



# Native American Homeownership Initiative Program Guidelines

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## 2009 Native American Homeownership Initiative Program Guidelines

### 1. Program Summary

Effective January 02, 2009, the Bank will allocate \$1 million of its annual required AHP contribution to provide down payment, closing cost, counseling, or rehabilitation assistance to eligible households that are purchasing owner-occupied units located in a Native American Service Area. Please refer to the definitions of “owner-occupied unit” and “Native American Service Area” in Definitions and Acronyms.

### 2. Allocation of Funds

Funds for the 2009 Native American Homeownership Initiative (NAHI) will be made available on a first-come, first-served basis. The applicant must be a member of the Bank at the time the NAHI application is submitted to the Bank. Each member may reserve up to \$50,000 at a time for up to 90 days beginning January 2, 2009 and ending December 31, 2009. A member may not reserve additional funds until all previously reserved funds in excess of \$5,000 per commitment are expended. A member’s combined NAHI commitment amount may not exceed \$50,000. Members with an allocation of any prior year’s NAHI funds must expend those funds prior to reserving funds under the current year’s program. Funds not disbursed by the end of 90 days will be made available to all members for reservation. Members must request reimbursement from the 2009 NAHI by March 31, 2010, regardless of the 90-day reservation period.

### 3. Time Limits on the Disbursement of Funds and Treatment of Undisbursed Funds

- ◆ All loans must be closed on or before March 31, 2010. For loans closed on or before March 31, 2010, where funds have been escrowed for rehabilitation, work must be completed and all funds disbursed from the escrow account by March 31, 2011. Documentation of expenditure of the entire escrowed amount in the form of paid receipts and/or lien waivers must be submitted to the Bank no later than April 29, 2011 for reimbursement. If a balance remains in the escrow on March 31, 2011, the entire escrow balance remaining must be applied to the principal of the first mortgage or as a credit toward the household’s monthly payment on the mortgage loan and all required documentation must be submitted to the Bank no later than April 29, 2011 for reimbursement.
- ◆ Any undisbursed funds, except for amounts escrowed for rehabilitation as described above, remaining as of March 31, 2010 will be added to the AHP contribution for the next round of AHP applications.



# Native American Homeownership Initiative Program Guidelines

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## 4. Requirements

- ◆ **Households must be eligible for housing assisted with grants provided under NAHASDA pursuant to a policy adopted by a tribe or tribally designated housing entity.**
- ◆ **An owner-occupied unit that is purchased under the NAHI must be in a Native American Service Area as defined in Definitions and Acronyms, except loans utilizing the HUD Section 184 loan program for the purchase of a home are eligible for NAHI assistance in any location.** All HUD Section 184 loans are subject to requirements of the NAHI program except eligible households do not need to be eligible for housing assisted with grants provided under NAHASDA pursuant to a policy adopted by a tribe or tribally designated housing entity.
- ◆ Total household income as of the enrollment date may not exceed the greater of 80 percent of the area median income as determined above.

Eligible households will be determined using the greater of the area median income: 1) as periodically published for use under the MRB median income for the state in which the retention document will be recorded; 2) the median income for the area as published annually by HUD and adjusted for household size for each county, or MSA; or 3) the applicable median income for purposes of NAHASDA income limits.

The MRB and HUD income guidelines for Iowa, Minnesota, Missouri, North Dakota, and South Dakota and the NAHASDA income limits can be found on our website at [http://www.fhlbdm.com/ci\\_ahp\\_nahi.htm](http://www.fhlbdm.com/ci_ahp_nahi.htm) or requested by calling 1-800-544-3452, extension 1173. The member is responsible for obtaining income limits for any other state and for requesting approval of the limits from the Bank prior to disbursing any grant funds.

**NOTE:** Incomes of co-signer(s) will not be included in household income, provided that the co-signer(s) is (are) not titleholder(s) and will not reside in the home being purchased.

- ◆ Acquisition cost of all properties purchased by eligible households must be at or below the maximum purchase price limit for the locality established by the applicable State Housing Finance Agency. The maximum purchase price limits for the states of Iowa, Minnesota, Missouri, North Dakota, and South Dakota can be found on our website [http://www.fhlbdm.com/ci\\_ahp\\_nahi.htm](http://www.fhlbdm.com/ci_ahp_nahi.htm) or requested by calling 1-800-544-3452, extension 1173. The member is responsible for obtaining maximum purchase price limits for other states and



## Native American Homeownership Initiative Program Guidelines

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for requesting approval of the limits from the Bank prior to disbursing any grant funds.

- ◆ No individual homebuyer shall receive more than \$10,000 under this set-aside program.
- ◆ NAHI subsidies must be used to pay for down payment, closing cost, counseling, or rehabilitation assistance in connection with the eligible household's purchase of an owner-occupied unit, including a condominium or cooperative housing unit or manufactured housing, to be used as the household's primary residence. In all cases the household may not own another residence even if that residence is rented.
- ◆ NAHI subsidies may be used to pay for counseling costs only where such costs are incurred in connection with counseling of homebuyers who actually purchase a NAHI-assisted unit and the cost of the counseling has not been covered by another funding source, including the member.
- ◆ Excluding reimbursement for eligible items paid outside of closing, a member may not provide cash back to a household at closing on the mortgage loan in an amount exceeding \$250. Cash back includes any loans or other obligations paid from loan and/or grant proceeds that are not for the direct purchase of the home. Down payment and earnest money do not qualify as eligible items paid outside of closing. The Bank, in its sole discretion, will determine eligible items paid outside of closing. A member must use any AHP direct subsidy exceeding \$250 that is beyond what is needed at closing for closing costs and the approved mortgage amount as a credit to reduce the principal of the mortgage loan or as a credit toward the household's monthly payment on the mortgage loan.
- ◆ All First-time Homebuyer households must complete a Financial Literacy Program prior to closing. See Definitions and Acronyms for definitions of First-time Homebuyer and Financial Literacy Program.
- ◆ Mortgage financing may be obtained from the financial institution of the homebuyer's choice, or the member may restrict the funds to mortgages obtained through the member. The rate of interest, points, fees, and any other charges for all loans made in conjunction with the NAHI subsidy must not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms, and risk.
- ◆ The Bank requires that mortgage loans originated using NAHI funds comply with applicable federal, state and local anti-predatory lending laws and other similar credit-related consumer protection laws, regulations and



## Native American Homeownership Initiative Program Guidelines

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orders designed to prevent or regulate abusive and deceptive lending practices and loan terms (collectively, anti-predatory lending laws). For example, anti-predatory lending laws may prohibit or limit certain practices and characteristics, including, but not limited to the following:

- Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance;
- Requiring mandatory arbitration provisions with respect to dispute resolution in the loan documents; or
- Charging prepayment penalties for the payoff of the loan beyond the early years of such loan.

Any residential mortgage that does not comply with all applicable anti-predatory lending laws will be ineligible to be used with a NAHI grant if:

- The annual interest rate and/or points and fees charged for the loan exceed the thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (Federal Reserve Board Regulation Z);
- The loan has been identified by a member's primary federal regulator as possessing predatory characteristics;
- The loan includes prepaid, single premium credit insurance;
- The loan is subject to state and/or local laws where one or more of the major credit-rating agencies (Standard and Poor's, Moody's Investors Service, and/or Fitch Ratings) will not rate a security (or securities) in which the underlying collateral pool contains such a loan;
- The loan is defined as a High Cost Loan, Covered Loan, or Home Loan as categorized under one or more federal, state, or local predatory lending laws as having certain potentially predatory characteristics;
- The loan includes penalties in connection with the prepayment of the mortgage beyond the early years of the loan, to the extent that such penalties are prohibited or limited by applicable anti-predatory lending laws; or



## Native American Homeownership Initiative Program Guidelines

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- The loan requires mandatory arbitration with respect to dispute resolution, to the extent that such requirements are prohibited or limited by applicable anti-predatory lending laws.
- ◆ If real estate property owned by a member providing AHP subsidy is sold to a household by the member, or the member holds a mortgage or lien on real estate property sold to the household, the market value of such property is deemed to be the "as-is" or "as-rehabilitated" value of the property, whichever is appropriate. That value shall be reflected in an independent appraisal of the property performed by a state certified or licensed appraiser, within 6 months prior to the date the member disburses AHP subsidy to the household. The Bank, in its sole discretion, may request and review the above documentation on any applicable disbursement.
- ◆ The owner-occupied unit being purchased must be subject to a 5-year deed restriction, "soft" second mortgage, or other legally enforceable retention agreement or mechanism meeting the requirement of the AHP regulations.
- ◆ The member providing the grant is responsible for filing and monitoring the deed restriction, "soft" second mortgage, or other legally enforceable retention agreement or mechanism, whether or not the member originates the first mortgage.
- ◆ AHP direct subsidy agreements are signed at the time of the award and a signed Certification and Draw Request form is required on each recipient prior to the disbursement of funds to the member.
- ◆ Monitoring of the NAHI program will be as stated in the AHP regulations with a retention period of five years.

In addition, the Bank will verify the following information for the first disbursement and randomly selected disbursements on each awarded project, and members are required to maintain the following on all disbursements:

- a) signed HUD-1 or, in the case of a sale of a manufactured home closing documents for the transaction that includes purchase price, loan amount, and any other costs associated with the transaction
- b) signed Final Truth-In-Lending Disclosure Statement
- c) copies of lien waivers or invoices for work performed totaling the amount of assistance, if the funds are used for rehabilitation;
- d) Calculation of Income Worksheet for each household member;



## Native American Homeownership Initiative Program Guidelines

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- e) third-party documentation verifying the household income, and;
- f) copy of the retention document to be filed for the transaction.

If an escrow has been established, the Bank only disburses funds to the member after receipt of the following:

- (a) paid receipts or lien waivers for the entire escrowed amount; or;
- (b) documentation that escrowed funds have been applied to the principal amount of the first mortgage.

If real estate property owned by a member providing AHP subsidy is sold to a household by the member, or the member holds a mortgage or lien on real estate property sold to the household, an independent appraisal of the property performed by a state certified or licensed appraiser, within 6 months prior to the date the member disburses AHP subsidy to the household is required.

The Bank, in its sole discretion, may request and review the above documentation on any disbursement.

- ◆ NAHI funds may not be used in conjunction with programs utilizing funds from competitive AHP awards.
- ◆ The Bank may suspend or debar a member from participation in the Program if such party shows a pattern of noncompliance, or engages in a single instance of flagrant noncompliance, with the terms of an approved application for AHP subsidy or the requirements of the AHP regulations.