



Checklist for a Successful Urban Homeownership Fund (UHF) Program

1. Return the Signed Agreements. Your Bank can only have access to the Urban Homeownership Fund Program funds after the Home Loan Bank (the 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. Review the Urban Homeownership Fund 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).
3. Attachment A. (Definitions and Acronyms)
4. The Bank requires that Urban Homeownership Fund projects comply with Anti-Predatory Laws as defined in the AHP Implementation Plan.
5. It is the Member's responsibility to ensure that the project is in compliance with the Urban Homeownership Fund Guidelines as stated in the AHP Implementation Plan.
6. Find a Qualified Borrower. The Income Determination Guidelines for Owner-occupied Projects are included with this package of information. Determine the income limit for the borrower's address. The household income must be at or below 80% of the Mortgage Revenue Bond Income Limit for the area to qualify for the program. Please check the Community Investment Page of the Bank's web site (www.fhlbdm.com) for the current MRB limits for Iowa, Minnesota, Missouri, North Dakota and South Dakota. The member is responsible for obtaining income limits for any other state and for requesting approval of the limits from the Bank prior to closing. In addition, the Bank adheres to the income inclusions and exclusions of the HOME Program, which are also posted on the Bank's website. If the member determines, pursuant to the member's mortgage guidelines, that the household qualifies for the mortgage loan based on the household's current 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 Urban Homeownership Fund. A Calculation of Income Worksheet must be completed for each household member and provided with each first disbursement. **Please note that this form does not need to be signed by the borrower(s) since the borrower(s) must sign the Certification & Draw Request Form.**
7. In addition, please ensure that the address of the property being purchased meets our definition of urban as defined in Attachment A.
8. Determine the Type and Amount of Assistance. Urban Homeownership Fund subsidies must be used to pay for downpayment, closing costs, counseling or rehabilitation in connection with 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.

9. The cutoff date is September 30, 2008. For loans closed on or before September 30, 2008 where funds have been escrowed for rehabilitation, work must be completed and all funds disbursed from the escrow account by September 30, 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 October 30, 2009 for reimbursement. If a balance remains in the escrow on September 30, 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 October 30, 2009.

10. Eligible Closing Costs. Defined in Attachment A. Includes expenses over and above the price of the property incurred by the buyer when transferring ownership of the property. Representative closing costs include, but are not limited to, loan origination fee, loan discount fee, appraisal fee, credit report, mortgage insurance application fee, closing fee, document preparation, attorney fees, title insurance (for mortgagee or owner), judgment search fees, abstracting fees, Title Guaranty fees (in Iowa), recording fees, tax stamp fees, survey fees, plat drawing fees, pre-paid interest for up to 30 days, initial flood insurance premium, two months escrow of mortgage insurance, escrow of property tax as appropriate for the jurisdiction in which the property is located, two months escrow of flood insurance, first year's premium on homeowner's insurance, first year's premium for mortgage insurance, property inspection fees. Homebuyer education classes or Financial Literacy Programs are an eligible closing cost expense from AHP funds only for buyers receiving AHP funding greater than that cost of the homebuyer education classes or programs. The amount that can be charged to AHP is limited to \$150 for a course requiring 8 hours or less (the typical Mortgage Insurance short course or in-house type of training) with a maximum of \$350 for a course that is more than 8 hours. The following are not eligible closing costs: single premium or monthly life and/or disability insurance coverage and escrow of principal and interest payments.

11. 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. 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 RHF 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. Concessions. If 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 Urban Homeownership Fund 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.

13. Financial Literacy Counseling. Defined in Attachment A. All first-time homebuyers must complete a financial literacy education program, an educational program that includes homebuyer education and financial literacy instruction in ways to recognize and avoid predatory lending prior to closing. This educational instruction must take place before loan closing and may be in the form of a face-to-face tutorial, a classroom or workshop session, a mortgage insurance company education program or an internet based curriculum as long as each education program includes a homebuyer

education course as well as information on recognizing and avoiding predatory lending. Members are encouraged to offer their own in-house programs as long as there is trained staff. There will no exceptions to this requirement. A Financial Literacy Education Resources sheet is included in this packet with links to available programs and counselors in your area.

14. Submission of required paperwork. You are required to submit all the required paperwork regardless of the status of rehabilitation. Make sure the Urban Homeownership Fund Certification & Draw Request Form is completely filled out. This includes checking the status of rehabilitation, if applicable. Double-check the borrower's income eligibility. The Draw Request Form must list the Project Number which can be found on your agreement. The Draw Request form must be signed by a ***representative from your institution who is authorized to borrow funds from the Bank or your institution's designated AHP Representative as noted on the Authorized Personnel Form on file with the Bank.*** For your **first** disbursement, you will need to provide the following information:

- Signed Certification and Draw Request Form; you must check the status of rehabilitation, if applicable;
- 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; the grant must be noted correctly under the section “Amount Paid For Or In Behalf Of The Borrower;”
- Copy of the retention document to be filed for the transaction;
- A Calculation of Income Worksheet for each household member;
- Third-party verification of income for all household members;
- If rehabilitation is complete, paid receipts/lien waivers totaling the amount of rehabilitation; if funds have been escrowed, documentation of the entire escrowed amount in the form of paid receipts and/or lien waivers or documentation that any remaining balance was applied to the principal of the first mortgage or as a credit towards the household’s monthly payment on the mortgage.
- If rehabilitation is not complete at this time, ensure that all required remaining documentation is received at the Bank no later than October 30, 2009.
- For subsequent disbursements, please provide the Certification & Draw Request form and any rehabilitation documentation, if applicable.

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

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

16. 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.

17. Sample Deed Restrictions. If you wish to use a document other than this, the Bank must approve your documents. Please ensure you are using the current Deed Restrictions or other sample retention agreements posted on the Bank's website http://www.fhlbdm.com/ci_ahp_grf.htm. If you would like the form as a Word Document, please email the Community Investment Department communityinvestment@fhlbdm.com.

18. 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 Urban Homeownership Fund forgivable loan may not have to be repaid; however, the new borrower must sign a retention agreement. In the event of a refinance, the member may choose to subordinate its lien position; therefore, no repayment would be required.

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

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. Talk to Realtors. If they have a client who falls into the Urban Homeownership Fund guidelines, they may recommend your financial institution for mortgage and homebuyer assistance. Mail them a press release, or call them personally.

21. Sell the Urban Homeownership Fund loan on the secondary market. If you wish to sell conforming mortgages on the secondary market and run into problems with acceptance of the soft second mortgage, please contact the Community Investment Department at 1-800-544-3452 ext. 1048. Fannie Mae and Freddie Mac have approved Federal Home Loan Banks' affordable housing programs as an acceptable subordinate financing.

22. Keep in touch with the Community Investment Department. The Bank's Community Investment Department is here to help you! We encourage you to call before you close a loan for assistance. If you have comments or questions, please call 1-800-544-3452, ext. 1173 or visit the Community Investment Page at our web site – www.fhlbdm.com.