



AHP/Down Payment Programs

Request for Forgiveness of Subsidy

Sale to Low-or Moderate-Income Household

When a homeowner sells their property to a very low-, low- or moderate-income household before the five-year retention period is expired, forgiveness of the subsidy can be requested.

Consistent with the terms of a homeownership *Deed of Trust or Mortgage* or *Deed Restriction* (collectively known as Retention Agreement), the Federal Home Loan Bank of Des Moines (the Bank), or the Bank as successor to the Federal Home Loan Bank of Seattle, should be paid any subsidy amount not yet forgiven* from any net proceeds realized upon sale of a unit that occurs prior to the end of the Retention Agreement's five-year retention period *unless the unit is sold to a very low-, low-, or moderate-income household.*

This form should be used to notify the Bank of the sale of a unit under retention and to determine forgiveness based on the purchaser's income. A purchaser will qualify as a very low-, low-, or moderate-income household through proxy or income verification. Income verification of the purchaser should be determined by using the instructions below. Submit this form and supporting documentation to the Bank. The Bank will determine whether the AHP/DPP assisted household selling the unit prior to the expiration of the Retention Agreement may be forgiven.

Depending on the type of recorded Retention Agreement, the Bank, or a third party delegated as Lender, will provide the release of lien.

* The subsidy is forgiven 1/60th every month during the term of the 5-year Retention Agreement.

Instructions for Income Verification for Forgiveness

1. If the Bank is the Beneficiary on the Retention Agreement

If either the Bank or Federal Home Loan Bank of Seattle is shown as the Beneficiary in the Retention Agreement, contact the Bank to determine need for repayment of the subsidy and to obtain release of the lien. Send a **Request for Forgiveness of Subsidy** (page 5 of this form), together with a copy of the executed *Purchase Offer* or preliminary *Closing Disclosure* and the Retention Agreement to the Community Investment Department at communityinvestment@fhlbdm.com.

If the Retention Agreement has not yet been fully forgiven, the Bank will determine if the seller's obligation may be forgiven based on proxy or income eligibility verification at the discretion and cooperation of the purchaser. The Bank will advise applicable parties if repayment is required and will assist in determining the amount due. If the subsidy is forgiven or repaid, the Bank will provide release of lien.



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2. If the Bank's member or project sponsor is the Lender on the Retention Agreement

If an entity other than the Bank is identified as the Lender in the Retention Agreement, that entity should determine the need for repayment of the subsidy and provide for release of the lien; however, the Bank will need to be advised of the sale and approve forgiveness. Send a **Request for Forgiveness of Subsidy** (page 5 of this form), together with a copy of the executed *Purchase Offer* or preliminary *Closing Disclosure* and the Retention Agreement to the Community Investment Department at communityinvestment@fhlbdm.com.

The first step in determining need for repayment is determining if the unit is being sold to a very low-, low-or-moderate income homebuyer. If the purchaser is eligible, no repayment is required and the Retention Agreement may be released. Follow the instructions below to determine the purchaser's income through proxy or income verification.

3. Income Verification through Proxy

The purchaser may be presumed to be a very low-, low-, or moderate-income household if the sale price of the home is deemed to be affordable. To make this determination, the Bank will use HUD's HOME Program Homeownership Value Limits (HUD website: https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/?_sm_au_=iMV0DMS7nSf5jrPNTfCFsK3c16HGJ).

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HOME Homeownership Value Limits

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Description

Section 215(b) of the National Affordable Housing Act (NAHA) requires that the initial purchase price or after-rehabilitation value of homeownership units assisted with HOME funds not exceed 95 percent of the area median purchase price for single family housing, as determined by HUD. Historically, HUD used the FHA Single Family Mortgage Limit (known as the 203(b) limits) as a surrogate for 95 percent of area median purchase price. However, statutory changes require the 203(b) limits to be set at 125 percent of area median purchase price. Consequently, PJs can no longer use the 203(b) limits as the HOME Program homeownership value limits (i.e., initial purchase price or after rehabilitation value).

In Section 92.254(a)(2)(iii) of the Final Rule published on July 24, 2013, HUD established new homeownership value limits for HOME Participating Jurisdictions (PJs). This new Rule was effective August 23, 2013.

Newly Constructed Housing. The new HOME homeownership value limits for newly constructed HOME units is 95 percent of the median purchase price for the area based on Federal Housing Administration (FHA) single family mortgage program data for

used the greater of the two figures as their HOME homeownership value limits for newly constructed housing in each area.

Existing Housing. The new HOME homeownership value limits for existing HOME units is 95 percent of the median purchase price for the area based on Federal FHA single family mortgage program data for existing housing and other appropriate data that are available nationwide for sale of existing housing in standard condition. Nationwide, HUD has established a minimum limit, or floor, based on 95 percent of the state-wide nonmetropolitan area median purchase price using this data. HUD has used the greater of these two figures as their HOME homeownership value limits for existing housing in each area.

PJ Determined Limits. In lieu of the limits provided by HUD, a PJ may determine 95 percent of the median area purchase price for single family housing in the jurisdiction annually in accordance with procedures established at § 92.254(a)(2)(iii). The PJ must submit these limits as part of its Consolidated Plan/Annual Action Plan.

The effective date of the 2020 Homeownership Value Limits is April 1, 2020. These limits remain in effect until HUD issues new limits.

- 2020 - effective 4/1/2020
- Methodology for Calculating FY 2020 HOME Homeownership Value Limits



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Select the most current effective date in making the determination, based on the State, County, and Metropolitan Area. Compare the purchase price of the unit to the applicable Purchase Price Limit, adjusted for the number of units in the home (for example, a duplex would be two units).

- Homeownership value limits **may not be used** if the Bank or its designee has documentation demonstrating the subsequent purchaser's actual income.
- If neither the Bank nor its designee has such documentation, the value limits proxy in effect at the time the AHP-assisted household sells its unit during the AHP five-year retention period must be used.

In the example below, per the *2020 Homeownership Value Limits*, the purchase price limit for an existing single-family home in Polk County, Iowa is \$191,000. Thus, if a unit subject to retention is being purchased for a price at or below that limit, the purchaser will be considered a very low-, low-, or moderate-income household and the seller may be released from the Retention Agreement without need to repay the subsidy.

HOME and Housing Trust Fund Homeownership Sales Price Limits - FY 2020									
(Data through June 2019; New limits effective April 1, 2020)									
Existing Homes HOME/HTF Purchase Price Limit									
State	County Name	Metropolitan/FMR Area Name	1-Unit	2-unit	3-unit	4-unit	Unadjusted Median Value	Years Worth of Sales Data*	Num Sale Unadj Med
865 IA	Montgomery County	Montgomery County, IA	\$121,000	\$155,000	\$188,000	\$233,000	\$127,500		1
866 IA	Muscatine County	Muscatine County, IA	\$125,000	\$160,000	\$194,000	\$240,000	\$131,500		2
867 IA	O'Brien County	O'Brien County, IA	\$121,000	\$155,000	\$188,000	\$233,000	\$127,500		1
868 IA	Osceola County	Osceola County, IA	\$121,000	\$155,000	\$188,000	\$233,000	\$127,500		1
869 IA	Page County	Page County, IA	\$121,000	\$155,000	\$188,000	\$233,000	\$127,500		1
870 IA	Palo Alto County	Palo Alto County, IA	\$121,000	\$155,000	\$188,000	\$233,000	\$127,500		1
871 IA	Plymouth County	Plymouth County, IA HUD Metro FMR Area	\$161,000	\$206,000	\$250,000	\$309,000	\$169,450		3
872 IA	Pocahontas County	Pocahontas County, IA	\$121,000	\$155,000	\$188,000	\$233,000	\$127,500		1
873 IA	Polk County	Des Moines-West Des Moines, IA MSA	\$191,000	\$244,000	\$296,000	\$366,000	\$200,695		1
874 IA	Pottawattamie County	Omaha-Council Bluffs, NE-IA HUD Metro FMR Area	\$171,000	\$219,000	\$265,000	\$328,000	\$179,900		1
875 IA	Poweshiek County	Poweshiek County, IA	\$147,000	\$188,000	\$228,000	\$283,000	\$155,000		5
876 IA	Ringgold County	Ringgold County, IA	\$121,000	\$155,000	\$188,000	\$233,000	\$127,500		1
877 IA	Sac County	Sac County, IA	\$121,000	\$155,000	\$188,000	\$233,000	\$127,500		1
878 IA	Scott County	Davenport-Moline-Rock Island, IA-IL MSA	\$154,000	\$197,000	\$239,000	\$295,000	\$162,000		1

The Bank needs to be informed of the sale of the property and approve the forgiveness of the subsidy. Send a **Request for Forgiveness of Subsidy** (page 5 of this form), together with a copy of the executed *Purchase Offer* or *Preliminary Closing Disclosure* and the Retention Agreement to the Community Investment Department at communityinvestment@fhlbdm.com.

4. Income Verification through Income Calculation

The requestor may complete income verification of the household purchasing the assisted unit. Income calculation should be performed using the Bank's **Income Calculation Workbook** and **Income Calculation Guidelines**, located on the Bank's website. Income calculation should be compared to the applicable county and state



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income limits established by HUD, adjusted for family size. HUD limits can be found in the **Income Limits and Purchase Price Limits** on our website. If the purchaser qualifies, the requestor should provide the Bank a copy of the income verification documentation for all household members listed on the Household Summary and the *Income Calculation Workbook* along with a **Request for Forgiveness of Subsidy** (page 5 of this form), together with a copy of the executed *Purchase Offer* and the Retention Agreement to the Community Investment Department at communityinvestment@fhlbdm.com.

5. Submitting Request for Forgiveness of Subsidy for Approval

Send page 5 of the form, copy of the Retention Agreement, *Purchase Offer* or preliminary *Closing Disclosure* and applicable attachments for determination of subsequent purchaser income by proxy or actual income to the Community Investment Department at communityinvestment@fhlbdm.com.

Once the Bank has confirmed sale to a very low-, low- or moderate income household, the Bank will approve forgiveness of repayment of subsidy by signing the **Request for Forgiveness of Subsidy**. If forgiveness is not approved, the Bank will provide instructions for calculating the amount of repayment if applicable. **Do not release the Retention Agreement without Bank approval.** If you have any questions, please call the Community Investment Department at 800-544-3452, ext. 2400.



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Name of Owner(s) from Retention Agreement: _____
 Amount of original AHP/DP Subsidy: _____
 Date of Retention Agreement (M/D/Y): _____
 Property Street Address: _____
 City: _____ State: _____ Zip Code: _____

Associate the subsidy award to an FHLB Des Moines AHP/DP program(s). Retention Agreement is a:

- Deed Restriction* that identifies a Lender other than the FHLB Des Moines.
- Deed of Trust or a Mortgage* with the FHLB Des Moines or FHLB Seattle identified as the Beneficiary.

Member Name: _____
 Enter Project #: _____
 Enter Project Name (for AHP only): _____
 Enter Sponsor Name (for AHP only): _____

The AHP assisted unit identified in the referenced Retention Agreement is subject to sale. I/we hereby request that the owner(s) be released from repayment of the referenced subsidy, due to sale to a very low-, low-, or moderate-income household, as determined by:

<input type="checkbox"/> Income Proxy Attach <i>Purchase Offer</i> or preliminary <i>Closing Disclosure</i> County Name: _____ Number of Units (1 thru 4): _____ Date Property will be Sold: _____ Sales Price of Property: _____ Homeownership Value Limits: _____
-OR-
<input type="checkbox"/> Income Calculation Attach copy of <i>Income Calculation Workbook</i> and income verification.

Company Name: _____
 Name of person completing this form: _____
 Contact email: _____ Contact phone #: _____

For FHLB Des Moines Use Only:	
The Bank has confirmed sale to a low-or moderate income household. Forgiveness of repayment of subsidy is approved by:	
_____ Reviewed By	_____ Date
_____ Approved By (not required for income proxy)	_____ Date