



Attachment I Neighborhood Impact Program (NIP) Guidelines

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1: Program description

The Neighborhood Impact Program (NIP) is part of the Homeownership set-aside program. NIP provides rehabilitation assistance to homeowners with household incomes at or below 80% of the area median income. NIP matches other funds to increase a homeowner's total source of funds to rehabilitate a home. See the *Match Requirements* section of this document for more information. Each member shall determine the ratio (not to exceed 3:1) of the FHLBI matching funds it will provide to recipients.

The maximum subsidy that can be requested per household is as follows:

- \$10,000 if recipient is receiving 3:1 matching funds from government entity, forgivable or deferred loan from an eligible state or local home improvement loan program, member home equity loan or if the member is the first lien holder of the mortgaged property
- \$7,500 if no matching funds from above-listed eligible sources

NIP may be amended at any time with input from the FHLBI Affordable Housing Advisory Council and approval by the FHLBI Board of Directors. Funding announcements may be revoked by the Board without notice. FHLBI also reserves the right to reallocate funds among programs to meet program demand and to ensure utilization of all funds but is not making an allocation at this time. All funds allocated to the set-aside programs are available on a first-come, first-served basis, with 30% of the funds to be held for release in late summer.

2: Member participation requirements

Institutions that are current members of and eligible to borrow from the FHLBI may participate in NIP. The FHLBI does not accept applications from institutions with pending applications for membership in the FHLBI. A list of eligible members may be obtained from a directory at www.fhlbi.com/about/mbrdirsp.asp.

A. Registration:

All members must sign and submit a **Homeownership Initiatives Master Agreement and Registration and Certification Form**, which allows it to participate in all FHLBI Homeownership Initiative Programs. Members will be responsible for all terms and conditions contained in the **Homeownership Initiatives Master Agreement and Registration and Certification Form**, including, but not limited to, the requirements outlined in this document.

B. Training:

All members will be required to participate in training that will provide information and instructions on program guidelines, disbursements, and documentation requirements. *Either the member's Primary or Secondary contact is required to participate in the training.*

- C. Upon approval of the **Homeownership Initiatives Master Agreement, Registration and Certification Form** and completion of required training, members will receive a **Starter Kit** with all of the information and forms needed to start requesting disbursements.

3: Funding - use, limits, and availability

- **NIP will be available as part of the total Homeownership** set-aside allocation. Throughout the program year, the **remaining amount** of set-aside subsidy available will be published on the FHLBI's website at least bi-weekly.
- Funding for the first round of set-aside funding will be in the spring. At that time, approximately 70% of the set-aside funds available will be released and will remain available until all funds are used.
- In late summer, the remaining 30% of available set-aside funds plus any recaptured funds will be available until all funds are used.
- Each participating member will be limited to \$300,000 in annual NIP funds.
- NIP funds cannot be used to pay for fees charged by members or sponsors for providing direct subsidy to a homeowner.
- NIP subsidy may be used to pay for the real estate retention agreement recording fee up to a maximum of \$30. In the event the full amount of disbursed subsidy is returned, subsidy used for the recording fee must also be returned.

4: Member requirements

Members must provide funds only to homeowners who meet the income guidelines as described in Attachment D of the current Affordable Housing Program Implementation Plan (Plan).

- Members must enroll each household in an FHLBI set-aside program. The enrollment date is defined by the FHLBI as the date on which the member issues a qualification or other such loan commitment or enrolls the household in an FHLBI set-aside program.
- Members must submit a disbursement request to FHLBI within 30 days after enrollment of the household into an FHLBI set-aside program.
- Members must ensure that all units are owner-occupied.
- Members must ensure that rehabilitation work performed meets the requirements outlined in the *Rehabilitation Requirements* section of this document.
- Members must ensure that NIP-assisted units are subject to retention documents provided by the FHLBI that meet requirements of §1291.9 of the Regulation. See Attachment E of the Plan for sample retention language. If a member desires to use its own retention agreement, it must be substantially in the form of the retention agreement provided by the FHLBI and must be approved by the FHLBI **prior** to participating in the program.
- Members must comply with FHLBI requirements to provide copies of retention agreements, rehabilitation closing statements and other documentation as described in this document.
- Members must maintain project files with all applicable information for all grant recipients.
- FHLBI may conduct on-site compliance reviews.
- Member fees to provide subsidy to any homeowner are not allowed.
- Members must exercise due diligence as outlined below.

The FHLBI suggests that the following items be reviewed *prior* to approving a NIP grant to ensure that the funds will not be provided to households in volatile circumstances.

- Title search to verify legal title. This also provides information on outstanding liens and property tax information to ensure the homeowner is not in default on obligations which could affect home retention. A limited scope title search is typically sufficient to meet this requirement.
- Credit reports to provide information on credit obligations that could affect home retention.
- Homeowner's insurance verification to ensure that the home is properly insured.
- Pictures of home or areas to be repaired / replaced prior to commencement of work.

5: Recipient requirements

Recipients of NIP funds must meet all of the following requirements:

- Has household income that is equal to or less than 80% of the area median income (AMI) adjusted for family size as published annually by HUD (see FHLBI's website for current AMI charts).
- Be owner-occupants of the home to be rehabilitated (must be primary residence) and have resided in the home, as a primary residence, for at least six months prior to application with the member institution.
- Duplexes are eligible as long as the homeowner occupies one-half as the primary residence and 75% of the projected income generated from the other unit(s) is included in the NIP income qualification process. Projected income must be included in household income whether or not homeowner intends to rent the other unit(s).
- Non-residential investment property is not eligible.
- Lease/purchase arrangements and land contracts are not eligible ownership structures.
- All individuals in title to the property must occupy the property for which subsidy is being provided and must sign retention documents described above. Transactions that require or involve non-occupying co-borrowers, co-owners, co-signers, guarantors are not eligible for NIP.
- Provide all documentation to the member as required for participation in the program.
- Applicants may not be students with part-time or no income while in school who ordinarily would have a reasonable prospect for a substantial increase in income exceeding the AHP income eligibility limit upon entering the workforce full-time. In determining an applicant's eligibility, the FHLBI will consider factors including, but not limited to, the applicant's current student status, number of hours currently enrolled, anticipated date of graduation and field of study. Supporting documentation will be required.

6: Rehabilitation requirements

Eligible repairs must address deferred maintenance needs of the home. Subsidy may only be used for repairs to the livable space of the home. Rehabilitation and repair of systems materials must be of similar quality, like and style.

Eligible improvements

The following types of repairs are eligible for funding under NIP:

- Repair/replacement of heating, ventilation, air conditioning
- Repair/replacement of well/septic system
- Energy conservation improvements - includes repair/replacement of:
 - Windows
 - Soffit and Fascia
 - Siding
 - Roofing
 - Gutters
 - Downspouts
 - Caulking
 - Exterior doors
 - Weather stripping, attic and wall insulation
- Repair/replacement of structural damage such as chimney or foundation repair and repairs due to termite damage and/or to treat for termites and other infestations
- Improvements for easier accessibility for disabled individuals - includes widening doorways for wheelchair access, lowering kitchen cabinets, installing exterior ramps, installing grab bars, etc. Documentation of need is required
- Basement waterproofing

If the homeowner is a licensed contractor and requests to perform the NIP-eligible repairs on his/her own home, the following guidelines must be followed:

- The cost of labor is not an eligible NIP expense.
- A minimum of 2 bids must be obtained from independent third parties for the proposed work.
- The household will need to provide receipts to correspond with the necessary supplies for the proposed work.
- The member needs to order an independent third-party inspection to verify the repairs were completed as indicated.
- Before and after pictures are required.

Ineligible improvements

In general, improvements in functionality/modernization, changes for elimination of obsolescence, luxury items, improvements that do not become a permanent part of the property, and installation or repair of items listed below are not eligible improvements. The list is not an all-inclusive list and the FHLBI suggests that members use prudent decision making when approving requested improvements. **Any exceptions should be pre-approved by the FHLBI.**

- Additions or alterations for commercial use
- Porches, detached garages, etc.
- The finishing of attics, basements, etc.
- Furniture and appliances
- Landscaping or tree work
- Fences
- Room additions

- Driveways and sidewalks
- Awnings and shutters

7: Match requirements

NIP subsidy will only match funds for the purpose of providing rehabilitation assistance for homeowners. Each member shall determine the ratio of the FHLBI matching funds it will provide to homeowner. The matching rate shall not exceed three times the eligible match (3:1) and the matching amount shall be as follows.

NIP: The maximum subsidy that can be requested per household is as follows:

\$10,000, if recipient is receiving 3:1 matching funds from the following eligible matching sources:

- a) grants (i.e., CDBG, HOME or USDA funds),
- b) forgivable or deferred loans at 0% interest from an eligible state or local home improvement loan program or
- c) home equity loans for home rehabilitation made by the participating member, where only the portion of funds used for rehabilitation can be matched; *or*

\$7,500, if no matching funds from above-listed eligible sources

Prior work done to a property does not qualify and all matching funds must be documented. The rate of interest, points, fees, and any other charges for all loans that are made for the project in conjunction with the AHP subsidy shall not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms and risk.

8: Real Estate Retention period guide

All funds to be repaid or returned must be calculated using the **Retention Agreement Guide and Repayment Worksheet** (Worksheet), which can be found on FHLBI's website. The Worksheet outlines specific scenarios, requirements and calculations for repayment or return of funds.

A household must repay a pro-rated amount of the funds if it sells or refinances the unit during the five-year retention period **unless** one of the following exceptions applies:

- In the case of a sale, the purchaser is low- or moderate-income;
- In the case of a refinancing, the household agrees to continue a retention agreement after the refinancing for the balance of the original retention period; or
- The household had obtained a permanent mortgage funded by an AHP subsidized advance and not a direct subsidy.

The household only repays the subsidy from the net gain from either a sale or a refinancing. If there is no net gain, the household does not repay any subsidy. If the net gain is greater than the pro-rated amount of the subsidy, the household must repay the pro-rated amount of the subsidy. If the net gain is less than the pro-rated amount of the subsidy, then the household must repay only the net gain amount. For NIP households, the original purchase price may be an estimate if the property was not purchased recently.

These terms also apply to any future, subsequent refinancing(s) during the retention period unless the Retention Agreement has otherwise terminated.

The net gain is defined as the sales price of the home, or the amount of the new first mortgage after the refinancing of the home, minus the original purchase price, purchase-related closing costs and the costs associated with the sale (including seller concessions) or refinancing of the home. If the household made substantive improvements to the property, which add to the property's basis, then the costs of those improvements must also be deducted. This information is included in the Worksheet.

In the event the subsidy has been provided to the member, is unused and is not provided to the household, FHLBI does not consider the subsidy disbursed to the household and the subsidy must be returned.

Once the Worksheet has been completed, it should be printed and returned along with the HUD-1 settlement statement for the current sale of the property, to the FHLBI with a check payable to the FHLBI (or with instructions to FHLBI to withdraw the funds from the member's FHLBI CMS account).

The lien securing the subsidy must be released.

9: Disbursement process

Disbursements should be submitted following the steps and guidelines below:

- a) Disbursement Authorization Form (in Excel workbook). The Disbursement Authorization Form must be signed by an FHLBI authorized signatory and must accompany each disbursement. If members require assistance identifying an authorized signatory, please call 1-800-688-6697. Because original signatures are required, we cannot accept requests via facsimile.
- b) Household Qualification Form (in Excel workbook)
- c) Income calculation worksheet and corresponding income documentation
- d) Fund Manager
- e) Other supporting documentation such as bids, work write-ups, photos, etc., may be required and must be available for review by the FHLBI upon request.

Funds should not be requested earlier than 60 days prior to the estimated closing date, which is the date the Retention Agreement is recorded. During times of normal volume, disbursement requests should be reviewed and/or approved within ten business days. Upon approval, the funds will be credited to the member's FHLBI CMS account.

No substitutions of households will be allowed.

Disbursement recommendations

- Consider establishing an escrow account to disburse funds as the work is completed.
- Request that the homeowner provide you with invoices and make checks jointly payable to the contractor or other service provider and the homeowner.
- Take before and after photos.
- If time permits, consider doing property inspections.
- Consider requiring the homeowner to certify that work has been completed satisfactorily. A form that can be used for this purpose is available on FHLBI' Grant Tools web page.

- Have the homeowner sign the retention agreement prior to the start of the rehabilitation work.

10: Post disbursement requirements and documentation

Real Estate Retention Agreement Recording

The real estate retention agreement must be recorded within 30 days of disbursement. The recordation date must be submitted for every unit to the FHLBI via the Fund Manager (Excel spreadsheet from Starter Kit). If the recorded retention agreement has not yet been received, at a minimum, a receipt of recording may be used to determine the recording date. Extensions will be reviewed on a case-by-case basis.

Rehabilitation Closing

All repairs should be completed within 6 months of the FHLBI disbursement of funds. The FHLBI requires that the **Rehabilitation Closing Statement** be completed upon completion of all repairs. The form is available on FHLBI's website. Members must ensure that the appropriate subsidy amount received from the FHLBI is clearly identified. Members are required to sign this document. Other items that should be clearly reflected on the statement are as follows.

- All sources of matching funds (government grants, home equity loan, etc.)
- Itemized description of home improvements *and* amounts associated with each improvement.

11: Monitoring, reporting, documentation

Annually, the FHLBI selects a percentage of participating members for reviews. At a minimum, members should maintain the following documentation in their files for every NIP recipient:

- a) *Final, fully-executed* Rehabilitation Closing Statement, executed by all owners in the legal title and signed by the member
- b) Executed *and* recorded retention document executed by all owners in the legal title
- c) Final cost verification evidenced by copies of final invoices, receipts or cancelled checks for rehabilitation work performed
- d) Evidence of matched funds in the form of copies of copies final invoices, receipts or cancelled checks

Monitoring

- Semi-annually, the FHLBI will request documentation for a randomly selected sample of households. The documentation requested can include any of the documents that members are required to maintain in their files. Members have 30 days to submit the requested documentation. If documentation is not received within 30 days, the FHLBI reserves the right to automatically debit the member's CMS account for the appropriate amount. The member will then need to reapply for funding for the particular household, subject to funding availability.

Onsite Monitoring

- At the discretion of FHLBI, participating members may be selected for monitoring review. During reviews, which are held at the member's place of business, the FHLBI reviews the member's policies and procedures for administering NIP and a sampling of the grant recipient files. The FHLBI reserves the right to review all files if sampling indicates compliance issues.

12: Income Guidelines (see Attachment D)

All members must use the income guidelines as outlined in Attachment D of the current Plan. Households must have incomes at or below 80% of the median income for the area at the time the household is accepted for enrollment by the member.