



## Attachment H Neighborhood Impact Program (NIP) Guidelines

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## 1: Program description

The Neighborhood Impact Program (NIP) is part of the Homeownership Initiatives Programs. NIP provides rehabilitation assistance to homeowners with household incomes at or below 80% of the area median income. The maximum subsidy that can be requested per household is as follows:

- \$10,000, if *either* of the following requirements are met:
  - The FHLBI member is the current first-lien holder or mortgage servicer, or the homeowner was previously a mortgage customer of the FHLBI member who has subsequently fully satisfied the mortgage debt as evidenced by a discharge of the mortgage or instrument securing debt; or
  - The homeowner is receiving 3:1 in matching funds from government entity (i.e., CDBG, HOME or USDA funds) or a forgivable or deferred loan from an eligible state or local home improvement loan program. Matching funds must be documented. 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
- \$7,500, if homeowner is not receiving matching funds from one of the above-listed eligible sources or if the homeowner is not a current or previous mortgage customer of the FHLBI member.

The NIP subsidy request per household shall be no less than \$1,000.

NIP may be amended at any time with input from the FHLBI Council and approval by the FHLBI Board. 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.

## 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 <https://www.fhlbi.com/>

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

- **Submitting Disbursement Requests:**  
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 funds may only be used to pay for approved eligible rehabilitation/repair costs unless otherwise noted.
- NIP funds cannot be used to pay for fees charged by members or sponsors for providing the subsidy to a homeowner.
- NIP subsidy may be used to pay for the real estate Retention Agreement recording fee up to a maximum of \$20. In the event the full amount of disbursed subsidy is returned, subsidy used for the recording fee must also be returned.
- 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.
- Each participating member will be limited to \$300,000 in annual NIP funds, unless such limit is waived by the Board.
- Funding for the first round of Homeownership Initiatives Programs funding will be in the spring. At that time, approximately 70% of the funds available will be released and will remain available until all funds are exhausted. Unless funds remain from the spring release, in late summer, the remaining 30% of available funds plus any recaptured funds will be available until all funds are used.
- Throughout the program year, the remaining amount of funds available will be published on the FHLBI's website at least bi-weekly.

### 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).

- The Member is responsible for compliance with all applicable laws, regulations, and with this Plan.
- Members must enroll each household in an FHLBI Homeownership Initiatives 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 Homeownership Initiatives Program.
- Members must submit a disbursement request to FHLBI within 30 days after enrollment of the household into an FHLBI Homeownership Initiatives Program.
- Members must ensure that all units are occupied by all individuals with a present possessory interest (other than a leasehold interest) in the property.
- Members must confirm that the recipient owners have owned the property in fee-simple for at least 18 months prior to enrollment. Individuals who during this period took title to the property in whole or in part due to the death of a spouse may also include the period of time the property was owned by the deceased spouse. No additional persons may have been in title to the property during the 18 month period other than deceased spouses.

- Members must provide subsidy only to homebuyers who meet the income guidelines as described in Attachment D of the current Affordable Housing Program Implementation Plan (Plan).
- Members must ensure that proposed costs are reasonable based on the local market.
- Members must ensure that rehabilitation work performed meets the requirements outlined in the *Rehabilitation Requirements* section of this document.
- For properties that include a home-based business, members must certify that the grant funds will not be used to cover costs to rehabilitate areas of the home exclusively designated for business use.
- Members must ensure that NIP-assisted units are subject to a Retention Agreement 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.
- Members must ensure that NIP funds are not used to pay for fees charged by members or sponsors for providing the subsidy to a homeowner.
- Members are advised to exercise due diligence in qualifying NIP transactions and obtain the following items for review *prior* to approving a NIP grant to ensure that the funds will be provided to households stable in their financial affairs.
  - Verification that legal title is vested in applicant(s) only
  - A title search that will provide information on outstanding liens and property tax information to ensure the homeowner is not in default on obligations which could affect home retention
  - 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
- Members must certify that the recipient(s) and the proposed transaction meet all eligibility requirements for NIP funds.
- FHLBI may conduct on-site compliance reviews.

## 5: Recipient requirements

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

- Recipients must 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 FHLBI's website for current AMI charts).
- Recipients' existing mortgage obligation for the subject property must be current and paid as agreed.
- Recipients must 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 18 months prior to application with the member institution. Individuals who during this period took title to the property in whole or in part due to the death of a spouse may also include the period the time the property was owned by the deceased spouse, except as otherwise described herein. No additional persons may have been in title to the property during the 18 month period other than deceased spouses.

- 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).
- NIP funds may only be used to provide assistance to rehabilitate an owner-occupied residence. Home-based business rehabilitation is not an eligible stand-alone use under the NIP. For eligible households whose home-based business is also located in the housing unit or on the property, NIP funds may be used if the primary purpose of the proposed rehabilitation is to rehabilitate and provide general benefit to the residence. Proposed rehabilitation that will only benefit the area of the home exclusively designated for business use is not an eligible use under the NIP. This policy applies whether or not the income generated from the business activity is the primary or secondary source of income to the household.
- Lease/purchase arrangements and land contracts are not eligible ownership structures.
- All properties must be titled as real estate and be permanently affixed to a permanent foundation.
- All persons in title to the property must sign retention documents described below in the section 8: *Real Estate Retention Period*. Transactions that require or involve non-occupying co-borrowers, co-owners, co-signers, guarantors are not eligible for NIP.
- Recipients must provide all documentation to the member as required for participation in the program.
- Recipients cannot receive, for the same property, more than one FHLBI grant of any kind, or more than one grant from any Federal Home Loan Bank, unless prior grants have been repaid or retention period has expired.
- 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 fulltime. 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/Repair requirements

Eligible repairs must address deferred maintenance needs of the home. Funds 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. FHLBI may exercise discretion in determining if repairs are eligible for funding. Members must execute a certification of cost reasonableness and maintain copies of all bids obtained to support the proposed work.

Rehabilitation/repair work completed prior to enrollment may not be paid for with NIP funds.

### Eligible Rehabilitation/Repair

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

- Repair/replacement of existing heating, ventilation, air conditioning
- Repair/replacement of existing well/septic system or underground property sewer system\*
- Repair/replacement of existing water heater
- Energy conservation improvements - includes repair/replacement of existing:

- Windows
- Soffit and Fascia
- Siding
- Roofing
- Gutters
- Downspouts
- Caulking
- Exterior doors
- Weather stripping, attic and wall insulation
- Installation/repair of existing basement waterproofing system\*

\*Additional documentation may be required.

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:

- 1) The homeowner must be licensed in the same field of the proposed repairs, i.e., if the proposed work is roofing, the homeowner must be a licensed roofer. A copy of the contractor's license must be submitted with the disbursement request.
- 2) The cost of labor is not an eligible NIP expense.
- 3) A minimum of 2 bids for the proposed work must be obtained from independent third parties. The bids must itemize the costs for both labor and material separately.
- 4) The household will need to provide receipts to correspond with the necessary supplies for the proposed work.
- 5) The member needs to order an independent third-party inspection to verify the repairs were completed as indicated.
- 6) Before and after pictures are required.

### Ineligible Rehabilitation/Repair

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 all-inclusive 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). For example, if a homebuyer has \$3,350 in matching funds, the member may request up to \$10,000 in NIP subsidy.

As stated above, households must receive matching funds in the form of CDBG, HOME, USDA or similar funding for home rehabilitation assistance from a government entity or a forgivable or deferred loan from an eligible state or local home improvement loan program. The member must obtain and retain documentation to evidence approval or receipt of the matching funds. This documentation may be an award letter, commitment letter or executed grant or loan documents.

FHLBI requires all repairs, those to be completed with NIP funds as well as any match monies, be incorporated into the same scope of work or – at a minimum – the bids be obtained in a similar timeframe thus demonstrating the intention of utilizing the additional funding source.

## 8: Real Estate Retention Period

All funds to be repaid or returned must be calculated using the **Retention Agreement Guide and Subsidy Repayment Worksheet (Worksheet)**, which can be found on FHLBI's website. The Worksheet outlines specific repayment provisions and calculations for repayment or return of subsidy in accordance with the Real Estate Retention Agreement or in the event the subsidy is unused.

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 very low-, low- or moderate-income;
- In the case of a refinancing, the household agrees to continue to be subject to a Retention Agreement, deed restriction or other legally enforceable retention mechanism as described in §1291.9(a)(7) 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, supported by reasonable third-party documentation, 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/Closing Disclosure for the current sale of the property, to the FHLBI with instructions to FHLBI to withdraw the funds from the member's FHLBI CMS account, assuming funds are owed or unused.

The lien securing the subsidy must be released.

## 9: Disbursement process

Disbursements should be submitted following the steps and guidelines below:

- 1) FHLBI 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.
- 2) FHLBI Household Qualification Form (in Excel workbook)
- 3) FHLBI Fund Manager
- 4) FHLBI Income calculation worksheet and corresponding income documentation as outlined in Attachment D, the Income Guidelines
- 5) Zero Income Affidavit, if applicable
- 6) FHLBI Certification of Cost Reasonableness executed by the member. Please note: The certification must be supported by a minimum of two independent, third-party bids/estimates for each proposed repair which must be maintained in the member's file.
- 7) Other supporting documentation such as, photos, 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. The member must pass the entire amount of the AHP subsidy to the household.

### Disbursement recommendations

- a) Consider establishing an escrow account to disburse funds as the work is completed.
- b) Request that the homeowner provide you with invoices and make checks jointly payable to the contractor or other service provider and the homeowner.
- c) Take before and after photos.
- d) If time permits, consider doing property inspections.
- e) Require all work completed by a licensed/bonded contractor

- f) Consider requiring the homeowner to certify that work has been completed satisfactorily prior to issuing payment. A form that can be used for this purpose is available on FHLBI' Grant Tools web page.
- g) 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. Extension requests will be reviewed on a case-by-case basis.

### Rehabilitation Closing

Within 6 months of the FHLBI's disbursement, all repairs should be complete, and the member should have paid all invoices for services performed. The member is responsible for managing the progress and completion of the repair project. The FHLBI requires that the Rehabilitation Closing Statement (RCS) 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 the RCS. Other items that should be clearly reflected on the statement are as follows.

- All sources of matching funds
- The total cost of the repair including an itemized description of and amounts associated with each home repair

## 11: Monitoring, reporting, documentation

Semi-annually, the FHLBI will request documentation for a randomly selected sample of households. The documentation requested may 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 deem the member to have violated the terms of the award and 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. At a minimum, members should maintain the following documentation in their files for every NIP recipient:

- 1) *A copy of the disbursement request and all documentation obtained and used to qualify the household at enrollment*
- 2) *Final, fully-executed* Rehabilitation Closing Statement, executed by both the homeowner and the member
- 3) Executed *and* recorded retention document executed by all owners in the legal title
- 4) Original bids to support the executed Certification of Cost Reasonableness
- 5) Final cost verification for rehabilitation work performed evidenced by copies of final invoices, receipts and cancelled checks or similar forms of payments to the contractor(s)
- 6) Evidence of matched funds in the form of copies of final invoices, receipts or cancelled checks

## 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.