



# Homeownership Project Sponsor Information Packet 2009A Round

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## I. Homeownership Project Information Packet

The information contained in this packet should be reviewed by all persons at the sponsoring agency that will be responsible for administering the project using the Affordable Housing Program funds.

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 Homeownership forms page of 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



# Homeownership Project Sponsor Information Packet 2009A Round

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.** The worksheet must list all income, show how the income was calculated, and be signed by the member or the sponsor, and the homebuyer or the homeowner. By signing the form, the member/sponsor is certifying that they have completed and reviewed the income calculation, and the homeowner/homebuyer is certifying that the income calculation is correct.

On the Homeownership forms page you will find instructions for completion of the Calculation of Income Worksheet, and technical aids including “Income Determination Guidelines for Owner-Occupied Projects” and “Technical Guide for Determining Income and Allowances for the HOME Program”. If you require assistance in determining qualifying income, or in calculating income on the spreadsheet, please call Mary Jo Vogl at 1-800-544-3452 extension 1415.

## 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.



# Homeownership Project Sponsor Information Packet 2009A Round

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.

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:

- The unit was assisted with a permanent mortgage loan funded by an AHP subsidized advance;
- The unit is sold to a very low-, low-, or moderate-income household; or
- 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. Sample 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 2009 Implementation Plan. Consult your attorney to ensure this document meets the requirements for a subordination agreement in your state. **Any change to this document other than a formatting change will need to receive approval from the Community Investment Department prior to the use of the document.**

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



# Homeownership Project Sponsor Information Packet 2009A Round

This form is to be completed and mailed to the Bank with recaptured funds when a forgivable loan is paid off 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 forgivable loans was made. If the “Funded Date” is not the same as the date the forgivable loan 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 documentation 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.

### A. First Subsidy Transfer Request

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 need to document that the project met these commitments.**
2. The member must be current with AHP Progress Reports at *each* subsidy transfer request (see Section VII).
3. A Subsidy Transfer Request Form needs to be signed by the member and submitted to the Bank at *each* transfer. 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 for the project.



# Homeownership Project Sponsor Information Packet 2009A Round

4. A copy of the income guidelines (see Section VI) 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.
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. 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. 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).

## **B. Second and Subsequent Subsidy Transfer Request(s)**

1. An updated Exhibit III sources and uses statement for the entire project should be submitted by the sponsor with all requests for 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.
2. A spreadsheet list of the individual projects begun to date should be submitted by the sponsor with the second subsidy transfer request and all subsequent requests. The sponsor should use the Homeownership Monitoring Spreadsheet appropriate to their project type when submitting the list of projects. The spreadsheet will include important monitoring information relevant to your project. These forms are updated annually, so the current form should be saved to your computer desktop for use throughout the course of your project. Indicate on the spreadsheet which projects are complete by marking "Y" where indicated. We request that the sponsor email a copy of the updated spreadsheet to Mary Jo Vogl ([mvogl@fhlbdm.com](mailto:mvogl@fhlbdm.com)) at the time they make their transfer request.
3. The Bank will pick a sample of completed projects from the spreadsheet. Documentation of sampled projects will be requested from the sponsor by the Bank. Documentation required for the sampled projects can be faxed to the Community Investment Department at 515-699-1270, to the attention of Mary Jo Vogl. The sponsor must include in the sample:



# Homeownership Project Sponsor Information Packet 2009A Round

- a) a Calculation of Income Worksheet listing all sources of income and signed by the member or sponsor and certified by the homeowner/homebuyer;
- b) copies of third party income verifications;
- c) a copy of the executed and recorded retention document,

Additional documentation will be required based on project type, including:

- **for all down payment and closing cost projects:**

- a) the property or loan settlement statement (HUD-1) showing the AHP subsidy and any escrow or payments for rehabilitation;
- b) a copy of the Exhibit I-A and Exhibit III for the sampled unit identifying all sources and uses of funds;
- c) appraisal of purchased property;
- d) copies of paid receipts and/or contractor lien waivers for any rehabilitation.

- **for all development projects including Habitat projects:**

- a) the property or loan settlement statement (HUD-1) showing the AHP subsidy;
- b) as completed appraisals of the developed property;
- c) an itemization and certification of construction or rehabilitation costs signed by the project sponsor;
- d) a copy of the Exhibit I-A or I-B, as appropriate, and an Exhibit III for the sampled unit, identifying all sources and uses of funds.

- **for all owner-occupied rehabilitation projects:**

- a) an itemization of the cost of all rehabilitation, including documentation of the completed rehab (copies of paid receipts, contractor lien waivers, etc.);
- b) an Exhibit III for the sampled unit identifying all sources and uses of funds;
- c) additional documentation may also be requested by the Bank to verify scoring requirements and/or project contingencies (see Section V).

4. The Exhibits I-A, I-B, and Exhibit III spreadsheets were completed at the time of application and are 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). **It is recommended that a sponsor**



# Homeownership Project Sponsor Information Packet 2009A Round

**complete the Exhibit spreadsheets as noted above for each unit in the project, and maintain a master Exhibit III for all of the units in the project as they are completed.**

- 5. If your project is paying a construction management fee or any other eligible cost with the AHP funds, the fee must be included in the Deed Restriction.** AHP funds can only be used for eligible expenses that are included in the deed restriction. Please refer to the feasibility guidelines and the definitions of costs included in the AHP Implementation Plan. Eligible costs as they apply to your project are also automatically calculated in Exhibit IV of the Homeownership Feasibility Review Workbook.

## V. Additional Documentation Requirements

Following are additional documentation requirements for different types of AHP projects to verify scoring requirements and/or project contingencies. If a project included these features this documentation must be maintained by the sponsor. This list is not inclusive of all documentation that may be required. Bank staff will advise a sponsor of any additional documentation requirements.

### A. Development and Acquisition/Rehab Projects Including Habitat Projects

- 1. The sponsor should indicate on the Homeownership Monitoring Spreadsheet if the project was new construction or acquisition/rehab.** The project type should conform to the AHP application; thus, if the project was for new construction, all completed projects must be new construction.
- 2. For projects that include the donation of land, labor, or materials, or purchase of property below fair market value,** the sponsor must have documentation including:
  - a) for the donation of property: copy of donation letters, Warranty Deed, and/or property settlement statement;
  - b) for the acquisition of property at below fair market value: copy of purchase agreement, property appraisal, Warranty deed, and/or property settlement;
  - c) for donated labor and materials: cost itemization certified by the sponsor to include the cost of any donated labor or materials, and copies of donation letter.

**NOTE: Donation of labor should not include sweat equity by the homebuyer.**

In the Homeownership Monitoring Spreadsheet the sponsor can identify any property donated or purchased below fair market value in the column "Donated Land".



# Homeownership Project Sponsor Information Packet 2009A Round

3. **For development projects with financing provided by the sponsor (includes Habitat for Humanity projects and other projects if applicable),** the sponsor must include the present value of their mortgage in the sources of funds.
- a) For projects where the sponsor is charging a discounted rate of interest not commensurate with the risk of the borrower, sponsors should use Exhibit I-B to calculate the present value of the discounted mortgage and determine a financing gap for the AHP subsidy;
  - b) For projects where the sponsor is charging a market rate of interest commensurate with the risk of the borrower, the present value of the mortgage is equal to the face amount of the mortgage, and the sponsor should utilize Exhibit I-A to demonstrate the use and need for the subsidy.

## **B. Down Payment & Closing Cost Projects**

**For down payment projects including rehab,** the sponsor should identify projects that included rehab in the Homeownership Spreadsheet. The amount of AHP funds for down payment and closing cost assistance, and the amount for rehab, are shown in separate columns. For projects that included rehab, the amount of the rehab should be provided as part of the purchase transaction and an escrow for rehab included in the borrower settlement statement. In exhibits, the amount of the rehab should be shown in Exhibit I-A as post-purchase rehab. Rehab amounts should also be shown separately from building acquisition in uses of funds in Exhibit III. As additional documentation, the bank will require an itemization of the total cost of all rehab, including documentation of the completed rehab (copies of paid receipts, contractor lien waivers, etc.).

## **C. Owner-Occupied Rehabilitation Projects**

On the Homeownership Spreadsheet the sponsor should show the amount of the AHP funds awarded for rehab under column "Amount AHP used for rehab" and AHP used to pay costs such as construction management fee in the "AHP Other Costs" column. "Total AHP Grant" will be automatically calculated and is the amount to be reflected in the Deed Restriction signed by the homeowner. Show any other amount of rehab paid from other grant awards or borrower funds in "Additional Rehab Amount". The "Total Amount of Rehab" will be calculated on the spreadsheet and should equal the total amount of rehabilitation costs in the uses of funds for individual units and for the entire project as shown in Exhibit(s) III.

## **D. Special Needs Populations**

If the project will serve a special needs population as defined in the AHP Implementation Plan, the sponsor should establish a protocol for determining households with special needs at the start of their project, and have this approved by the Bank. For example, did the



# Homeownership Project Sponsor Information Packet 2009A Round

sponsor use HUD or USDA guidelines for determining special needs population, and how were the persons identified at application? Information on special needs households will be collected from the sponsor at final monitoring.

## VI. Income Limits

Income limits are available on our website at: [http://www.fhlbdm.com/income\\_guidelines.htm](http://www.fhlbdm.com/income_guidelines.htm) Please refer only to the income limits posted on the website. Sponsors 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. Sponsors are responsible to ensure current guidelines are used. Please call us if you are approved to provide grants outside our 5-state district. It will be your responsibility to assist us in obtaining the appropriate MRB numbers for states outside of our district.

As a reminder, 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.

## VII. 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



# Homeownership Project Sponsor Information Packet 2009A Round

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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.**