



NAHI Guidelines

2007 Native American Homeownership Initiative Guidelines

A. Program Summary

Effective January 22, 2007, 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 Attachment A.

B. Allocation of Funds

Funds for the 2007 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 February 1, 2007 and ending December 31, 2007. A member may not reserve additional funds until any 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 2007 NAHI by March 31, 2008, regardless of the 90-day reservation period.

C. Treatment of Undisbursed Funds

- ⊖ All loans must be closed on or before 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 April 30, 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 April 30, 2009 for reimbursement.
- ⊖ Any undisbursed funds, except for amounts escrowed for rehabilitation as described above, remaining as of March 31, 2008 will be added to the AHP contribution for the next round of AHP applications.



NAHI Guidelines

D. Requirements

- ⊖ Eligible 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.
- ⊖ Eligible households will be determined using the greater of the area median income as periodically published for use under the MRB median income for the state in which the retention document will be recorded or 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 (i) the MRB median income standard for the county or MSA where the property being purchased is located or (ii) the applicable NAHASDA income limits. 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 www.fhlbdm.com 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. 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.
- ⊖ All eligible First-time Homebuyer households must complete a Financial Literacy Program, as defined in Attachment A, prior to closing.
- ⊖ 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.
- ⊖ 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.
- ⊖ 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. If a member is providing mortgage financing to a participating household, the member must provide financial or



NAHI Guidelines

other concessions in connection with such mortgage financing. 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 Finance 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 concession under this definition. Loans originated to be sold into the secondary market, other than State Housing Finance 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 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.



NAHI Guidelines

- ⊖ Eligible households must be either a First-time Homebuyer or a Non First-time Homebuyer as defined in Attachment A.
- ⊖ An owner-occupied unit that is purchased under the NAHI must be in a Native American Service Area as defined in Attachment A.
- ⊖ 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.
- ⊖ Monitoring of the NAHI program will be as stated in the AHP regulations 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.

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

- a) signed HUD-1 or closing documents for the sale of a manufactured home that includes purchase price, loan amount, and any other costs associated with the transaction;
- b) copies of lien waivers or invoices for work performed totaling the amount of assistance, if the funds are used for rehabilitation;
- 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.

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.



NAHI Guidelines

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

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