



Homeownership Initiatives Programs HOP, NIP, NSA, RAP 2009 Training

We will begin momentarily...

To log in to the conference line call
866-854-6779
Enter meeting code *5966277*



Agenda

Building Partnerships. Serving Communities.

- **Basic Overview**
 - **Program requirements**
 - Homeownership Opportunities Program (HOP)
 - Neighborhood Impact Program (NIP)
 - Neighborhood Stabilization Assistance (NSA)
 - Refinance Assistance Program (RAP)
 - **Member/homeowner role**
 - (Bank, credit union or insurance company “member” of FHLBI)
 - **Income Guidelines and Examples**
 - **Disbursement forms and workbook review**
 - **Compliance reporting/On-site program reviews**
-



HOP, NIP, NSA, RAP

Building Partnerships. Serving Communities.

- **First-come, first-served funding**
 - **Released twice annually – typically spring/late summer**
 - **No competitive application**
 - **Excellent for new users**
 - **Starter Kit includes instructions and links to files and documents emailed upon receipt and completion of Master Agreement and Registration Form**
-



Program guidelines

Building Partnerships. Serving Communities.

- **HOP Guidelines**
 - <http://www.fhlbi.com/housing/hoprogram.asp>
 - **NIP Guidelines**
 - <http://www.fhlbi.com/housing/niprogram.asp>
 - **NSA Guidelines**
 - <http://www.fhlbi.com/housing/NSAProgram.asp>
 - **RAP Guidelines**
 - <http://www.fhlbi.com/housing/RAPProgram.asp>
 - **AHP Implementation Plan**
 - http://www.fhlbi.com/housing/imp_plan.asp
 - **AHP Regulations**
 - <http://www.fhfb.gov/GetFile.aspx?fileID=4134>
-



General Information

Building Partnerships. Serving Communities.

- **For income-qualified households**
 - **Match required in most programs**
 - **FHLBI monies are recorded as “soft” second mortgage on property**
 - **HOP—down payment/closing cost assistance for first-time homebuyers (see IPlan for definitions)**
 - **NSA—down payment/closing cost assistance for NSP assisted households**
 - **NIP—qualified repairs to owner-occupied units**
 - **RAP—refinancing assistance for households utilizing approved programs (currently only FHA Hope for Homeowners)**
-



- **Members complete and submit Master Agreement and Registration Form**
 - Available on website at <http://www.fhlbi.com/housing/Hopnipforms.asp>
 - Allows access to all programs
 - Assigns Primary and Secondary contact
 - Web-based training required
-



Member Requirements

Building Partnerships. Serving Communities.

- **Knowledge and understanding of programs**
 - **Ensure sponsors understand programs**
 - May require this training
 - **Due diligence in approval of households**
 - **Maintain project files**
 - **Subject to FHLBI sampling/on-site program review**
 - **Establish internal operating policies**
-



Member Electives

Building Partnerships. Serving Communities.

- **Can limit participation to existing customers**
 - **Can require customer to establish a banking relationship**
 - **Can change “match” requirements to fit overall bank goals**
 - **Can (and should) limit grant to meet minimum requirements of customer**
-



Household/Recipient Requirements *Building Partnerships. Serving Communities.*

- **≤80% AMI – total household income adjusted for household size**
 - FHLBI income guidelines must be followed
 - **Recipient of only one FHLB funding program**
 - **Complete homeownership counseling education (for HOP/NSA recipients only – not required for NIP)**
 - **Owner-occupant of home purchased/rehabilitated**
 - **Match no greater than 3:1 for HOP and NSA; 4:1 for NIP; no match requirement for RAP**
 - **5-year retention agreement, executed and recorded by all legal owners**
-



2009 Program Updates/Reminders

Building Partnerships. Serving Communities.

- **All final settlement statements must be submitted within 90 days of disbursement for HOP and NSA recipients**
 - **Up to \$150 of HOP monies may be used for counseling costs**
 - **Monthly housing expense should not exceed 35% of income and total debt-to-income should not exceed 45%**
 - **NO cash back in excess of \$250 at closing**
 - **Seller paid closing costs or contributions are not an eligible source of match**
 - **FHLBI required to collect HOEPA loans and first-time homebuyer status for all programs**
-



- **Down payment/closing cost* funds of up to \$5,000**

***Closing costs:** Includes expenses over and above the price of the property incurred by the buyer when transferring ownership of the 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 mortgagor or owner), judgment search fees, abstracting fees, recording fees, local tax fees, survey fees, plat drawing fees, pre-paid interest for up to 30 days, initial flood insurance premium, two months' escrow of mortgage insurance, five months of property tax, two months' escrow of flood insurance, first year's premium on homeowner's insurance, first year's premium for mortgage insurance, property inspection fees. Project administrative costs attributable to the sponsor are not an eligible use of AHP subsidy and may not be considered a closing cost.



- **Match requirements**
 - Minimum \$500 cash contribution required from homebuyer
 - Can be met through expenses paid outside of closing (POCs) but must be documented on settlement statement
 - Other grants, gifts, 0% interest loans – per member guidelines
 - **Should not exceed 35% monthly income for housing expenses (PITI) and 45% total debt-to-income**
-



HOP, cont.

Building Partnerships. Serving Communities.

First-time homebuyers only (see page 3 of HOP Guidelines) a homebuyer must be in one or more of the following categories:

- 1. An individual and his or her spouse who has had no ownership in a principal residence during a three-year period ending on the date of the purchase of the property.**
 - 2. An individual who is a displaced homemaker and has only owned a home with a spouse.**
 - 3. A single parent who has only owned a home with a former spouse while married.**
 - 4. An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.**
 - 5. An individual who has only owned a property that was 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.**
-



NSA

Building Partnerships. Serving Communities.

- **Up to \$10,000 for downpayment/closing costs**
 - **3:1 match must be NSP funds**
 - **Not specific to first-time homebuyers**
 - **Minimum \$500 cash contribution by homebuyer required**
 - Does not count toward match
 - **Counseling required**
-



Homebuyer Counseling

Building Partnerships. Serving Communities.

- **Face-to-face required for home purchase**
 - Provided by organization certified and recognized as experienced in housing counseling by HUD or state agency
 - **Complete prior to receiving funds**
 - **Financial literacy and predatory lending focus recommended**
 - **Counseling resource guide available at http://www.fhlbi.com/housing/grants_forms.asp**
-



- **Rehabilitation Funds**

- Up to \$10,000 per household for qualified repairs
 - Match of 4:1
 - No cash contribution required by homeowner
 - Counseling suggested but not required
-



- **Match**

- Home equity loan by member or housing finance authority
 - Only portion of funds used for rehab count towards match
- Prior work done on home can not be counted toward current match

- **Rehab work**

- (see pages 4 & 5 of Guidelines for eligible/ineligible uses)
-



NIP - Rehab Guidelines

Building Partnerships. Serving Communities.

- **“Quality of life” kinds of repairs, maintenance are preferred**
 - Roofs, windows, furnaces, handicap accessibility features, plumbing and electrical work for habitability or code compliance, health and safety hazards
 - **Room additions, basement refinishes, detached garages, fences, appliances, decks not acceptable**
 - **Consult FHLBI with questions**
-



NIP Rehab Guidelines—CAUTION!

Building Partnerships. Serving Communities.

- **Consult Rehab Guidelines on web site**
 - **USE JUDGMENT**
 - **BE CONSISTENT**
 - **ESTABLISH INTERNAL POLICIES**
 - **Members should ensure that someone is dedicated to managing the process!**
 - Screening and qualifying homeowners
 - Approving and overseeing bids, estimates and rehab work
-



Rehab Closing Statement

Building Partnerships. Serving Communities.

- **Form contains**
 - Itemized list of improvements and costs
 - Detailed match information
 - **Requires member and borrower signatures**
 - If working with a housing organization, signature optional
-



Due Diligence

Building Partnerships. Serving Communities.

- **Validate current ownership of the proposed unit**
 - **Title search - limited scope**
 - **No land contracts or tax liens**
 - **Other outstanding liens**
 - **Credit history which may affect homeownership retention**
 - **Current homeowner's insurance**
 - **Joint paid checks to homeowners and contractors**
 - **Work by licensed contractors, if possible**
-



HOP/NSA/NIP: 5-Year Retention

Building Partnerships. Serving Communities.

- **Recorded as a soft mortgage**
 - Position at member's discretion
 - **Member and homeowner(s) sign agreement**
 - Verify legal title to ensure all homeowners have signed
 - **Member (or its attorney) signs, notarizes and records document**
 - **Recorded agreement returned to member**
 - **Consider “loan identifier” for tracking**
-



Refinances and Payoffs

Building Partnerships. Serving Communities.

- **Pro-rata portion to be repaid upon sale**
 - 1/60th per month
 - **Member calculates the payoff, returns funds to FHLBI**
 - Use payoff worksheet on FHLBI web site
 - **Refinances with cash out or debt consolidation not permitted, except to pay for closing costs**
 - **Refinances or subordinations at member discretion**
 - **Member releases liens, not FHLBI**
-



Disbursement Requirements

Building Partnerships. Serving Communities.

- ***Disbursement Authorization**
- **For each household**
 - *Household Qualification form
 - Income Calculation worksheet and documentation
- ***Fund Manager**

(*Included in Excel workbook; other items available at

www.fhlbi.com/housing/Hopnipforms.asp)



Disbursement Process

Building Partnerships. Serving Communities.

- **Requests can be submitted no more than 90 days prior to closing**
 - Rehab closing is when retention agreement and closing statements are executed
 - Submit household qualification form, income calculation worksheet and corresponding documentation
 - **Submit Fund Manager**
 - **Submit disbursement authorization**
 - Signed by an FHLBI authorized signatory
-



Disbursement Process

Building Partnerships. Serving Communities.

- **Check funds availability at http://www.fhlbi.com/housing/hsp_funds.asp**
 - **“Fund Manager” worksheet provided to help “manage” utilization of funds**
 - **Send request via mail or overnight mail as an original signature is required**
 - **Disbursements typically made within ten business days**
 - **Funds credited to member CMS account**
 - **Detailed confirmation emailed to contact**
-



Reasons Disbursements Returned

Building Partnerships. Serving Communities.

- **Signature not authorized**
 - **Signature not original**
 - **Households were substituted**
 - **Income documentation and Qualification Form not submitted for each household or incomplete**
-



Income Calculation

Building Partnerships. Serving Communities.

- **Read Attachment “D” of Implementation Plan carefully!**

http://www.fhlbi.com/housing/imp_plan.asp



What constitutes income

Building Partnerships. Serving Communities.

- **Wages/Salaries – including overtime pay, tips, commissions, fees, bonuses, differential pay, housing allowances and other compensation. Includes all people in the household over 18 even if absent.**
 - **Income of cohabitating partners**
 - **Interest and dividends**
 - **Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, etc.**
 - **Payments in lieu of earnings (unemployment and disability comp, workers comp, etc.)**
-



What constitutes income, cont.

Building Partnerships. Serving Communities.

- **Public assistance (unless indicated in guidelines)**
 - **Alimony and child support**
 - **Regular allowances of a member of Armed Forces**
 - **Net self-employment income**
 - **Income from assets and investments**
 - **Sec. 8 housing assistance (see guidelines for homeownership)**
-



What does not constitute income

Building Partnerships. Serving Communities.

- **Income from the employment of children under the age of 18**
 - **Payments received for care of foster children**
 - **Income received directly by foster children or foster adults**
 - **Lump sum additions to family assets**
 - **Temporary, non-recurring or sporadic income (including gifts)**
 - **Deferred periodic payments of SSI or Social Security that are received in a lump sum or in prospective monthly amounts**
-



What does not constitute income:

Building Partnerships. Serving Communities.

- **Income of a live-in aide**
 - **Adoption assistance payments**
 - **Educational scholarships**
 - **Earned income tax credits**
 - **Value of food stamp allotments**
 - **Special pay to family member serving in Armed Forces who is exposed to hostile fire**
 - **Economic Stimulus payments**
-



Income Source Documents

Building Partnerships. Serving Communities.

- **Verification of Employment/Income (VOE)**
 - **Completed US income tax returns or year-end wage statements (W-2s) (within first 3 months of year)**
 - **Consecutive pay stubs**
 - **Social Security or SSI notices**
 - **Financial statements verifying payments from annuities, pensions, insurance policies, unemployment, etc.**
 - **Income from assets**
-



Income Source Documents cont.

Building Partnerships. Serving Communities.

- **Public assistance**
 - **Approved HUD Section 8 certification of income**
 - **State housing agency certification of income**
 - **Child support/Alimony**
 - **Self-employment documentation**
-



Income Calculation Worksheet

Building Partnerships. Serving Communities.

*Household Income Calculation Worksheet

Date: 02/22/07		Address/Unit #: _____		County: _____		
Household Size: _____		City: _____		State: _____		
				80% AMI: \$0.00		
Household Members:						
Employer 1: _____				Income Documentation:		
Employee Name: _____				<input checked="" type="radio"/> Hourly/Overtime Rate		
INCOME: \$0.00				<input type="radio"/> Salary		
				<input type="radio"/> Year-to-Date Income		
				<input type="radio"/> N/A		
Regular Hourly Rate: \$0.00		Overtime / Special rate: \$0.00				
Average Hours/Week: _____		Average Overtime Hours/Week: _____				
Average Weeks/Year: _____		Average Overtime Weeks/Year: _____				
YEARLY HOURLY PAY: \$0.00		YEARLY OVERTIME PAY: \$0.00				
Employer 2: _____				Income Documentation:		
Employee Name: _____				<input type="radio"/> Hourly/Overtime Rate		
INCOME: \$0.00				<input checked="" type="radio"/> Salary		
				<input type="radio"/> Year-to-Date Income		
				<input type="radio"/> N/A		
Pay Frequency/Year: _____		Salary/Pay Period: \$0.00				
YEARLY SALARY: \$0.00						
Employer 3: _____				Income Documentation:		
Employee Name: _____				<input type="radio"/> Hourly/Overtime Rate		
INCOME: \$0.00				<input checked="" type="radio"/> Year-to-Date Income		
				<input type="radio"/> N/A		
Year-To-Date Income: \$0.00		Start Date: _____		End Date: _____		
YEARLY INCOME: \$0.00						
Other Income		Periodic Payment	Payments per Year	Total Payment		
		\$0.00		\$0.00		
		\$0.00		\$0.00		
		\$0.00		\$0.00		
		\$0.00		\$0.00		
TOTAL OTHER INCOME:				\$0.00		
Other Income		Periodic Payment	Payments per Year	Total Payment		
		\$0.00		\$0.00		
		\$0.00		\$0.00		
-<Other Explanation>-		\$0.00		\$0.00		
-<Other Explanation>-		\$0.00		\$0.00		
**TOTAL ANNUAL INCOME: \$0.00						
Comments:						
* Refer to Attachment D of the Implementation Plan for guidance on income. Attach verification of all income sources with this worksheet.						
** TOTAL ANNUAL INCOME should equal Income on Household or Tenant List and be supported by income verification documents.						



Additional Forms

Building Partnerships. Serving Communities.

Located under *Grant Tools* on our web site

- ***Grant Application Checklist*** – File checklist to help identify what type of documentation is needed and what may be outstanding
 - ***First-time Homebuyer Affidavit*** – To assist member in verifying first-time homebuyer status
 - ***Application for Rehab*** – For use providing general household information and identifying types of repairs necessary.
 - ***Rehabilitation Completion Certification*** – Homeowners certify work is completed and satisfactory
-



Member Files – Like Loan Files

Building Partnerships. Serving Communities.

- **Mortgage application, if applicable**
 - **Income documentation**
 - **“Match” information**
 - **Settlement statement or rehab “closing” statement**
 - **Executed retention agreement**
 - **Recorded retention agreement**
 - **Counseling verification**
 - **Rehab cost validation – invoices, paid checks**
-



2009 Sampling Process

Building Partnerships. Serving Communities.

- **FHLBI sends request for household sampling and completed *Fund Manager***
 - Provide closing dates
 - Send requested documentation for specified households
-



Compliance Reporting

Building Partnerships. Serving Communities.

- **Provide monitoring documents within 30 days of request**
 - **May ask for any or all of the following:**
 - Retention agreement - fully signed and executed
 - Match verification
 - Rehabilitation cost validation/closing statement
 - Counseling certificate
 - **FHLBI reserves the right to request additional documentation if necessary**
-



On-site Program Reviews

Building Partnerships. Serving Communities.

- **All members subject to periodic on-site reviews**
 - **2008 program reviews performed were generally satisfactory**
 - Retention agreements not recorded
 - **Request sent to member contact to schedule, with sufficient notice**
-



Success Stories

Building Partnerships. Serving Communities.

- **We love to hear from satisfied customers**
 - **Need photos and stories for future publications and annual reports**
 - **Need more groundbreaking and press releases**
-



Contact:

Ronna Edwards at

redwards@fhlbi.com

Or 800-688-6697 ext. 369

Or 317-465-0369

housing@fhlbi.com
