



Native American Homeownership Initiative 2010 Program Guidelines

1. Program Summary

Effective January 4, 2010, the Bank will allocate \$1 million of its annual required AHP contribution to provide down payment, closing cost, counseling, or rehabilitation assistance to eligible tribal members of a federally recognized tribe that are purchasing owner-occupied units located within the Bank's district. Please refer to the definition of "Owner-occupied Unit" in Definitions & Acronyms at http://www.fhlbdm.com/ci_ahp_nahi.htm.

2. Allocation of Funds

Funds for the 2010 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 4, 2010 and ending December 31, 2010. 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 2010 NAHI by March 31, 2011, regardless of the 90-day reservation period.

The Bank may refuse reimbursement of a NAHI commitment for loans not closed within the same year as the commitment, or by March 31, 2011 for any 2010 commitment.

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

- a. All loans must be closed on or before March 31, 2011. For loans closed on or before March 31, 2011, where funds have been escrowed for rehabilitation, work must be completed and all funds disbursed from the escrow account by March 31, 2012. 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 30, 2012 for reimbursement. If a balance remains in the escrow on March 31, 2012, 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 30, 2012 for reimbursement.



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- b. Any undisbursed funds, except for amounts escrowed for rehabilitation as described above, remaining as of March 31, 2011 will be added to the AHP contribution for the next round of AHP applications.

4. Requirements

- a) At least one of the purchasers of the property in the eligible household must be an enrolled member of a federally recognized tribe.
- b) 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.

Total household income as of the enrollment date may not exceed the greater of 80 percent of the area median income as determined above. The MRB 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.htm or requested by calling 1-800-544-3452, extension 1173.

NOTE: Please refer to the [Income Determination Guidelines for Owner-occupied Projects](http://www.fhlbdm.com/ci_ahp_home.htm) at http://www.fhlbdm.com/ci_ahp_home.htm. 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; however co-signer(s) income will be counted if the purchaser is a full-time student.

- c) 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, or the limit of the HUD-184 Native American Housing Program for loans closed under that program. Maximum purchase price limits for the states of Iowa, Minnesota, Missouri, North Dakota, and South Dakota determined by the State Housing Finance Agencies can be found on our website at http://www.fhlbdm.com/ci_ahp.htm or requested by calling 1-800-544-3452, extension 1173.
- d) All First-time Homebuyer households must complete a Financial Literacy Program prior to closing. See [Definitions & Acronyms](http://www.fhlbdm.com/ci_ahp_nahi.htm) at http://www.fhlbdm.com/ci_ahp_nahi.htm for definitions of First-time Homebuyer and Financial Literacy Program.



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- e) 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, or be an investor in, another residence even if that residence is rented.
- f) 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.
- g) 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.
- h) In the case of real estate owned property sold to a project by a member providing AHP subsidy to the project, or property sold to the project upon which the member holds a mortgage or lien, 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 project. The Bank, in its sole discretion, may request and review the above documentation on any applicable disbursement.
- i) 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 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:
 - 1) Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance;
 - 2) Requiring mandatory arbitration provisions with respect to dispute resolution in the loan documents; or



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- 3) Charging prepayment penalties for the payoff of the loan beyond the early years of such loan.
- j) 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:
 - 1) 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);
 - 2) The loan has been identified by a member's primary federal regulator as possessing predatory characteristics;
 - 3) The loan includes prepaid, single premium credit insurance;
 - 4) 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;
 - 5) 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;
 - 6) 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
 - 7) 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.
- k) 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.
- l) 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.



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- m) An owner-occupied unit that is purchased under the NAHI must be located within the Bank's district.
- n) 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.
- o) 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:

- 1) 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
 - 2) signed Final Truth-In-Lending Disclosure Statement
 - 3) copies of lien waivers or invoices for work performed totaling the amount of assistance, if the funds are used for rehabilitation;
 - 4) Calculation of Income Worksheet for each household member;
 - 5) third-party documentation verifying the household income;
 - 6) evidence that one of the homebuyers is an enrolled member of a federally recognized Tribe; and
 - 7) copy of the retention document to be filed for the transaction.
- p) If an escrow has been established, the Bank only disburses funds to the member after receipt of the following:
- 1) paid receipts or lien waivers for the entire escrowed amount; or
 - 2) documentation that escrowed funds have been applied to the principal amount of the first mortgage.

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



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- q) 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.
- r) No individual homebuyer shall receive more than \$10,000 under this set-aside program.
- s) NAHI funds may not be used in conjunction with programs utilizing funds from competitive AHP awards.
- t) 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.