



Homeownership Project Sponsor Information Packet 2014A Round

I. Homeownership Project Sponsor Information Packet

The information contained in this packet should be reviewed by all persons at the sponsoring agency that will be responsible for administering a project using Affordable Housing Program (AHP) funds. The sponsoring agency (the sponsor) is the non-profit, government, or tribal entity that designed and is conducting the project, and is named in the Affordable Housing Program Agreement for Owner Occupied Project between the Federal Home Loan Bank of Des Moines (the Bank), our member financial institution, and the sponsoring agency.

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

The Community Investment phone number: 800.544.3452, ext. 1173

Community Investment fax number: 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. 1064 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, in 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 to the member and sponsor under the Agreement.

III. AHP Implementation Plan

Before beginning a project, a sponsor should read and understand the requirements of homeownership projects included in the Bank's [2014 Implementation Plan](#) prior to the start of this project. If you do not have a copy you may request it from the Community Investment Department at 800.544.3452 ext. 1173.



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Requirements of homeownership projects include:

A. Income Determination Guidelines for Owner Occupied Projects

All households assisted in a project must be under income limits established in the 2014 Implementation Plan and committed to in the AHP application. The Implementation Plan includes Income Guidelines for Homeownership Projects with instructions on income verification and applicable income limits. These guidelines, a Calculation of Income Worksheet, and instructions for completing the worksheet are provided on the Homeownership Forms page of the Bank's [website](#). If you have conducted projects before, please refer to the documents posted on our website before beginning your project to verify that you are using the most current Worksheet and instructions. See Section IV of this document for guidelines for calculation of income and Section VII for a discussion of income limits.

B. Feasibility Guidelines for Owner-Occupied Projects

The 2014 Implementation Plan contains Feasibility Guidelines for Owner-Occupied Projects. These include project cost guidelines. Please review these guidelines. Projects must be within these guidelines to be eligible for AHP funding.

C. Eligible and Ineligible Owner-Occupied Rehabilitation

For projects that include owner-occupied rehabilitation please refer to Exhibit A that is attached as part of this document. Included is instruction from the Bank on owner-occupied rehabilitation agendas that conform to the guidelines of the Implementation Plan. Sponsors whose projects include owner-occupied rehabilitation should review this instruction and ensure that the rehabilitation services provided in the project conform. If the rehabilitation of a unit includes agendas that do not conform it may not be eligible for AHP subsidy. If you have questions on the rehabilitation agenda of a project or of an individual unit in a project, call Mary Jo Vogl at 800.544.3452 ext. 1415 or mvogl@fhlbdm.com.

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

Forms needed to administer a project are available on the Homeownership Forms page of the Bank's [website](#). If you need assistance with any form call Mary Jo Vogl at 800.544.3452 ext. 1415 or mvogl@fhlbdm.com.

Forms include:

A. AHP Subsidy Transfer Request Form and authorized signers

A Subsidy Transfer Request Form is required for disbursement of funds for a project. This form must be submitted with each request for AHP funds. The form originates with the project sponsor but it must be signed by a representative of the member bank who is authorized to borrow funds from the Bank or the member bank's designated AHP representative, as noted on the official signature card on file with the Bank. Attachments required in the Homeownership Project Checklist that is part of the form are created by the sponsor and should be provided to the member and to the Bank with the transfer request.



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B. Homeownership Monitoring Spreadsheet

A Homeownership Monitoring Spreadsheet is an Excel spreadsheet to be used by the sponsor to identify households served, the grant amount provided them, and other information about the household and the project required for project monitoring. Different spreadsheets are available for different types of projects. Sponsors should use the appropriate spreadsheet. This spreadsheet may be requested at any time during the course of the project. It is always requested at the second Subsidy Transfer Request and any subsequent Subsidy Transfer Request.

C. Calculation of Income Worksheet and Instructions

Verification of income and a Calculation of Income Worksheet must be completed for each assisted household before they are awarded funds. The Bank will collect income documentation for project monitoring to verify a household's eligibility for a subsidy award. Income verification is a task typically completed by the project sponsor. The sponsor should read and understand the Bank's Income Determination Guidelines and Calculation of Income Worksheet Instructions before beginning income verification. Acceptable third party income verification must be obtained for each adult person in the assisted household. This information is entered into the Worksheet to calculate household income. The Worksheet must identify all household income, show the income calculation, and be signed by the sponsor and by the homeowner/homebuyer. Sponsor signature certifies they have completed and reviewed the income calculation. The homeowner/homebuyer signature certifies that household income is correct. The Worksheet will ask the sponsor to identify the applicable income limit used to qualify the household. See Section VII for a discussion of income limits.

D. Feasibility Review Workbook

A Feasibility Review Workbook was completed by the sponsor at application. This workbook is also used in project monitoring. In conducting the project sponsors will complete applicable Exhibit spreadsheets for their project type for *individual units* in the project, and maintain an Exhibit III with the total sources and uses of funds for *all units* in the project. Sponsors will be asked to provide applicable Exhibits in sampling of completed units. Applicable Exhibits that should be completed for *individual units* based on project type include:

Exhibit I-A should be completed for all down payment projects and for development projects that include sale of a property, except for Habitat projects. This worksheet will summarize the cost of the home purchase or the development project, how costs were paid, and the details of the household's financing. Amounts entered on this worksheet should conform to the sources and uses of funds in Exhibit III.

Exhibit I-B should be completed for all Habitat development projects or other projects that provide below market rate financing for homebuyers. This worksheet will calculate a present value of the Habitat mortgage, which must be included as a source of funds for the project. The sources and uses of funds in Exhibit III should conform to this Exhibit.

Exhibit III Sources and Uses of Funds is a critical component of the Workbook and an important tool for management of all project types. This spreadsheet should document all applicable sources and uses of funds for the transaction with the household. Costs should be eligible costs based on the project type and the worksheet should validate the need for AHP subsidy. AHP



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subsidy should never exceed the difference between other funding sources for the unit and eligible project costs.

Exhibit IV is a Homeownership Feasibility Analysis Checklist. Many of the entries on this spreadsheet are automatic calculations from data entered elsewhere in the Workbook. Sponsors should review this Exhibit after completion of the other spreadsheets in the Workbook to help determine if project costs are within the feasibility guidelines of the [AHP Implementation Plan](#) and correspond to the project cost profile in the AHP application. Sponsors should provide explanation of costs in the applicable text boxes on Exhibit IV.

Required Exhibits for different project types include:

- **For down payment and closing cost projects:**

Exhibit I-A, Exhibit III, and Exhibit IV

- **For development projects including new construction and acquisition with rehabilitation for resale (except Habitat projects):**

Exhibit I-A, Exhibit III, and Exhibit IV

- **For Habitat projects:**

Exhibit I-B, Exhibit III, and Exhibit IV

- **For owner-occupied rehabilitation projects:**

Exhibit III and Exhibit IV

E. Homeownership Project Retention Document (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. The member must exercise oversight to ensure that Deed Restrictions are 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 including the compensation to the sponsor for the cost of providing that service. For example, in an owner occupied rehab project costs paid from AHP funds to assist a household may include property rehabilitation, construction management fee, and a filing fee for the Deed Restriction. The total of those costs must be included in the Deed Restriction. **Any cost that is 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 of Retention Agreement available on our website include:

1. A [Homeownership Project Retention Agreement](#) is to be used for fee simple land.



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2. A 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". 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.

The Lender must ensure that terms of the retention are adhered to over its five-year term; including recapture of the subsidy in some circumstances (see below).

You should consult your legal counsel to ensure the Bank's sample documents meet recording requirements in your jurisdiction. In providing you these agreements the Bank is in no way providing legal advice or making any representation as to the effectiveness of the document in your jurisdiction. We 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 will need to receive approval from the Community Investment Department at the Bank before use.**

F. Recapture of AHP Funds and Subordination

Per terms of the retention the member or its designee as Lender 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 and retained in the client file to verify this.

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. Documentation of the foreclosure should be retained in the client file to verify this.



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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 your Homeownership Monitoring Spreadsheet. The form will calculate the amount of subsidy not yet forgiven, which is subject to recapture. That amount is paid from any net gain from the sale or refinance.

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. Documentation of the sale or refinance and the amount of net proceeds should be retained in the client file to verify that amount.

A sample Subordination Agreement is also available on our website. This document can be used for a homeowner that refinances to keep the retention agreement 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.

V. Subsidy Transfer Request

As related above, a Subsidy Transfer Request Form signed by the member's authorized representative is required for disbursement of funds for a project. Approval of any amount of transfer is at the discretion of the Bank. At the discretion of the Bank, a Subsidy Transfer may be made as an advance payment for units in progress, or as a reimbursement for units that have been completed.

The Bank will limit the first advance provided a sponsor without program experience to reimbursement, or no more than 10% of the total grant amount as an advance payment, at its discretion. For all sponsors, an initial subsidy transfer request should not exceed more than 25% of the total subsidy award.

Subsequent disbursements should conform to the sponsor's completed units and/or work-in progress as demonstrated by a Homeownership Monitoring Spreadsheet. The Spreadsheet is typically provided by the sponsor beginning with the second Subsidy Transfer Request, but may be requested with the first transfer if advances are made as a reimbursement.

Prior to a Subsidy Transfer Request being approved, documentation must be submitted to the Bank for review. This Section and in Section VI list documents that should be maintained for different types of projects. Members and sponsors will need to meet applicable documentation requirements to ensure that funds will be made available by the Bank to support the project.

A. First Subsidy Transfer Request

1. 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.



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2. The sponsor must acknowledge receipt and review of this Instruction. Please utilize the attached Exhibit B. It must identify contact persons who will be responsible for project administration and must be signed by the sponsor. The Bank may also require an instructional meeting with the sponsor.
3. The member and sponsor must be current with AHP Progress Reports at *each* subsidy transfer.
4. A Subsidy Transfer Request Form needs to be signed by the authorized signer of the member and submitted to the Bank at *each* subsidy transfer. The appropriate boxes on the AHP Subsidy Transfer Request form will need to be checked, including identification of the retention document that will be used for the project.
5. A copy of the applicable income limits that the sponsor will use to qualify households (see Section VII of this document) and copies of marketing materials (brochures, posters, press releases, etc.) used for the project must be submitted with the first request for AHP funds.
6. An Exhibit III Sources and Uses of Funds statement from the Feasibility Review Workbook should be submitted that documents anticipated sources and uses of funds at the start of the project. Any change in the sources and uses of funds since the time of project application should be documented here. Material variances from the application should be explained by the sponsor in a separate cover letter.
7. No later than the second transfer request, and at all subsequent transfer requests, the Bank will sample documentation from completed units to ensure that the sponsor is compliant with the Affordable Housing Program Agreement for Owner Occupied Project and Bank policy and procedures. Documentation may be requested from completed units at the first transfer request, if transfer is on a reimbursement basis.

B. Second and Subsequent Subsidy Transfer Request(s)

1. A Subsidy Transfer Request Form needs to be signed by the authorized member contact and submitted to the Bank at *each* transfer.
2. A Homeownership Monitoring Spreadsheet that lists all individual units completed or in process at the time of the subsidy transfer request should be submitted with the second transfer request and subsequent requests. The sponsor should use the Homeownership Monitoring Spreadsheet appropriate to their project type. The spreadsheet will include monitoring information relevant to the project. Indicate on the spreadsheet which units are complete by marking "Y" where indicated, and those in process by marking "N". We request that the sponsor email a copy of the updated spreadsheet in Excel format to Mary Jo Vogl (mvogl@fhldm.com) at the time they make their transfer request.
3. An updated Exhibit III Sources and Uses of Funds statement from the Feasibility Review Workbook should be submitted that documents actual sources and uses for all *completed* units at the time of the transfer request. Figures should conform to those for completed units in the Homeownership Monitoring Spreadsheet.



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4. The Bank will pick a sample of completed units in the project from the Homeownership Monitoring Spreadsheet for monitoring. Documentation of sampled units will be requested from the sponsor by the Bank. Documentation required for the sampled units can be faxed to the attention of Mary Jo Vogl in the Community Investment Department at 515.699.1270, or scanned and emailed to mvogl@fhlbdm.com.

The sample must always include:

- a) a Calculation of Income Worksheet listing all sources of household income and signed by the sponsor and by the homeowner/homebuyer;
 - b) copies of third party income verifications;
 - c) a copy of the executed and recorded retention agreement.
5. Additional documentation is required for each sampled unit based on the project type, including:

a) For down payment and closing cost projects:

- i. the Feasibility Review Workbook Exhibit I-A, Exhibit III, Exhibit IV;
- ii. the property or loan settlement statement documenting the details of the transaction including the AHP subsidy as a credit to the homebuyer;
- iii. appraisal of the purchased property;
- iv. copies of invoices, paid receipts and/or contractor lien waivers for any rehabilitation.

NOTE: If the transaction included rehabilitation, the unit is not complete until rehabilitation is complete and documented (see Section VI below).

b) For development projects including Habitat projects:

- i. The Feasibility Review Workbook Exhibit I-A (or Exhibit I-B for Habitat projects), Exhibit III, Exhibit IV;
- ii. the property or loan settlement statement documenting details of the transaction including the AHP subsidy as a credit to the homebuyer;
- iii. an as completed appraisal of the developed property;
- iv. an itemization and certification of construction or rehabilitation costs signed by the project sponsor (a Bank form – Construction Cost Certification - is available on the Bank [website](#)).

c) For owner-occupied rehabilitation projects:

- i. The Feasibility Review Workbook Exhibit III and Exhibit IV;
- ii. Documentation of rehabilitation including:
 - Pre-rehab Inspection Report
 - Project Manager's Specifications
 - Cost estimate or contractor bid proposal to include description of work to be performed and cost of material and labor, including change orders if applicable
 - Post-rehab Inspection Report



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- Project photos of completed work
 - Signed acceptance of completion or authorization for payment by the homeowner
 - Contractor invoices or materials receipts for reimbursement
 - Copies of paid receipts or cancelled checks for payments
 - Contractor lien waiver or signed satisfaction of payment by the contractor

Documentation must be sufficient to demonstrate that the work is eligible rehab per bank guidelines, the scope of work to be performed, that the work was completed per the specifications and bids, that the assisted household approved the work that was performed, and that contractors and suppliers were paid and satisfied. Failure to satisfy the Bank on these requirements may result in the Bank withholding funding of a project until satisfactory documentation is provided.

VI. Additional Documentation Requirements

Following are additional documentation requirements for different types of AHP projects to verify scoring requirements and/or project contingencies. If a project included these features this documentation must be maintained by the sponsor. This list is not inclusive of all documentation that may be required. The Bank will advise of any additional documentation requirements.

A. Development Projects including Habitat Projects

The sponsor should indicate on the [Homeownership Monitoring Spreadsheet](#) if the project was new construction or acquisition with rehabilitation. The project type should conform to the AHP application; thus, if the project was for new construction all completed projects must be new construction. The Bank requires a property appraisal with photos in project monitoring to demonstrate if the project was new construction or acquisition with rehabilitation.

B. Habitat Development Projects

For development projects with financing provided by the sponsor, where the sponsor is charging a discounted rate of interest not commensurate with the risk of the borrower, the sponsor must include the present value of their mortgage in the sources of funds. The sponsor must use Exhibit I-B of the [Feasibility Review Workbook](#) to calculate the present value of the discounted mortgage and determine a financing gap for the AHP subsidy.

For projects where the sponsor is providing financing but charging a market rate of interest commensurate with the risk of the borrower, the present value of the mortgage is equal to the face amount of the mortgage, and the sponsor should utilize Exhibit I-A to demonstrate the use and need for the subsidy.

C. Donated or discounted land and buildings

For projects that include the donation of land or buildings or purchase of land or buildings significantly below fair market value the sponsor must have documentation including:

- a) For the donation of property: copy of donation letter to document donation and a Warranty Deed and/or property settlement statement to document conveyance;
- a) For the acquisition of property significantly below fair market value: copy of purchase agreement with conveyance price, property appraisal to demonstrate fair market value,



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and Warranty deed, and/or property settlement to document conveyance.

For projects that include donation of land or buildings where the property was purchased from the federal government, a copy of the purchase offer, deed, or property settlement statement to verify purchase from a qualified seller.

On the Homeownership Monitoring Spreadsheet the sponsor should identify any of the above types of donated property in the column "Donated Land".

The Feasibility Review Workbook should demonstrate the donation of the land or building by including the amount of the donation or discount in the sources of funds, and the value of the donated land or building in uses of funds.

D. Down Payment & Closing Cost Projects that include rehabilitation

All units in a down payment project that are provided rehabilitation should conform to the Bank's guidelines for rehabilitation in the AHP Implementation Plan (see Definitions and Acronyms). The total rehab cost included in a purchase transaction should be included in the property settlement statement or closing document. If the work is to be performed after closing an escrow for rehab should be included in the settlement statement.

The Bank will monitor rehab documentation on applicable units in a project. If AHP funds paid for rehab of a unit the sponsor should identify the amount of that payment in the Homeownership Monitoring Spreadsheet. The amount of AHP funds for down payment and closing cost assistance and the amount for rehab are shown in separate columns in the Spreadsheet. **Any unit that included rehab should not be shown as completed on the Homeownership Monitoring Spreadsheet until rehab is complete and cost is paid, even if AHP funds did not pay for the rehab.**

Rehab documentation for monitoring purposes should include an itemization of the cost of rehab and documentation of payment of rehab funds. To comply with AHP guidelines in respect to Cash Back to Borrowers (see below), any funds escrowed for rehab not used for that purpose should be paid to the borrower's loan principal as a pre-payment of principal. This would include funds from a source other than AHP. Any payment for this purpose should also be documented.

Sponsors should ensure that lenders understand and will comply with documentation and cash back requirements for rehab before down payment assistance is provided to a homebuyer. If payment for rehab of a unit cannot be satisfactorily documented the Bank may refuse payment of subsidy for the unit.

In the Feasibility Review Workbook Exhibit I-A rehab paid at closing may be included in the Gross Sales Price in Part A. Rehab that was escrowed should be shown as post-purchase rehab in Part A and identified as paid by AHP or by others. The Source of funds for post-purchase rehab, other than the homebuyer mortgage or AHP, should be identified in Part D of Exhibit I-A as paid by the homeowner or by a grant, or paid by other loans.

Source of funds for rehab other than the homebuyer mortgage or AHP should also be identified in Sources of Funds in Exhibit III of the Feasibility Review Workbook. These amounts should conform to Exhibit I-A. As Sources of Funds must equal Uses of Funds, the cost of the rehab



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must also be shown in Uses of Funds in Exhibit III. Rehab amounts should be shown separately from building acquisition cost in Uses of Funds.

E. Cash Back to Borrowers

Projects that include home purchase may not provide more than \$250 cash back to borrowers, excluding reimbursement of eligible items paid outside of closing (for example, first year homeowners insurance). **Deposits, downpayment, and earnest money are not eligible items paid outside of closing, and should not be reimbursed in amounts exceeding \$250.**

Settlement statements should demonstrate that the borrower did not receive cash back exceeding this limit at loan closing. In addition, if funds were escrowed for rehab, no rehab funds should be paid out to the borrower except as reimbursement for eligible rehab cost or as a prepayment of their loan principal.

The best way to ensure compliance with this program requirement is to instruct lenders to provide no cash back to a borrower at closing of their home purchase or when closing a rehab escrow account. See the [AHP Implementation Plan](#) for more information, or call Mary Jo Vogl at 800.544.3452 ext. 1415.

F. Special Needs Populations and Visitable Housing

If the project will serve a special needs population as defined in the [AHP Implementation Plan](#), the sponsor should establish a protocol for determining households with special needs at the start of their project, and have this approved by the Bank. For example, what definitions will be used to establish special needs? We recommend definitions approved by federal or state affordable housing programs. How will the sponsor determine special needs status of the household at client intake? We recommend that some form of self-disclosure be included in the client intake forms.

Sponsors will be asked to identify special needs households on the [Homeownership Monitoring Spreadsheet](#), and documentation supporting special needs status will be collected during monitoring. A form will be provided by the Bank, or one can be obtained by contacting Mary Jo Vogl at 800.544.3452 ext. 1415 or mvogl@fhlbdm.com. The Bank will also require certification of special needs status of households at final monitoring.

Beginning in 2010, special needs can include "visitable housing", per the definition in the [AHP Implementation Plan](#). If you elected visitable housing as a commitment in your AHP application the Bank will require verification through house plans and specifications before you begin a project, and verification that the property was built to these specifications during project monitoring. To verify that a completed unit meets the requirements for visitable housing the Bank will require project photos and sponsor or contractor certification.

G. Empowerment Services

For all projects that include the provision of empowerment services to households, the Bank will require that sponsors provide information to the Bank to document that services were made



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available. This would include a signed acknowledgment from the assisted household that they were made aware of the availability of the services. These services must conform to the services included in the approved AHP application. Any change in the services committed to in the AHP application must be brought to Bank's attention immediately.

For development or down payment and closing cost projects that include Homebuyer-Homeownership Education classes and/or Financial Literacy classes paid from AHP funds, the sponsor will be required to keep in their file documentation that this service was provided to the persons assisted. If a fee up to \$150 is charged, there must be documentation that the assisted persons received up to 8 hours of education. If a fee more than \$150 up to \$350 is charged, there must be documentation that the assisted persons received more than 8 hours of education.

Documentation should include class logs and course completion certificates. The Bank will require this documentation for households when conducting sampling during subsidy transfer.

AHP funds may not be used to pay for homebuyer/homeowner education or financial literacy classes on owner-occupied rehabilitation projects.

VII. Income Limits and Purchase Price Limits

Income limits for locations in the Bank's five-state district are also available on our [website](#). **Please refer only to the income limits posted on the Bank's website.** Projects may use the greater of the following 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.
- 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.

It is recommended that a sponsor choose one of the above income limits and use it consistently throughout the project.

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](#).

Income limits change annually, typically beginning in December of each year. Sponsors should periodically check the website to be sure they are using the most current limits. Sponsors are responsible to ensure current guidelines are used.

If you are approved for a project outside our 5-state district the Bank will need to determine appropriate income limits and State Mortgage Revenue Bond limits (MRB) and Maximum purchase price limits for states outside of our district before you begin your project.



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VIII. AHP Progress Report and Extensions

The Bank will send the member an AHP Progress Report semi-annually in April and October of each year until the completion of the project. We will use this report to help 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.

Typically, the sponsor will assist the member in completion of the Progress Report, providing them timely and complete information on the status of the project. This will include information on progress completing units or assisting households, and any material variance in sources and uses since the start of the project.

Projects are given two years to complete. The Bank may cancel any project that has not begun after one year. It is expected that projects will be complete by the expiration date. If there are homebuyers or homeowners that have been committed to, but whose projects will not be complete by the expiration date, an extension can be requested to complete those units. A Homeownership Extension Request form is available on the Bank [website](#). The need for an extension can also be related in the AHP Progress Report. Extensions are at the discretion of the Bank.



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EXHIBIT A: Eligible and Ineligible Owner-Occupied Rehabilitation

The following is a list of eligible and ineligible rehabilitation that may be performed on residences in owner-occupied rehabilitation projects in the Federal Home Loan Bank of Des Moines (the Bank) Affordable Housing Program (AHP). This list is not inclusive of all possible eligible or ineligible rehabilitation. If a project includes rehabilitation that is not included herein or rehabilitation that is ineligible, approval must be obtained from the Community Investment Department of the Bank.

1) Eligible Rehabilitation:

- i) Repair directed toward an accumulation of deferred maintenance, and/or needed replacement of principal fixtures and components of existing structures, including but not limited to:
 - Roof repair or replacement, including gutters and downspouts. Three tab fiberglass or asphalt shingles for sloped roofs and rolled or rubber membrane roof for flat roofs are acceptable. All other roof materials are at the discretion of the Bank.
 - Repair or replacement of mechanical systems (furnace, air conditioning, water heater).
 - Upgrade to minimum 100 Ampere electrical service, electrical repairs, and needed replacement of fixtures.
 - Upgrade plumbing service, plumbing repairs, and needed replacement of fixtures.
 - Structural repairs and reconstruction including foundation or chimney repair and repairs due to termite damage or to treat for termites and other infestations.
 - Exterior siding repair or replacement and exterior paint.
 - Repair or replacement of entrance doors and windows.
 - Repair or replacement of porches and decks to fix code or safety violation.
 - Repair or replacement of floor coverings. Basic carpeting or vinyl floor coverings are acceptable. All other floor coverings or flooring materials are at the discretion of the Bank.
 - Interior wall and ceiling repair, drywall, interior doors and trim, and paint.
 - Removal of unsightly blight, dilapidation or deterioration due to deferred maintenance, such as tear down of dilapidated garages or sheds.
 - Garage repair.
 - Functional landscaping for redirection of water away from foundations, or retaining walls to prevent soil erosion.
 - Tree and brush trimming and removal to prevent roof or siding damage, for safety, or to cure blight.
 - Sidewalk and driveway repair or replacement.
 - Smoke detectors and dead bolt locks for safety and home security.
- ii) Improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, siding, wall and attic insulation, weather stripping, and conversion, modification, or replacement of heating and cooling equipment;
- iii) Connection of residential structures to water distribution lines, local sewer collection lines, or septic system;
- iv) Improvements to increase the efficient use of water through such means as water savings faucets and shower heads and repair of water leaks;



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- v) Inspection and testing for and remediation or abatement of lead based paint, asbestos, or other environmental hazards;
- vi) Improvements designed to remove material and architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons to buildings. This may include remodeling kitchens and bathrooms for wheelchair access, lowering kitchen cabinets, installing wider doors, exterior ramps, and provision for at grade access.

2) Ineligible Rehabilitation:

Costs unrelated to correcting deferred maintenance or a deficiency or to ensure the safety and habitability of the home are typically ineligible unless there is a reasonable demonstrated need consistent with an affordable housing agenda. Materials should always be basic materials, except for eligible improvements including energy or water efficiency. Payment for appliances is typically ineligible. Rehabilitation that includes discretionary repairs, additions, alterations and improvements, and rehabilitation for recreational or commercial use or for rental units is always ineligible. Decks and patios are considered recreational, unless replacement of a deck is required to fix code or safety violation. Payment to the homeowner for rehabilitation labor is ineligible. Payments to friends and relatives of the homeowner for labor are ineligible unless they are qualified contractors and there is a written bid documenting costs that conform to local conditions. The Bank, in its sole discretion, will determine the eligibility or ineligibility of rehabilitation projects.



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EXHIBIT B: Sponsor Acknowledgement of Receipt and Review of Instruction

A. AHP Project # _____ (from Subsidy Agreement)

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

Contact Person Name: _____

Sponsor Organization: _____

Phone # with extension: _____

Fax #: _____

Email address: _____

Contact Person Name: _____

Sponsor Organization: _____

Phone # with extension: _____

Fax #: _____

Email address: _____

I/We have read the Homeownership Project Sponsor 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**