

2006 Urban First-time Homebuyer Fund Program Guidelines

A. Program Summary

Effective September 1, 2006, the Bank will allocate \$1 million of its annual required AHP contribution to provide down payment, closing cost, counseling, or rehabilitation assistance to eligible first-time homebuyers that are purchasing one-to-four family, owner-occupied properties in urban locations.

B. Member Eligibility

All members are eligible to apply.

C. Application Period

During an initial 30-day application period, an eligible member may apply to reserve from a minimum of \$5,000 up to a maximum of the following: the lesser of \$50,000 or the amount equal to the number of loans for the purchase of a home that the member originated in the preceding two calendar years in urban locations multiplied by \$5,000.

Funds will be allocated to members who apply by a lottery until the funds are fully reserved or all members in the lottery have been allocated funds. Any funds remaining unreserved will be allocated to the next round of competitive AHP applications.

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

Members are required to disburse reserved funds to eligible first-time homebuyers by close of business September 30, 2008. Members must request reimbursement from the Urban First-time Homebuyer Fund by October 31, 2008 for loans closed on or before September 30, 2008.

Any undisbursed funds that remain on October 31, 2008 will be added to the AHP contribution for the next round of AHP applications.

E. Requirements

- ◆ 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. 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 the co-signer(s) is (are) not titleholder(s) and will not reside in the home being purchased.

- ◆ Eligible households must be a First-time Homebuyer as defined in Attachment A.
- ◆ All eligible households must complete a Financial Literacy Program, as defined in Attachment A, prior to closing.
- ◆ 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. "If a member is providing mortgage financing to a participating household, the member must provide financial or other incentives 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 incentives 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, the HUD 184 Loan Program or other types of incentives may also be acceptable if approved by the Bank. Any fee reduction must be a minimum of \$50 in order to qualify as an incentive. 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 HUD 184 Loans, must provide an incentive.
- ◆ 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.

- ◆ The property being purchased 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).
- ◆ 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.
- ◆ The home that is purchased must be in an Urban Location as defined in Attachment A.
- ◆ Monitoring of the Urban First-time Homebuyer Fund 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 will be signed at the time of the award and a signed Certification and Draw Request form is required for each recipient prior to the disbursement of funds to the member.

In addition, the Bank verifies 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;
- 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 will only disburse 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.

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

- ◆ Subsidy Limit per Homebuyer

First-time Homebuyer: No individual first-time homebuyer shall receive more than \$5,000 under this program.

- ◆ Urban First-time Homebuyer Funds may not be used in conjunction with programs utilizing funds from other AHP awards.