



Homeownership Project Member Information Packet 2014A Round

I. Homeownership Project Member Information Packet

The information contained in this packet should be reviewed by all persons at the member financial institution that will be responsible for administering the project using the Federal Home Loan Bank of Des Moines (the Bank) Affordable Housing Program funds. This information packet will familiarize you with requirements of the member in administering the AHP project. The project sponsor that completed the application and will conduct the project has separate instructions in a [Sponsor Information Packet](#). The member should ensure that the sponsor obtains that information packet. It is recommended that the member be aware of the sponsor requirements. Copies of the Member and Sponsor Information Packets can be found on our [website](#).

The Community Investment staff is available by phone or email to answer your questions at:

The Community Investment toll free phone number is 800.544.3452, ext. 1173

Community Investment Department fax number is 515.699.1270

Community Investment Department general email address - communityinvestment@fhlbdm.com

Rick Bloxham, Homeownership Manager – ext. 1198 or rbloxham@fhlbdm.com

Mary Jo Vogl, Homeownership Analyst, II – ext. 1415 or mvogl@fhlbdm.com

Cheryl McCollum, Set Aside Analyst – ext. 1048 or cmccollum@fhlbdm.com

II. The Affordable Housing Program Agreement for Owner Occupied Project

The [Affordable Housing Program Agreement for Owner Occupied Project](#) must be executed by authorized personnel of the Bank, member, and sponsor and returned to the Bank before any Subsidy Transfer Request. The member and sponsor need to verify that all information is correct and review any contingencies before returning the Agreement. Please be advised that:

- The income targeting proposed in the AHP application is reflected in the Agreement.
- The sponsor committed to specific activities in the AHP application which are reflected as contingencies in the Agreement.
- The Bank may impose certain requirements on the project which are reflected as contingencies in the Agreement.
- Income targeting, sponsor commitments in the application, and any requirements imposed by the Bank must be adhered to.
- Any alteration must be discussed with the Bank prior to any changes. The Bank, at its sole discretion, will approve or deny any proposed change in income targeting, activities committed to in the application, and requirements imposed on the project.
- Failure to adhere to the income targeting, sponsor commitments made in the AHP application, and requirements of the Agreement could result in deobligation and recapture of all or a part of the subsidy award including amounts already advanced.

III. AHP Implementation Plan

The Bank suggests you review program guidelines and requirements for homeownership projects in the Bank's [2014 Implementation Plan](#) prior to the start of this project. If you do not have a



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copy you may request it from the Community Investment Department at 800.544.3452 ext. 1173.

IV. Information on Forms and Documents for Owner-Occupied Projects

Forms needed to administer a project are available on the Bank's [website](#). If you require assistance with any of the forms call Mary Jo Vogl at 800.544.3452 extension 1415. Forms include:

A. AHP Subsidy Transfer Request Form

A Subsidy Transfer Request is a request for disbursement of funds for a project. This two page form must be submitted to the Bank with each request for AHP funds. The form may originate with the project sponsor, but it must be signed by a representative from the member who is authorized to borrow funds from the Bank or the member's designated AHP representative, as noted on the official signature card on file with the Bank. Documents to be submitted with the Subsidy Transfer are listed on the second page of the form. These are created by the sponsor and should be provided to the member and the Bank with the [AHP Subsidy Transfer Request Form](#).

B. Homeownership Monitoring Spreadsheet

In most cases this must be submitted with each Subsidy Transfer Request beginning with the second Subsidy Transfer Request. This document is created by the sponsor. The [Homeownership Monitoring Spreadsheet](#) is an Excel spreadsheet to be used by the sponsor to identify households served, the amount of AHP grant provided, household income eligibility, and other monitoring information. This information will assist the Bank and the member in monitoring the progress of the project and compliance with the commitments made in the AHP application. Different spreadsheets are available for different types of projects. Sponsors should use the appropriate spreadsheet.

C. Calculation of Income Worksheet and Instructions

One worksheet must be completed for each household served. This is typically completed by the sponsor, but may be completed by the member if they provided income verification. The worksheet must list all household income, show how the income was calculated, and must be signed by the sponsor or the member, as appropriate, and by the homebuyer or the homeowner provided assistance. By signing the form, the member or the sponsor are certifying that they have completed and reviewed the income calculation. The homeowner/homebuyer is certifying that the income calculation is correct.

[Income Determination Guidelines](#) and [Calculation of Income Worksheet Instructions](#) are available on the Bank [website](#) and provide instruction on income qualification and income calculation. Copies of third party income verification must be obtained to support the information on the Calculation of Income Worksheet, and a reviewer must be able to use this documentation to understand and duplicate the sponsor's or member's income calculation.



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D. Homeownership Project Retention Documents (Deed Restriction)

Per terms of the Affordable Housing Program Agreement for Owner Occupied Project between the Bank, member, and sponsor, **the member** must ensure that each owner-occupied unit that is purchased, constructed, or rehabilitated with the proceeds of a direct subsidy is subject to a five-year Deed Restriction or other legally enforceable retention agreement with the grant recipient. The sponsor may act as the designee of the member in providing for the Deed Restriction; however, the member should exercise oversight to ensure that the Deed Restriction was completed and filed of record in the appropriate jurisdiction.

The amount of AHP subsidy reflected in the Deed Restriction must match the amount of AHP subsidy used to provide services to the assisted household and compensate the sponsor for the cost of providing that service. For example, in an owner occupied rehab project typical costs would include construction management fee and a filing fee for the Deed Restriction; the total of those costs, together with the rehabilitation cost, must be included in the Deed Restriction. Any cost that is intended to be paid from AHP funds that is not included in the Deed Restriction is not eligible for reimbursement to the sponsor.

The two forms available on our website include:

- The sample Homeownership Project Retention Agreement is to be used for fee simple land.
- The sample Retention Agreement for Native American Tribal Trust Land is to be used for tribal lands that are subject to tribal lease.

Forms are also available for Community Land Trusts and for mobile homes. In some jurisdictions, a Note and Mortgage (or Deed of Trust) is preferable. You must request these forms from the Bank.

In the Homeownership Project Retention Agreement the member or the sponsor as its designee must be named as the "Lender". The Lender must ensure that the agreement is filed in the appropriate jurisdiction and that terms of the retention are adhered to over its five-year term. In the Retention Agreement for Native American Tribal Trust Land both the member and sponsor are party to the agreement, and responsibility of the "Lender" is delegated to the member.

You should consult your legal counsel to ensure full compliance with the AHP regulatory retention requirements and recording requirements in your jurisdiction. By providing you this agreement, the Bank is in no way providing legal advice or making any representation as to the effectiveness of the document in your jurisdiction. We do understand that you may need to make formatting changes to the Deed Restriction so it complies with various requirements of your local Recorder's office. The signature block and acknowledgement will also need to reflect the requirements of your jurisdiction. **Any change to the sample documents other than formatting changes must be approved by the Community Investment Department of the Bank before use.**



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E. Calculation of Recapture of AHP Funds and Subordination

Per terms of the retention agreements the member or its designee is to be given notice of any sale or refinance by the household occurring prior to the end of the retention period. In the case of a sale or refinance of the property prior to the end of the retention period, an amount equal to a pro rata share of the AHP subsidy that financed the purchase, construction, or rehabilitation of the unit, reduced for every month the household owned the unit, shall be repaid to the member or its designee from any net gain realized upon the sale or refinancing, unless:

- The unit was assisted with a permanent mortgage loan funded by an AHP subsidized advance (not applicable when the AHP subsidy was provided as a grant or forgivable loan);
- The unit is sold to a very low-, low-, or moderate-income household; or
- Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism.

In cases where a unit is sold to a low-to-moderate income household, that household must be below 80% of the area median income, and documentation should be obtained to verify this. Keep these records in the client file in the event they are needed by the bank for review.

In addition, the retention agreement and recapture is not enforced in the event of a foreclosure, deed-in-lieu of foreclosure, or assignment of the first mortgage or deed of trust to the Secretary of the U.S. Department of Housing and Urban Development (HUD) in the event of a default of a government insured mortgage. Keep record of the foreclosure in the client file in the event it is needed by the Bank for review.

A Calculation of Recapture of AHP/RHF Funds form is available on our [website](#). In completing the form enter the date of execution in the Deed Restriction, which should be the same as the "Funded Date" in the Homeownership Monitoring Spreadsheet. Use the net proceeds from the sale or refinance as net gain to determine if funds are available for recapture. Collect and pay to the Bank any net proceeds up to the amount of recapture. If there are no net proceeds there is no recapture due. Keep record of the property settlement in the client file in the event it is needed by the Bank for review.

A sample Subordination Agreement is also available on our [website](#). This document can be used for a homeowner that refinances and the retention agreement will remain in effect. Consult your attorney to ensure this document meets the requirements for a Subordination Agreement in your state. Any change to this document other than a formatting change will need to receive approval from the Community Investment Department prior to the use of the document.

If you require assistance in calculation of a recapture, call Mary Jo Vogl at 800.544.3452 ext. 1415.



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V. How to Complete a Subsidy Transfer Request

The Affordable Housing Program Agreement for Owner Occupied Project must be executed by the Bank, member, and sponsor and returned to the Bank before any Subsidy Transfer Request. The member and sponsor must also acknowledge receipt and review of their respective Instruction packets. Please utilize the attached Exhibit for member acknowledgement. The acknowledgment must identify contact persons who will be responsible for project administration, and must be signed by the member.

AHP funds are disbursed by the Bank to the member, for their disbursement to the sponsor, after a Subsidy Transfer Request Form is received and reviewed. **Members should not disburse funds to a sponsor until the Subsidy Transfer Request has been reviewed and approved by the Bank.**

Approval of any amount of transfer is at the discretion of the Bank. The Bank will limit the first advance provided a sponsor without program experience to no more than 10% of the total grant amount, and in some cases the Bank may require transfers on a reimbursement basis to ensure that the sponsor is compliant with the Affordable Housing Program Agreement for Owner Occupied Project and Bank policy and procedures. For all sponsors, an initial subsidy transfer request should not exceed 25% of the total subsidy award. Other requirements include:

1. The member and sponsor must be current with periodic AHP Progress Reports at the first subsidy transfer request and each subsidy transfer request thereafter (see Section VI of this document).
2. A Subsidy Transfer Request Form signed by an authorized staff person at the member financial institution must be submitted to the Bank with the first transfer request and each transfer request thereafter. The sponsor may participate in completion of the form. The appropriate boxes on the Subsidy Transfer Request Form will need to be checked, including identification of the retention document that will be used for the project.
3. A copy of the income limits (see Section V of this document) that the sponsor will use to qualify clients and marketing materials used for the project must be submitted with the first Subsidy Transfer Request. ,
4. An Exhibit III sources and uses of funds statement from the Feasibility Review Workbook should be submitted by the sponsor with all requests for AHP funds, documenting any change in the sources and uses of funds since the time of project application, including actual results of completed projects. Material variances should be explained by the sponsor.
5. Approval of any amount of transfer is at the discretion of the Bank. The Bank will limit the first advance provided a sponsor without program experience to no more than 10% of the total grant amount, and in some cases the Bank may require transfers on a reimbursement basis to ensure that the sponsor is compliant with the Affordable Housing Program Agreement for Owner Occupied Project and Bank policy and procedures. For all sponsors, an initial subsidy transfer request should not exceed more than 25% of the total subsidy award.



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6. No later than the second and on subsequent Subsidy Transfer Requests, the Bank will begin sampling individual client files of the sponsor to ensure that the project is in compliance with the AHP Implementation Plan, the AHP application and Affordable Housing Program Agreement for Owner Occupied Project, and Bank policy and procedures.
7. More information about documentation requirements of the sponsor is included in the Sponsor Information Packet.

VI. Income Limits and Purchase Price Limits

Projects may use, on a household by household basis, the greater of these adjusted median income limits:

- Median income for the area, adjusted for household size, as periodically published for use under the Mortgage Revenue Bond (MRB) program by the State Housing Finance Agency for the state in which the retention document will be recorded. The Bank uses the income limits for non-targeted areas. If a city has a targeted area for MRB income determination, the Bank will use the non-targeted area incomes;
- Median income for the area as published annually by HUD and adjusted for household size for each county or MSA, or
- The NAHASDA Income Guidelines may be used for households that are eligible for assistance from a Tribally Designated Housing Agency.

These income limits for locations within the Bank's five-state district are available on our [website](#). The member and sponsor should periodically check the Bank's website to be sure they are using the most current limits. Members and sponsors are responsible to ensure current limits are used. Please call if you are approved to provide grants outside our five-state district. It will be the member's and sponsor's responsibility to assist us in obtaining the appropriate income limits for states outside of our district.

Projects that include the acquisition of a residence by a homebuyer are subject to Maximum Purchase Price Limits established by the applicable State Housing Authority. These limits are available on our [website](#).

VII. AHP Progress Report and Extensions

The Bank will send the member an AHP Progress Report semi-annually until the completion of the project. We will use this report in monitoring the project's progress. The member must be current with the AHP Progress Report submission to the Bank for AHP funds to be disbursed. The sponsor will assist the member in completion of the Progress Report, providing timely and complete information on the status of the project.

Projects are given two years to complete. It is expected that projects will be complete by the expiration date. If there are units in progress an extension can be requested to complete those units. A Homeownership Extension Request form is available on the Bank [website](#). The



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need for an extension can also be related in the [AHP Progress Report](#). **Extensions are at the discretion of the Bank.**

The Bank may cancel any project that has not begun after one year if other financing commitments have not been obtained and/or the project has not begun qualifying and serving households. If funds had already paid to the member and the sponsor, they would need to be repaid to the Bank.

VIII. Exceptions and non-compliance

If there is difficulty obtaining required documentation from the sponsor for project monitoring, exceptions, or noncompliance by the sponsor, the member will be advised and asked for assistance to obtain compliance, per terms of the [Affordable Housing Program Agreement for Owner Occupied Project](#). Material exceptions or noncompliance could prevent the timely distribution of subsidy funds and could also result in deobligation of the grant award or request for repayment of AHP subsidy. Any unused funds would be forfeit and used for other AHP commitments. If this included funds already paid to the member and the sponsor they would need to be repaid to the Bank.



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Exhibit A: Member Bank Acknowledgment

A. AHP Project # _____ (from the Subsidy Agreement)

B. Name(s) and information of person(s) responsible at the member bank for administering this AHP project

Person's Name: _____

Member Bank: _____

Phone # with extension: _____

Fax #: _____

Email address: _____

Person's Name: _____

Member Bank: _____

Phone # with extension: _____

Fax #: _____

Email address: _____

I/We have read the Homeownership Project Information Packet and have called the Community Investment Department with any questions.

Signature Date _____

Signature Date _____

**Return this page to the attention of:
Community Investment Department
Federal Home Loan Bank of Des Moines
801 Walnut Street, Suite 200
Des Moines, IA 50309-3513**