



Checklist for a Successful Disaster Recovery Fund (DRF) Program

1. Return the Signed Agreements. Your Bank can only have access to the DRF Program funds after the Home Loan Bank (Bank) has received both signed agreements. An authorized signature is by a member representative authorized to borrow funds from the Home Loan Bank or your institution's designated AHP representative as noted on the Authorized Personnel Form on file with the Bank. The Bank will send your institution one signed copy for your records.
2. Commitment of Funds. A Commitment Form must be faxed in to 515-699-1270. A return fax will verify funds are reserved for your institution for disbursement. Your fax number is needed to verify the commitment. A member may not commit additional funds until all previously committed funds are expended. A new form is required for each commitment. DRF is committed in the order received. Commitment forms faxed after 3:00 PM CST/CDT will be reviewed the following business day.
3. Thoroughly review the DRF Program Guidelines amended December 13, 2006. The guidelines can be found at the Community Investment Page of the Bank's web site www.fhlbdm.com.
4. Attachment A. (Definitions and Acronyms for all Affordable Housing Programs)
5. Find a Qualified Borrower. Eligible household must use DRF to repair or reconstruct a home damaged by a disaster within an active Major Federal Disaster Declaration in Iowa, Minnesota, Missouri, North Dakota or South Dakota. Active Major Federal Disaster Declaration status should be verified by visiting the FEMA website:

www.fema.gov/news/disasters.fema?year=2006; click on the applicable Disaster Number, then click on "Designated Counties." The following information from the FEMA Website must be filled in on and the Certification & Draw Request Form:

- Disaster Declaration Number
- Declaration Date
- Title (type of disaster)
- Designated County

(You must attach a copy of the "Designated Counties" page from the FEMA Website to the Certification & Draw Request Form with the other required paperwork with each reimbursement request.)

5. Determine the income limit for the homeowner's address based on the household size. The household income must be at or below 80% of the Mortgage Revenue Bond Income Limit for the area to qualify for the program. The Income Determination Guidelines for Owner-occupied Projects are included with this package of information. In addition, the Bank adheres to the income inclusions and exclusions of the HOME Program. These pages are posted on the Community Investment Page of the Bank's website along with the current MRB Income Limits for Iowa, Minnesota, Missouri, North Dakota and South Dakota. A Calculation of Income Worksheet must be completed for each household member and provided with each disbursement. Please note that this

form does not need to be signed by the homeowner since he signs the Certification & Draw Request Form.

6. If the member is providing financing and determines, pursuant to the member's mortgage guidelines, that the household qualifies for the loan based on the household's current income and the member uses future anticipated income in the underwriting of this loan, the member must also use future anticipated income in determining the household's eligibility for DRF.

7. In addition, the Bank requires that DRF projects comply with Anti-Predatory Lending Laws as defined in the Bank's AHP Implementation Plan.

8. Determine the Type and Amount of Assistance. The DRF money can be used to assist with the rehabilitation or reconstruction of a home damaged as a direct result of an active 2006 Major Disaster Declaration. We encourage you to contact the Community Investment Department Staff prior to providing DRF to ensure the situation meets the guidelines. Receipts/lien waivers submitted cannot be used for other funding assistance and the member must certify that this is true on the Certification & Draw Request Form. Eligible homeowners are limited to a maximum subsidy of \$10,000. DRF cannot be used in conjunction with programs utilizing funds from any other competitive AHP awards.

9. Concession. If a homeowner is receiving mortgage financing and you are the "Lender" on the HUD-1, you originated the loan and, therefore, must provide a concession. The concession must be described on the DRF Certification & Draw Request Form. Please refer to the guidelines for more information. In cases where a reduced rate is the concession, the Member must have in the file clear evidence of what the market rate was at the time and what rate was given to the borrower. It is the Member's responsibility to ensure this is clearly documented in the file.

10. Reimbursement of DRF.

Rehabilitation: Rehabilitation must be completed prior to reimbursement from the Bank. The cut-off date is March 31, 2008. If applicable, 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 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 towards the household's monthly payment on the mortgage and all required documentation must be submitted to the Bank by no later than March 31, 2009.

You are required to submit the required paperwork upon receipt of DRF to eligible homeowners **regardless of the status of the rehabilitation**. If rehabilitation assistance was provided and the work is completed, please forward a signed Certification & Draw Request form, the signed HUD-1, if applicable, signed and notarized retention document, Calculation of Income Worksheet, third-party verification of income, paid receipts/lien waivers totaling the amount of rehabilitation and required documentation described above for any balance remaining in escrow.

If rehabilitation is not complete, please submit the signed Certification & Draw Request form, the signed HUD-1, if applicable, signed and notarized retention document, Calculation of Income Worksheet, third-party documentation verifying the household income and any remaining required documentation must be received at the Bank no later than March 31, 2009.

Reconstruction: Please provide a signed Certification and Draw Request form, a signed HUD-1 settlement statement, if applicable; signed and notarized retention document; Calculation of Income Worksheet and third-party documentation verifying the household income.

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

11. Excluding reimbursement for eligible items paid outside of closing, a member may not provide cash back to a household at closing on a loan, if applicable, in an amount exceeding \$250. Downpayment 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 DRF 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 towards the household's monthly payment on the mortgage loan.

12. You are required to maintain the applicable information on all homeowners who 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.

13. The completed forms can be faxed to the Community Investment Department at (515) 699-1270. Please allow three business days to process draw requests following the receipt of all required paperwork.

14. DRF is monitored as stated in the AHP regulation with a retention period of five years. **It is the Member's responsibility to ensure that the project is in compliance with the DRF Guidelines.**

15. Please note that this is a reimbursement program and the Member will not receive funds in its Demand Deposit Account (DDA) at the Bank until after the Community Investment Department has received the completed Certification and Draw Request form and all the supporting documents.

Please make the appropriate persons in your institution aware that the reimbursement will be a credit to your DDA Account.

16. Sample Deed Restrictions. If you wish to use a document other than this, the Bank must approve your document prior to its use. Please ensure you are using the current Deed Restrictions posted on the website:

http://www.fhlbdm.com/ci_ahp_grf.htm.

If you would like this form as a Word Document, please email the Community Investment Department communityinvestment@fhlbdm.com.

17. Sale or Refinance. In most cases, if the home is sold during the five-year retention period the funds must be returned to the Bank. If a borrower is refinancing or selling the home to another income-qualified borrower, the DRF forgivable loan may not have to be repaid; however, the new homeowner must be income qualified and must sign a retention agreement. In the event of a refinance if the home remains owner occupied and subject to a legally enforceable retention mechanism approved by the Bank, the member may choose to subordinate its lien position;

therefore, no repayment would be required. Please consult with the Community Investment Department staff to determine if a repayment is required.

18. If there is a repayment or subordination, the following forms are available on our website, http://www.fhlbdm.com/ci_ahp_grf.htm:

- Sample Subordination Agreement;
- Auto Recapture Form (completed online it automatically calculates the payoff based on the language in the original retention agreement). Include a check payable to the Federal Home Loan Bank with this form.

The member is responsible for filing a release once funds have been returned to the Federal Home Loan Bank.

19. Market the program in the media. How does this program fit with your current advertising? The program might be a great addition to an existing advertising campaign. Your media market might also be open to doing a story about this in conjunction with a housing story.

20. We encourage you to keep in touch with the Community Investment Department. The Bank's Community Investment Department is here to help you. If you have comments or questions, please call 1-800-544-3452, ext. 1173.