed by the member or the sponsor, and the homebuyer or the homeowner. Income Determination Guidelines available on the Bank website should be used to determine income. By signing the form the member or the sponsor is certifying that they have completed and reviewed the income calculation. The homeowner/homebuyer is certifying that the income calculation is correct.

## D. Homeownership Project Retention Documents

**A Retention Document (Deed Restriction) is required for each household served.** Sample copy is available on our website, or may be requested from bank staff. A Forgivable Mortgage or Deed of Trust and a Note can be used in lieu of the Deed Restriction, but you must request these forms from Bank staff to ensure that you have the most recent version. You should consult your legal counsel to ensure full compliance with the AHP regulatory retention requirements and recording requirements of your jurisdiction. By providing you with these or any other samples, the Bank is in no way providing legal advice or making any representation as to the effectiveness of the document. We do understand that you may need to make formatting changes to the Deed Restriction so it complies with various requirements of your local Recorder's office. The signature block and acknowledgement will need to reflect the requirements of your state. **Any changes to this document other than formatting changes will need to receive approval from the Community Investment Department before use.**

There are two forms for Deed Restriction available on our website, including:

1. The sample Homeownership Project Retention Agreement is to be used as the form of retention for fee simple land.
2. The sample Retention Agreement for Native American Tribal Trust Land is to be used as the form of retention on tribal lands, where the Deed Restriction is not appropriate.



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These documents may not be suitable for all projects types (for example, a Community Land Trust). If alternative documentation is required, you or the sponsor will be advised by the Bank.

In the sample Deed Restriction the member, or the sponsor as its designee, can take on the role of “Lender”. The Lender must ensure that the agreement is filed in the appropriate jurisdiction and that terms of the retention are adhered to. In the document used for Native American Tribal Land Trust, both the member and sponsor are party to the agreement, and responsibility of the “Lender” may be delegated as the parties agree.

The member or its designee is to be given notice of any sale or refinancing by the household occurring prior to the end of the retention period. In the case of a sale or refinancing of the property prior to the end of the retention period, an amount equal to a pro rata share of the AHP subsidy that financed the purchase, construction, or rehabilitation of the unit, reduced for every month the household owned the unit, shall be repaid to the member or its designee from any net gain realized upon the sale or refinancing, unless:

1. The unit was assisted with a permanent mortgage loan funded by an AHP subsidized advance;
2. The unit is sold to a very low-, low-, or moderate-income household; or
3. Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism.

The member or its designee will remit any recaptured funds to the Federal Home Loan Bank, using the Calculation of Recapture of AHP/RHF Funds form discussed below.

## **E. Subordination Agreement**

This document can be used for a homeowner that refinances and the Retention Agreement will remain in effect. The decision whether to subordinate when there is a refinance is up to the member bank and project sponsor, per guidance in the AHP Implementation Plan. Consult your attorney to ensure this document meets the requirements for a subordination agreement in your state. **Any changes to this document other than formatting changes will need to receive approval from the Community Investment Department prior to the use of the document.**

## **F. Calculation of Recapture of AHP/RHF Funds**

The member or its designee will need to complete this form and mail it to the Bank with recaptured funds when a grant is paid back prior to completion of the 5-year retention period. The Bank will verify the amount of recapture when received. The Bank will use the “Funded Date” from the Homeownership Monitoring Spreadsheet as the date the grant was made. If the



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“Funded Date” is not the same as the date the grant was made the bank will require an explanation before accepting delivery of recaptured funds.

## IV. How to Complete a Subsidy Transfer Request

Prior to a Subsidy Transfer Request being approved the following items must be submitted to the Bank for staff review. In this Section and in Section V there will be listed documentation that should be maintained for different types of projects that is in addition to the documents provided on the Bank website and discussed in Section III above. Members and sponsors will need to meet applicable documentation requirements to ensure that funds will be made available by the Bank to support the project.

1. The Affordable Housing Program Agreement for Owner Occupied Project must be executed by the Bank, member, and sponsor and returned to the Bank before any Subsidy Transfer Request.
  - The member and sponsor need to verify that all information is correct and review any contingencies before returning the Agreement.
  - **The income targeting requirements proposed on the application are reflected in the Agreement MUST be adhered to.** Any alteration must be discussed with the Bank prior to any changes.
  - The project committed to specific activities and these are typically reflected as contingencies in the Agreement. **You will need to be able to document that the project has met these commitments.**
2. The member must be current with periodic AHP Progress Reports at the first and each subsidy transfer request (see Section VI).
3. A Subsidy Transfer Request Form needs to be signed by the member and submitted to the Bank with the first and each transfer request. The sponsor may participate in completion of the form. The appropriate boxes on the AHP Subsidy Transfer Request form will need to be checked, including identification of the retention document that will be used use for the project.
4. A copy of the income guidelines (see Section V) that the sponsor will use to qualify clients and marketing materials used for the project must be submitted with the first request for AHP funds, and resubmitted at subsequent requests if there are any changes.



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5. An updated Exhibit III sources and uses of funds statement from the Feasibility Review Workbook should be submitted by the sponsor with all requests for AHP funds, documenting any change in the sources and uses of funds since the time of project application, including actual results of completed projects. Material variances should be explained by the sponsor. The Exhibit III spreadsheet was completed at the time of application and copy of the form is included in the Homeownership Feasibility Review Workbook on the Bank website at: [http://www.fhlbdm.com/ci\\_ahp\\_home.htm](http://www.fhlbdm.com/ci_ahp_home.htm).
6. The Bank recommends that the first transfer request not exceed more than 50% of the total subsidy awarded. The Bank may request sampling of units with the first transfer request, and in some cases may request a reduction in the amount of the first subsidy transfer, at its discretion. The Bank will seek to determine that the member and sponsor understand and are compliant with the terms of the AHP Implementation Plan and the member's application, and the Bank's policies and procedures, before the entire subsidy amount is advanced.
7. On the second and subsequent transfer requests the Bank will begin sampling individual client files of the sponsor to ensure that the sponsor is compliant with the AHP Implementation Plan, the AHP application and Affordable Housing Program Agreement for Owner Occupied Project, and Bank policy and procedures. Documentation requirements of the sponsor will be communicated to the sponsor in a Sponsor Information Packet. If the member desires a copy of that packet they may obtain this from the Bank by calling Mary Jo Vogl - extension 1415 or [mvogl@fhlbdm.com](mailto:mvogl@fhlbdm.com).
8. If there are material exceptions or difficulty obtaining required documentation from the sponsor for project monitoring the member will be advised and asked for assistance to obtain compliance. Material exceptions could prevent the timely distribution of subsidy funds. Any unused funds would be forfeit, and used for other AHP commitments. If this included funds already paid to the member and the sponsor they would need to be repaid to the Bank.
9. Funds will be disbursed by the Bank to the member, for disbursement to the sponsor, after the Subsidy Transfer Request is received and reviewed. Members should not disburse funds to a sponsor until the Subsidy Transfer Request has been reviewed and approved by the Bank.

## V. Income Limits

Income limits are available on our website at [http://www.fhlbdm.com/income\\_guidelines.htm](http://www.fhlbdm.com/income_guidelines.htm). The member and sponsor should periodically check the website to be sure they are using the most current figures. These are updated annually between March and May each year. Members and sponsors are responsible to ensure current guidelines are used. Please call if you are approved to provide grants outside our 5-state district. It will be the member and sponsor responsibility to assist us in obtaining the appropriate income limits for states outside of our



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district.

As a reminder, your projects may use, on a household by household basis, the greater of the following adjusted median income guidelines:

- Median income for the area, adjusted for household size, as periodically published for use under the Mortgage Revenue Bond (MRB) program by the State Housing Finance Agency for the state in which the retention document will be recorded. The Bank uses the income limits for non-targeted areas. If a city has a targeted area for MRB income determination, the Bank will use the non-targeted area incomes;
- Median income for the area as published annually by HUD and adjusted for household size for each county or MSA, or
- The NAHASDA Income Guidelines may be used for households that are eligible for assistance from a Tribally Designated Housing Agency.

## VI. AHP Progress Report and Extensions

The Bank will send the member an AHP Progress Report semi-annually, from now until the completion of the project. We will request this report so that we can track the project's progress. The member must be current with the AHP Progress Report submission to the Bank for AHP funds to be disbursed. Typically, the sponsor will assist the member in completion of the Progress Report, providing timely and complete information on the status of the project.

**Projects are given two years to complete. The Bank may cancel any project that has not begun after one year.** It is expected that projects will be complete by the expiration date. If there are homebuyers or homeowners that have been committed to, but whose projects will not be complete by the expiration date, an extension can be requested to complete those units. A Homeownership Extension Request form is available on the bank website. The need for an extension can also be related in the AHP Progress Report. **Extensions are at the discretion of the Bank.**