



Attachment K Refinance Assistance Program (RAP) Guidelines

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1: Program description

The Refinance Assistance Program (RAP) provides funds to Members to assist homeowners refinancing first mortgages through eligible targeted refinancing programs. RAP grants are limited to \$5,000 per household; households are eligible only if the total household income is at or below 80 percent of the area median income limit, adjusted for family size. Funds are available on a first-come, first-served basis.

RAP may be amended at any time with input from the FHLBI's Affordable Housing Advisory Council and approval by the FHLBI's 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.

RAP will expire on July 30, 2010 unless the sunset date is extended by the FHFA.

2: Member participation and registration

Institutions that are current members of and eligible to borrow from the FHLBI may participate in RAP. 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.

- Each member must sign and submit a **Homeownership Initiatives Master Agreement and Registration Form** which allows it to participate in all FHLBI Homeownership Initiative Programs.
- Each member will be responsible for all terms and conditions contained in the Agreement and Registration Form, including, but not limited to, the requirements outlined in this document.
- **All members will be required to participate in training** that will provide information and instructions on program guidelines, disbursements and documentation requirements. Either the Primary or Secondary member contact is required to participate in the training.
- Upon approval of the Homeownership Initiatives Agreement and Registration form, members will receive a **Starter Kit** with all of the information and forms needed to start requesting disbursements. Disbursement requests will not be accepted, however, until training has been completed by appropriate personnel.

3: Funding - use, limits, and availability

- RAP will be available as part of the offering of 2010 set-aside funding. The balance of set-aside funds available will be published on the FHLBI's web site at least bi-weekly.
- Funding for the first round of set-aside funding will be announced in March 2010. At that time, approximately 70% of the set-aside funds available will be released and will remain available on a first-come, first-served basis until all funds are used.
- In August 2010, the remaining 30% of available set-aside funds plus any recaptured funds will be available on a first-come, first-served basis until all funds are used.

- Each participating member will be limited to \$300,000 in annual RAP funds. The \$300,000 member maximum is a stand-alone amount—other set-aside funds received do not count toward it.

Financing Costs

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.

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).
- Provide funds only to homebuyers that complete a counseling/education program prior to enrollment in RAP (see *Housing Counseling Program* section below for requirements).
- Members must ensure that RAP-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 AHP Implementation 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.
- After closing, the first mortgage may be sold or assigned.
- Members may, at their discretion, provide the subsidy to lenders that are not members of the FHLBI for purposes of refinancing an eligible loan.
- Members must maintain project files with all applicable information for all grant recipients. FHLBI may conduct on-site compliance reviews.
- Processing fees to provide subsidy to any homeowner are not allowed.
- The loan must meet all applicable underwriting requirements and standards for the eligible targeted refinancing programs.

5: Recipient requirements

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

- Have 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 our web site for current AMI charts).
- All individuals in title to the property for which subsidy is being provided must sign retention documents as described above.
- Complete a counseling/education program prior to enrollment in RAP (see *Housing Counseling Program* section below for requirements).
- Be owner-occupants of the home to be refinanced (must be primary residence).
- Be approved for refinancing through an eligible targeted refinancing program.

6: Eligible uses of funds

- RAP funds may be used only in conjunction with the refinancing of first mortgages under eligible targeted refinancing programs.
- Any property eligible under an eligible targeted refinancing program is eligible for RAP.
- RAP funds may be used to fund reasonable principal reduction and closing cost incurred in conjunction with the refinancing of owner-occupied housing being used as primary residences by low and moderate income homeowners.
- RAP funds may not exceed \$5,000 per homeowner, based on documented need.
- RAP assistance may be used in conjunction with other eligible local, state, and federal funding sources.

7: Ineligible uses of funds

- RAP funds may not be used to pay off consumer debt, buy down the mortgage rate, or be used for any other purpose than those expressly described above.
- RAP funds cannot be used to pay for processing fees charged by members for providing direct subsidy to a homeowner.

8: Settlement/closing statement

Down payment or closing cost assistance received from the FHLBI should be reflected as a line item on a settlement or closing statement (preferably a HUD-1). Please make sure that the appropriate grant amount received from the FHLBI is clearly identified.

- Homebuyers may not receive more than \$250 in cash back at closing. Any RAP funds in excess of the approved mortgage amount, closing costs and cash back to the homebuyer shall be used as a credit to reduce the principal of the mortgage or as a credit toward the household's monthly payments on the mortgage loan.

9: Returning funds

If disbursed RAP funds are not used funds need to be returned to the FHLBI. All funds should be returned using the **Funds Return** form (Excel worksheet) which can be found on our web site.

- Once the Funds Return form has been completed, it should be printed and returned to the FHLBI with a check payable to the FHLBI (or without a check if the member has requested the withdrawal of the funds from its FHLBI CMS account).

10: Disbursement process

Disbursements should be submitted following the steps and guidelines below:

- Disbursement Authorization Form (in Excel workbook). (The Disbursement Authorization Form must be signed by an FHLBI authorized signatory and must accompany each disbursement. To identify a signatory call 1-800-688-6697.) Because original signatures are required, we cannot accept requests via fax);
- Income calculation worksheet and corresponding income documentation;

- Documentation of approval for the homeowner for participation in an eligible targeted refinancing program;
- Documentation of the homeowner's completion of required housing counseling/education program; and
- Fund Manager (in Excel workbook)

Funds should not be requested earlier than 60 days prior to the estimated closing date. Upon approval, the funds should be credited to the member institution's FHLBI CMS account within ten business days of receiving the request. Extensions will be reviewed on a case-by-case basis. No substitutions of households will be allowed.

11: Monitoring, reporting, documentation

At a minimum, members should maintain in their files the documents described below for every RAP recipient.

- A copy of the final HUD-1 executed by all owners in the legal title.
- A copy of the Household Qualification form.
- A copy of the fully executed *and* recorded retention document
- Income calculation worksheet and corresponding income documentation.
- Loan documents including, at a minimum, documentation supporting the approval of an eligible targeted refinancing program.

At the discretion of FHLBI, a percentage of 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 RAP and a sampling of the grant recipient files. The FHLBI reserves the right to review all files if sampling indicates compliance issues.

While the previously described items should be maintained in the member's files, not all require submission to the FHLBI.

12: Housing counseling requirements

Prior to enrollment in RAP, the homeowner must complete housing counseling/education through the National Foreclosure Mitigation Counseling program (NFMC) or other counseling program used by a State or local government or housing finance agency

- In addition to foreclosure mitigation and credit counseling, the housing counseling/education program must include a component that determines whether the household is eligible to have their loan refinanced by an eligible targeted refinancing program and whether the AHP subsidy will be needed in order for the household to obtain the refinancing.
- RAP funds cannot be used to pay for housing counseling/education.

13: Guidelines for determining income eligibility (see Attachment D)

All members must use the income guidelines as outlined in Attachment D of the current Affordable Housing Program Implementation 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.

“Time of enrollment” by the member is defined by the FHLBI as the date on which the member issues a pre-qualification or other such loan commitment or enrolls the household in a member set-aside program. In the case of rehabilitation, the date the household is enrolled in the program by member. Members must submit a disbursement request to FHLBI within three months after enrollment of the household into the program.