



2006 Disaster Recovery Fund Guidelines amended December 13, 2006

A. Program Summary

Effective July 5, 2006, the Federal Home Loan Bank of Des Moines (the Bank) will allocate \$500,000 of its annual required AHP contribution to provide rehabilitation or reconstruction assistance to eligible households whose homes have been damaged by a disaster and are located within a 2006 Major Federal Disaster Declaration area in Iowa, Minnesota, Missouri, North Dakota, or South Dakota. The member bank must certify that the rehabilitation or reconstruction is the direct result of the declared disaster.

B. Member Eligibility

All Bank members are eligible to receive funds that have an active 2006 Major Federal Disaster Declaration area in Iowa, Minnesota, Missouri, North Dakota, or South Dakota.

C. Application Period

Funds for the 2006 Disaster Recovery Fund (DRF) will be made available on a first-come, first-served basis. Each member may reserve up to \$50,000 at a time beginning July 5, 2006 and ending December 31, 2006. A member may not reserve additional funds until all previously reserved funds are expended.

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

Members are required to disburse reserved funds to eligible households and request reimbursement by close of business March 31, 2008.

For loans closed on or before March 31, 2008, where funds have been escrowed for rehabilitation, work must be completed and all funds disbursed from the escrow account by March 31, 2009. Documentation of expenditure of the entire escrowed amount in the form of paid receipts and/or lien waivers must be submitted to the Bank by no later than March 31, 2009 for reimbursement. If a balance remains in the escrow on March 31, 2009, 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 by no later than March 31, 2009.

Any undisbursed funds, except for amounts escrowed for rehabilitation as described above, that remain on March 31, 2008 will be added to the AHP contribution for the next round of AHP applications.

E Requirements

- ω All grant funds will be provided on a reimbursement basis only. Please review procedures for reimbursement with the Bank's Community Investment staff prior to your first closing on the DRF funds.
- ω Eligible households will be determined using the area median income as periodically published for use under the Mortgage Revenue Bond (MRB) by the State Housing Finance Agency for the state in which the retention document will be recorded. Total household income may not exceed 80 percent of the MRB median income standard for the county or MSA where the property being purchased is located. The MRB income guidelines for Iowa, Minnesota, Missouri, North Dakota, and South Dakota can be found on our website at www.fhlbdm.com or requested by calling 1-800-544-3452, extension 1173. Incomes of co-signer(s) will not be included in household income, provided the co-signer(s) is (are) not titleholder(s) and will not reside in the home being purchased.
- ω Eligible households must use DRF in connection with the repair or reconstruction of an owner-occupied unit including a condominium or cooperative housing unit or manufactured housing that is the household's primary residence and must be a home damaged by a disaster within a 2006 Major Federal Disaster Declaration area in Iowa, Minnesota, Missouri, North Dakota, or South Dakota.
- ω If the homeowner is receiving mortgage financing, the mortgage financing may be obtained from the financial institution of the homeowner's choice, or the member may restrict the funds to mortgages obtained through the member. If a member is providing mortgage financing to a participating household, the member must provide financial or other concession in connection with such mortgage financing, and the rate of interest, points, fees, and any other charges by the member must not exceed a reasonable market rate of interest, points, fees, and other charges for a loan of similar maturity, terms and, risk. 12 CFR § 951.5(a)(6). Financial or other concessions include lower (or foregone) origination fees, other discounted fees, reduced interest rates, lower down payment requirements, reductions in other closing costs, originating loans for the State Housing Credit Agency, loans that are matched with USDA guarantees, USDA's direct loan program, the HUD 184 Loan Program or other types of concessions may also be acceptable if approved by the Bank. Any fee reduction must be a minimum of \$50 in order to qualify as a concession. Please note that free checking is not an eligible incentive under this definition. Loans originated to be sold into the secondary market, other

than State Housing Credit Agency or USDA guaranteed loans or HUD 184 Loans, must provide a concession.

- ω The Bank requires that AHP projects comply with 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:
 - a) Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance;
 - b) Requiring mandatory arbitration provisions with respect to dispute resolution in the loan document; or
 - c) Charging prepayment penalties for the payoff of the loan beyond the early years of such loan.

Any project including a loan that does not comply with all applicable Anti-Predatory Lending Laws will be ineligible for AHP assistance. Additionally, the Bank will not provide AHP assistance to any project in which a loan exceeds the annual percentage rate or points and fees thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (Federal Reserve Board Regulation Z). Members, sponsors, and owners are responsible for avoiding all unlawful practices and terms prohibited by applicable Anti-Predatory Lending Laws, regardless of whether they originate or purchase the loan in connection with an AHP project.

- ω The property being repaired or reconstructed must be subject to a deed restriction, “soft” second mortgage, or other legally enforceable retention agreement or mechanism meeting the requirement of 12 CFR § 951.13(d)(1).
- ω 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.
- ω Monitoring of the DRF program will be as stated in the AHP regulation with a retention period of five years. Members will be required to provide a certification once all their awarded funds have been disbursed. 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.

If the funds are used for the rehabilitation of the home, the Bank will only disburse funds to the member after receipt of the following:

- a) signed HUD-1 or Settlement Statement (if applicable);
- b) copies of lien waivers or invoices for work performed totaling the amount of rehabilitation;
- c) if a balance remains in an escrow, documentation that the entire balance was applied to the principal of the first mortgage or as a credit toward the household's monthly payment on the mortgage loan;
- d) certification from the member bank that the rehabilitation is the direct result of the declared disaster;
- e) Calculation of Income Worksheet for each household member;
- f) third-party documentation verifying the household income; and
- g) copy of the retention document to be filed for the transaction.

If the funds are used for the reconstruction of a home and the lender is providing construction and/or permanent financing and disbursing the funds through an escrow, the Bank will only disburse funds to the member after receipt of the following:

- a) signed HUD-1 documentation that the borrower has received the funds as part of the loan transaction;
- b) certification from the member bank that the construction of the new home is the direct result of the declared disaster;
- c) Calculation of Income Worksheet for each household member;
- d) third-party documentation verifying the household income; and
- e) copy of the retention document to be filed for the transaction.

Member banks are required to maintain the above information on all homeowners that receive DRF. The Bank, in its sole discretion, may request and review documentation, including but not limited to, any item listed above on any disbursement.

- ◆ 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. 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.

F. Subsidy Limit per Home

- ω Eligible homeowners are limited to a maximum DRF subsidy of \$10,000.
- ω DRF funds may not be used in conjunction with programs utilizing funds from any other competitive AHP awards.