



AHP 2015 Implementation Plan Homeownership Fund Program Guidelines

1. Program Summary

Effective September 1, 2015, the Bank will allocate to members \$2 million of its annual required AHP contribution for down payment, closing cost, counseling, or rehabilitation assistance to eligible homebuyers that are purchasing owner-occupied units (see Requirements below). At least one third of the allocation will be to First-Time Homebuyers. See “First Time Homebuyer” in [Definitions and Acronyms](#).

2. Member Eligibility

Any member that was awarded funding from the 2013 and 2014 Homeownership Fund must have no more than \$5,000 undisbursed as of July 31, 2015 to be eligible to apply for the 2015 Homeownership Fund. The applicant must be a member of the Bank at the time the Homeownership Fund application is submitted to the Bank. The applicant must be a member of the Bank at the time of awards in order to be eligible to receive program funds. Members receiving an award may not agent, delegate, or assign responsibility for administration of the award to an organization that is not a member of the Federal Home Loan Bank of Des Moines.

3. Application Period

During an application period beginning September 1, 2015 and ending September 30, 2015 an eligible member may apply to reserve from a minimum of \$5,000 up to a maximum of \$15,000 for the 2015 Homeownership Fund. Members will be notified in writing of the disposition of their application, typically within 30 days of the end of the application period.

Of the available \$2 million, at least \$100,000 will be awarded to members located in each of the states in the Bank’s district: Iowa, Minnesota, Missouri, North Dakota and South Dakota. If the total amount of funds applied for from any state exceeds \$100,000, applications from that state will be randomly selected for award by lottery until the amount is fully reserved. If the last application selected to reach a state minimum would cause the minimum to be exceeded that application will be awarded the full amount of its application. If the total amount of applications in any state is less than \$100,000, then all applications from that state will be awarded funds. The amount awarded in the state selection will be subtracted from the total amount available for the program and awarded to the remaining applications through random selection in a second lottery. The last selected application in this lottery may be reduced so as not to exceed total funds available for the program. Any funds remaining unreserved after the second lottery will be allocated to the next round of competitive AHP applications.



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

- a) Members are required to close loans and disburse reserved funds to eligible homebuyers by close of business October 31, 2017. Members must request reimbursement from the 2015 Homeownership Fund by November 30, 2017 for loans closed on or before October 31, 2017.
- b) For loans closed on or before October 31, 2017 where funds have been escrowed for rehabilitation, work must be completed and all funds disbursed from the escrow account by October 31, 2018. 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 November 30, 2018 for reimbursement. If a balance remains in the escrow on October 31, 2018 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. Documentation of those transactions must be submitted to the Bank no later than November 30, 2018.
- c) If a member has not expended any of its 2015 Homeownership Fund allocation by the one year anniversary of the Subsidy Award (by October 31, 2016) and has no loans closed or applications pending demonstrating progress toward disbursement, the funds will be deobligated and added to the AHP contribution for the next round of AHP applications.
- d) Any undisbursed funds, except for amounts escrowed for rehabilitation as described above, that remain after November 30, 2018 will be added to the AHP contribution for the next round of AHP applications.

5. Requirements

- a) An eligible household may receive up to \$5,000 under this Set Aside program.
- b) All eligible households that are First-Time Homebuyers must complete a Financial Literacy Program prior to closing. See [Definitions and Acronyms](#) for definitions of "First-time Homebuyer" and "Financial Literacy Program".
- c) Total household income as of the Enrollment Date may not exceed 80 percent of the area median income. See the definition of "Enrollment Date" in [Definitions and Acronyms](#).

Eligible households may be determined using the greater of the area median income: 1) as periodically published for use under the MRB median income for the state in which the retention document will be recorded; 2) the median income for the area as published annually by HUD and adjusted for household size for each county, or MSA; or 3) the applicable median income for purposes of NAHASDA income limits for eligible Native American households.



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The HUD and MRB income guidelines for Iowa, Minnesota, Missouri, North Dakota, and South Dakota and the NAHASDA income limits can be found on our [website](#) 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.

Please refer to the [Income Determination Guidelines for Homeownership Projects](#) for advice on eligible income. In addition, for transactions that include home purchase the income of non-resident co-signers or co-borrowers must be included in the calculation of income to determine eligibility if: (i) the purchaser is a student or (ii) the co-signers and/or co-borrowers will be included as titleholders to the property.

- d) Acquisition cost of all properties purchased by eligible households must be at or below the maximum purchase price limit for the locality established by the applicable State Housing Finance Agency. These maximum purchase price limits for the states of Iowa, Minnesota, Missouri, North Dakota, and South Dakota can be found on our [website](#) or requested by calling 1-800-544-3452, extension 1173. The member is responsible for obtaining maximum purchase price limits for any other state and for requesting approval of the limits from the Bank prior to disbursing any grant funds.
- e) Subsidy may 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. See [Definitions and Acronyms](#) for definitions of "Owner-occupied Unit" and "Closing Cost". See paragraph (h) herein for guidelines on rehabilitation.
- f) A transaction that includes new construction financing is typically not eligible unless approved by the Bank in advance. New construction that includes agendas that are inconsistent with affordable housing agendas are not eligible for reimbursement. The Bank, in its sole discretion, may deny any subsidy request that is inconsistent with this guideline.
- g) Eligible rehabilitation should include correction of deferred maintenance and/or replacement of principal fixtures and components of existing buildings, and should not include luxury items and repairs, improvements, replacements, alterations, and additions for recreational or commercial use, or for rental units that are part of an owner-occupied unit. 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, may deny funding of any subsidy request that includes rehabilitation that is inconsistent with these guidelines.



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- h) AHP subsidies may be used to pay for counseling costs of a Financial Literacy Program only where such costs are incurred in connection with counseling of homebuyers who actually purchase an assisted unit, and the cost of the counseling has not been covered by another funding source, including the member. Maximum amount that may be charged is \$250 for counseling of less than 8 hours duration, and \$450 for counseling exceeding 8 hours. Documentation of the provision of counseling will be required if this cost is included in closing costs.
- i) Members may not charge a processing fee for providing this AHP subsidy to a household.
- j) Households may be reimbursed eligible closing costs paid outside of closing for which there is supporting documentation. The Bank, in its sole discretion, will determine eligible items paid outside of closing.
- k) A member may not provide cash back to a household at closing on the mortgage loan in an amount exceeding \$250, except for reimbursement of eligible items paid outside of closing. Cash back would include reimbursement of down payment, deposits, or earnest money. Cash back would also include any loans, collections, judgments, or other financial obligations of the household paid to facilitate the home purchase that is not a typical closing cost. If these costs are included in a settlement, a non-AHP funding source must be identified, to the satisfaction of the Bank. A member may use any subsidy amount or reimbursement of down payment, deposits, or earnest money that would cause the limit of \$250 cash back at closing to be exceeded 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.
- l) In the case of member owned real estate purchased by a household from a member or a subsidiary of the member, or property purchased by a household upon which the member holds a mortgage or lien, the market value of such property is deemed to be the "as-is" or "as-rehabilitated" value of the property as applicable per terms of the purchase. This value should be determined from a property appraisal performed by a state certified or licensed appraiser, within six months prior to the date of property settlement. Purchase price should not exceed the market value.
- m) 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 subsidy must not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms, and risk.
- n) The Bank requires that mortgage loans originated using AHP subsidy comply with applicable federal, state and local anti-predatory lending laws and other similar credit-related consumer protection laws, regulations and orders designed to prevent or regulate abusive and deceptive lending practices and loan terms (collectively, anti-predatory lending



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laws). For example, anti-predatory lending laws may prohibit or limit certain practices and characteristics, including, but not limited to the following:

- 1) Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance;
 - 2) Requiring mandatory arbitration provisions with respect to dispute resolution in the loan documents; or
 - 3) Charging prepayment penalties for the payoff of the loan beyond the early years of such loan.
- o) Any residential mortgage will be ineligible to be used with AHP subsidy if it does not comply with all applicable anti-predatory lending laws, including but not limited to:
- 1) The annual interest rate and/or points and fees charged for the loan exceed the thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (Federal Reserve Board Regulation Z);
 - 2) The loan has been identified by a member's primary federal regulator as possessing predatory characteristics;
 - 3) The loan includes prepaid, single premium credit insurance;
 - 4) The loan is subject to state and/or local laws where one or more of the major credit-rating agencies (Standard and Poor's, Moody's Investors Service, and/or Fitch Ratings) will not rate a security (or securities) in which the underlying collateral pool contains such a loan;
 - 5) The loan is defined as a High Cost Loan, or Covered Loan, or Home Loan as categorized under one or more federal, state, or local predatory lending laws as having certain potentially predatory characteristics;
 - 6) The loan includes penalties in connection with the prepayment of the mortgage beyond the early years of the loan, to the extent that such penalties are prohibited or limited by applicable anti-predatory lending laws; or
 - 7) The loan requires mandatory arbitration with respect to dispute resolution, to the extent that such requirements are prohibited or limited by applicable anti-predatory lending laws.
- p) The member shall ensure that an assisted unit is subject to a 5-year deed restriction or other legally enforceable retention agreement or mechanism, whether or not the member



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originates the first mortgage. The member is to be given notice of any sale or refinancing of the unit occurring prior to the end of the retention period. In the case of a sale or refinancing of the unit prior to the end of the retention period, an amount equal to a pro rata share of the subsidy, reduced for every year the seller owned the unit, shall be repaid to the Bank from any net gain realized upon the sale or refinancing, unless:

- 1) The unit was assisted with a permanent mortgage loan funded by an AHP subsidized advance;
 - 2) The unit is sold to a very low-, low-, or moderate-income household; or
 - 3) Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism.
- q) The Bank requires that mortgage loans originated using this AHP subsidy have a term at least equal to the length of the 5-year deed restriction or retention agreement placed on the AHP unit.
- r) Funds are advanced on a reimbursement basis. A Certification and Draw Request form signed by the member is required for each subsidy award to a household prior to the disbursement of funds to the member.

Members are required to maintain the following information on all disbursements. The Bank will verify this information for the first disbursement and randomly selected disbursements on each awarded project. The Bank, in its sole discretion, may request and review this documentation on any disbursement.

- 1) signed HUD-1 or, in the case of a sale of a manufactured home closing documents for the transaction that includes purchase price, loan amount, and any other costs associated with the transaction;
- 2) signed final Truth-In-Lending Disclosure Statement
- 3) copies of lien waivers or invoices for rehabilitation work performed, if funds are used for rehabilitation;
- 4) Calculation of Income Worksheet including all household income signed by the homebuyer(s) and the member;
- 5) third-party documentation verifying household income; and
- 6) copy of the retention document filed for the transaction.



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- s) If a transaction includes escrow for rehabilitation to occur after closing, the Bank will only disburse funds to the member after receipt of the following:
 - 1) paid receipts or lien waivers for the entire escrowed amount; or
 - 2) documentation that escrowed funds have been applied to the principal amount of the first mortgage.
- t) If a member is denied reimbursement of a subsidy award by the Bank, the member will be required to provide the Bank a release of the deed restriction or other retention agreement for the assisted unit entered into with the household.
- u) Homeownership Fund Program funds may not be used in conjunction with programs utilizing funds from competitive AHP awards or other Set-Aside down payment assistance programs.

The Bank may suspend or debar a member from participation in the Program if such party shows a pattern of noncompliance, or engages in a single instance of flagrant noncompliance, with the terms of an approved application for AHP subsidy or the requirements of the AHP regulations.