AHP 2017 Implementation Plan
Home$tart Plus Program Guidelines

I. Home$tart Plus Program Guidelines

1. Program Summary

In 2017, the Bank will make $400,000 available on a first-come, first-served basis to eligible members that have executed a Down Payment Subsidy Agreement. Funds may be used to provide down payment, closing cost, counseling, or rehabilitation assistance to eligible homebuyers that are purchasing owner-occupied units. At least one third of the allocation will be to First-Time Homebuyers. See "Owner-Occupied Unit", and "First Time Homebuyer" in Section IV: Definitions and Acronyms.

2. Member Participation Requirements

a) Any member that was awarded funding from the 2015 Homeownership Fund must have $5,000 or less remaining to be eligible to apply for the 2017 Home$tart Plus program.

b) All Home$tart Plus program applications, requests for reservation of funds, and disbursements requests will be accepted only from current members of the Bank.

c) Each member is limited to receiving no more than $100,000 in program grants in a program year. Additional grants beyond this $100,000 limit may be awarded on a case-by-case basis at the discretion of the Bank.

d) Mortgage financing may be obtained from a financial institution, governmental or nonprofit lender of the homebuyer's choice, or the member may restrict the funds to mortgages obtained through the member.

e) 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. Reservation of Funds

Members must apply and enter into a 2017 Down Payment Subsidy Agreement, at which point they may begin reserving funds for eligible households with the Bank. Reservations are on a first-come first-served basis. Members may initiate a reservation of funds for a household until December 31, 2017, subject to the availability of funds.

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

a) Members will have 120 days from the date a reservation is approved to submit a request for disbursement of a subsidy award or the reservation of funds will be cancelled. An extension may be approved at the discretion of the Bank upon the member's written request.

b) Members must request reimbursement for closed loans at or prior to the expiration of their reservation of funds. Any funds not requested for reimbursement at or prior to the expiration of a reservation of funds will be made available to all

members for reservation, until December 31, 2017. Request for reimbursement must include any loan where the member has escrowed for construction or rehabilitation, even if that work is not completed. Disbursement for loans that include construction or rehabilitation will be deferred until construction or rehabilitation is complete and documentation of payment of escrowed funds is submitted to the Bank.

c) For loans where the member has escrowed funds for construction or rehabilitation, work must be completed and all funds disbursed from the escrow account, and required documentation of payment of escrowed funds delivered to the Bank, within one year of the request for reimbursement. An extension may be approved at the discretion of the Bank upon the member's written request. Documentation of payment of the entire escrowed amount must be submitted to the Bank for reimbursement. Documentation should include paid receipts and/or lien waivers for construction or rehabilitation, and documentation of payment of unused funds to mortgage loan principal or as a credit toward the borrower's monthly payment. Unused funds may not be paid directly to the borrower.

5. Disbursement of Funds

a) Funds are disbursed on a reimbursement basis after loan closing.

b) Members are required to provide the following information on all disbursements.

1) Signed mortgage Closing Disclosure (formerly HUD-1 and Final Truth-In-Lending Disclosure Statement) or, in the case of a sale of a mobile home closing documents for the transaction that includes purchase price, loan amount, interest rate, and costs associated with the transaction;
2) Income Calculation Workbook including all household income;
3) Third-party documentation verifying the household income;
4) Certificate of Borrower Eligibility signed by the member;
5) Documentation of public housing assistance in purchase of the home;
6) Copy of the deed restriction or retention document filed for the transaction.

c) If a transaction includes construction or rehabilitation, 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, or as a credit to the borrower's monthly payment.

6. Requirement for Deed Restriction

a) The member shall ensure that an assisted unit is subject to a 5-year deed restriction or other legally enforceable retention agreement or mechanism. 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 is sold to a very low-, low-, or moderate-income household; or

2) Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism.

b) If a member is denied reimbursement of a subsidy award by the Bank, or award amount is modified at disbursement, the member will be required to provide the Bank a release of the deed restriction, or modification of the deed restriction, for the assisted unit.

7. Requirements

a) An eligible household may receive up to $15,000 under this program.

b) An eligible household must be currently receiving public rental assistance and will now be purchasing a home or will be receiving public housing assistance in the purchase of the home. This includes transactions involving sale of a Public Housing Unit to public or non-public housing residents, or Public Housing Authority financial assistance to public housing families purchasing a home. Tribally Designated Housing Entities are considered public housing agencies for the purpose of this requirement.

c) All households that are First-Time Homebuyers must complete a Financial Literacy Program prior to closing. See Definitions and Acronyms of the AHP Implementation Plan for definitions of "First-time Homebuyer" and "Financial Literacy Program".

d) Total annual 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 of the AHP Implementation Plan.

e) Eligible households may be determined using the area median income as published annually by HUD and adjusted for household size. HUD income limits may be found at: http://www.huduser.org/portal/datasets/il.html. Use the income limits applicable at the Enrollment Date for income qualification.

f) Income documentation must be collected on all adult household members to verify annual income. In addition, 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.

g) The Bank will publish guidelines for income verification and forms for the calculation of annual household income on its **website**. The member must ensure that the Bank forms are completed in their entirety.

h) 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 in the Bank's district can be found on our **website** or requested by calling 1-800-544-3452, extension 1173.

i) AHP/ DP subsidy must be used to pay for down payment, closing cost, counseling, and/or construction 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 of the AHP Implementation Plan

for definitions of "Owner-occupied Unit", "Closing Cost", "Rehabilitation", and "New Construction".

j) A transaction that includes new construction financing must be approved by the Bank prior to loan closing. New construction that includes agendas inconsistent with affordable housing, or include payment to the household for labor are not eligible for reimbursement. Payments to friends and relatives of the household 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 any subsidy request that is inconsistent with these guidelines.

k) Eligible rehabilitation should include correction of deferred maintenance and/or standard replacement of principal fixtures and components of existing buildings. Rehabilitation agendas inconsistent with affordable housing, or include payment to the household for labor is ineligible. Payments to friends and relatives of the household 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 any subsidy request that that is inconsistent with these guidelines.

l) AHP/DP subsidy 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.

m) Members may not charge a processing fee to a household for providing AHP/DP subsidy.

n) 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.

o) 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 the settlement statement or other closing documents show cash back to the homebuyer in an amount greater than $250, then the member must provide documentation showing that the cash back was used to pay down the principal of the mortgage loan or as a credit toward the household's monthly payment on the mortgage loan.

p) Households may not acquire a property under the terms of a cash purchase. An amortizing loan must be transacted to acquire the property. Loans must have a term at least equal to the length of the 5-year deed restriction or retention agreement placed on the AHP/DP unit.

q) 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. Variable rate loans must conform to secondary market standards.

r) 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 laws).

s) Any residential mortgage will be ineligible to be used with AHP subsidy if 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 regulation, Federal Reserve Board Regulation Z, as redefined under Title XIV of the Dodd-Frank Act.

t) In the case of member owned real estate purchased by a household from a member or a subsidiary of the member, property purchased in a related party transaction, or property financed by the real estate developer 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.

u) Home$tart Plus funds may not be used in conjunction with programs utilizing funds from competitive AHP awards or other FHLB Homeownership down payment assistance programs.

v) 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/DP subsidy or the requirements of the AHP/DP regulations.

II. Definitions and Acronyms

Affordable: (1) The rent charged to a household for a unit that is to be reserved for occupancy by a household with an income at or below 80 percent of the median income for the area, does not exceed 30 percent of the income of a household of the maximum income and size expected, under the commitment made in the AHP application, to occupy the unit (assuming occupancy of 1.5 persons per bedroom or 1.0 person per unit without a separate bedroom); or (2) The rent charged to a household, for rental units subsidized with Section 8 assistance under 42 U.S. C. 1437 for subsidized under another assistance program where the rents are charged in the same way as under the Section 8 program, if the rent complied with this § 1291.1 of the AHP regulations at the time of the household's initial occupancy and the household continues to be assisted through the Section 8 or another assistance program, respectively.

AHP or Program: The Affordable Housing Program established pursuant to 12 U.S.C. 1291 and the AHP regulations, including the competitive Affordable Housing Program (AHP) and the Homeownership Down Payment Program.

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AHP Project: A single-family or multifamily housing project for homeownership or rental housing that has been awarded an AHP subsidy under the competitive AHP or an award of funds under a Homeownership Down Payment Program to a member bank.

Alaska Village or Regional Corporation: These are Alaska Native entities established under the Alaska Native Claims Settlement Act of 1971 (ANSCA). Also known as Alaska Native Corporation or ANSCA Corporation. These entities are eligible to receive services from the United States Bureau of Indian Affairs. Corporations may be for profit or nonprofit, and establish their own rules for native membership. For purpose of eligibility in the Bank's NAHI program, a borrower must be a member or shareholder in a village or regional corporation established pursuant to ANSCA.

Anti-Predatory Lending Laws: 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.

AMI: Area Median Income

Arm's Length Transaction: An arm's length transaction is one in which the buyers and sellers act independently and have no relationship to each other.

BIA: Bureau of Indian Affairs.

Bank: Federal Home Loan Bank of Des Moines.

Builder's Overhead: A general contractor's allowance for costs associated with a new construction or rehabilitation project that does not include the direct cost of wages or materials. Typical overhead costs may include an allowance for costs such as office expense, staff salaries and benefits other than construction labor and supervisors working directly on the project, mileage and travel costs, or general liability insurance. See also, "Builder's Profit" and "General Requirements". For Homeownership Projects see Homeownership Project Development Guidelines for restrictions.

Builder's Profit: Income paid to the general contractor in a new construction or rehabilitation project. The payment to the contractor is typically based on the size of the project, the total construction or rehabilitation cost, and the risk associated with the project. See also, "Builder's Overhead" and "General Requirements". For Homeownership Projects see Homeownership Project Development Guidelines for restrictions.

Cash Back: Excluding reimbursement for eligible items paid outside of closing, a member may not provide cash back to a household at closing on a purchase money mortgage loan in an amount exceeding $250. Cash back includes any loans or other obligations paid from loan and/or grant proceeds that are not for the direct purchase of the home. Down payment 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 AHP direct 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 toward the household's monthly payment on the mortgage loan.

Closing Costs: Includes expenses over and above the price of the property incurred by a homebuyer in purchase of a property, or by a homeowner securing financing for rehabilitation of their 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 homebuyers purchasing an AHP-assisted unit, where the homebuyer is receiving AHP funding greater than that cost of the classes or programs. The amount that can be charged to AHP is limited to $250 for a course requiring 8 hours or less with a maximum of $450 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, escrow of principal and interest payments, or payments of personal obligations of the households including personal loans, judgments, or liens. In addition, processing fees for providing an AHP subsidy is not an eligible closing cost. The Bank, at its discretion, will determine ineligible costs.

Deobligation or Deobligated: The process whereby committed AHP funds that were never disbursed to a member or were never disbursed by a member to an AHP project sponsor/owner are returned to the Bank.

Eligible Household for a Homeownership Project under the Down Payment Program(s): A household must have an income at or below 80 percent of the median income for the area at the time the household is accepted for enrollment by the member in the Bank's Homeownership Down Payment Program, with such time of enrollment by the member defined by the Bank in its AHP Implementation Plan.

Enrollment Date: For purposes of determining a household's income eligibility for a competitive AHP award or award under a Homeownership Down Payment Program, the date the member or sponsor receives a loan application or application for assistance from a household (i.e. enrollment date for income qualification).

Fair Market Value (FMV): Generally, 1) the property value established by the city or county assessor's office; or 2) the market value as established by an independent appraisal of the property performed by a state certified or licensed appraiser as defined in 12 CFR 564.2(j) and (k) within six months prior to the date of the transaction.

FHFA or Finance Agency: The Federal Housing Finance Agency is the Federal Home Loan Bank System's regulator located in Washington, DC.

Federally Recognized Tribe: American Indian and Alaska Native entities legally recognized by the United States Federal government and eligible to receive services from the United States Bureau of Indian Affairs. This includes federally recognized American Indian or Alaska Native tribes. A tribe establishes its own rules for native membership. For purposes of eligibility in the Bank's NAHI program, a borrower must be an enrolled member of a federally recognized tribe.

Financial Literacy Program: An educational program that includes homeownership education and financial literacy instruction in ways to recognize and avoid predatory lending. This instruction must take place before loan closing in transactions including home purchase and may be in the form of a face-to-face tutorial, a classroom or workshop session, or an internet based curriculum as long as the program includes standard homeownership education content including information on recognizing and avoiding predatory lending. Content should conform to National Industry Standards for Homeownership Education and Counseling (see Standard Pre-Purchase Homeownership Education Content).

First-time Homebuyer: An individual or an individual and his or her spouse who have not owned a home during the prior 3-year period except that: (A) any individual who is a displaced homemaker may not be excluded from consideration as a first-time homebuyer under this paragraph on the basis that the individual, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse; (B) any individual who is a single parent may not be excluded from consideration as a first-time homebuyer under this paragraph on the basis that the individual, while married, owned a home with his or her spouse or resided in a home owned by a spouse; and (C) an individual shall not be excluded from consideration as a first-time homebuyer under this paragraph on the basis that the individual owns or owned, as a principal residence during such 3-year period, a dwelling unit whose structure is: (a) not in compliance with State, local, or model building codes, or other applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure; or (b) a mobile home that does not meet the definition of a Manufactured Housing in this Implementation Plan and which is not attached to a permanent foundation, and which is not considered real estate by the state.

In addition, recovering victims of catastrophic loss (e.g., the death of the family's principal wage earner, a failed self-employment business situation, loss of employment due to factory shutdown or an employer's reduction in force), victims of domestic violence that are legally separated from their spouses, and households who have purchased a home on a contractual basis but would otherwise qualify are also eligible as first-time homebuyers.

Foreclosed Property: Property that can be demonstrated to be in a mortgage or tax foreclosure process (including deed in lieu of foreclosure) or has been acquired through such process by an institutional or corporate seller and not by an individual. The foreclosure process would include borrowers that have received a Notice to Cure Default and wish to negotiate a sale. Situations such as a "Short Sale" would be considered a foreclosure process.

Hawaiian Home Lands: An area held in trust for Native Hawaiians by the state of Hawaii under the Hawaiian Homes Commission Act of 1920. See "Native Hawaiians".

Homeownership Education or Counseling: Pre-purchase or post-purchase homeownership education adopting curriculum and standards of the National Industry Standards for Homeownership Education and Counseling. Pre-purchase education includes as curriculum: accessing readiness to buy a home, budgeting and credit, financing a home, selecting a home, and maintaining a home and finances. Post-purchase education includes as curriculum community involvement, budgeting for homeownership, maintaining a home and home improvement, financing and sustaining homeownership, and avoiding delinquency and foreclosure. See also **Financial Literacy.**

Homeownership Down Payment Program: A program established by the Bank under which the Bank disburses a direct subsidy pursuant to the requirements of § 1291.6 of the AHP regulations.

HUD: The Department of Housing and Urban Development.

Low- or Moderate-income Household: A household that has an income of 80 percent or less of the median income for the area, with the income limit adjusted for household size in accordance with the methodology of the applicable median income standard, unless such median income standard has no household size adjustment methodology.

Low- or Moderate-income Neighborhood: Any neighborhood in which 51 percent or more of the households have incomes at or below 80 percent of the median income for the area.

Manufactured Housing: A manufactured home (formerly known as a mobile home) built to the Manufactured Home Construction and Safety Standards (HUD Code) and displaying a red certification label on the exterior of each transportable section. Manufactured homes are built in the controlled environment of a manufacturing plant and are transported in one or more sections on a permanent chassis.

NAHASDA: Native American Housing Assistance and Self-Determination Act. Pub. L. 104-330, Oct. 26, 1996, 110 Stat. 4017, as amended, 25 U.S.C. §§ 4101 et seq.

NAHASDA Income Limits: The income limits published annually by HUD's Office of Native American Programs for the purpose of determining eligibility for assistance under programs funded by block grants under NAHASDA.

Native Hawaiian: A native Hawaiian eligible to apply for a Hawaiian Home Lands homestead lease, per the Hawaiian Homes Commission Act of 1920. For purposes of eligibility in the Bank's NAHI program, an eligible borrower must be a native Hawaiian as approved through application to the Department of Hawaiian Home Lands and qualify to obtain a lease on Hawaiian Home Lands.

New Construction: The construction of entirely new owner-occupied or rental units on sites not previously occupied, or projects that demolish an existing structure and build entirely new owner-occupied or rental units on that site.

Owner-Occupied Rehabilitation: Rehabilitation of an existing Owner-occupied Unit.

Owner-occupied Unit: A dwelling unit occupied by the owner of the unit. Housing with two to four dwelling units consisting of one owner-occupied unit and one or more rental units is considered a single owner-occupied unit.

Public Housing Authority/Housing and Rehabilitation Authority units: Units owned and operated under an Annual Contributions Contract (ACC) and units being replaced on a one for one basis for existing units being taken out of the PHA inventory where the new units are included in the ACC or a long-term (i.e. 15 years or longer) Project Based Rental Assistance Contract will be considered as Federal Assisted units under this definition.

Rehabilitation: The labor, materials, and other costs of repairs, improvements, replacements, alterations, and additions to existing buildings. The Bank's subsidy for rehabilitation should be used to accomplish the objective of maintaining or improving affordable housing, defined as housing that is targeted to the low-and-moderate income markets. Repairs or improvements inconsistent with the objective of maintaining or improving affordable housing are not eligible as a rehabilitation cost. This includes 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. The Bank, in its sole discretion, may deny any subsidy request that is inconsistent with that objective.

Retention Period:

- Five years from closing for an AHP-assisted owner-occupied unit, or in the case of rehabilitation of a unit currently occupied by the owner where there is no closing, five years from the date rehabilitation assistance was provided the owner; and
- Fifteen years from the date of project completion for a rental project.

Rural: To be considered rural, housing must be in an area eligible for USDA Rural Development housing programs. USDA property eligibility is provided on the USDA website for owner-occupied (USDA Single Family) and rental (USDA Multi Family) housing:
http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do

Single-family Building: A structure with one to four dwelling units.

Sweat Equity: Value-enhancing improvements made by homeowners themselves to their properties, in a construction or rehabilitation project. It is a contribution through labor, as opposed to a financial contribution.