

Contents:

- 1: Program Description
- 2: Member Participation and Registration
- 3: Funding – Use, Limits, and Availability
- 4: Member Requirements
- 5: Recipient Requirements
- 6: Match Requirements (Non-Member First Mortgage Lender)
- 7: Settlement/Closing Statement
- 8: Real Estate Retention Period
- 9: Disbursement Process
- 10: Post-Disbursement Documentation Requirements
- 11: Monitoring, Reporting, and Documentation
- 12: Housing Counseling Requirements
- 13: Income Guidelines (see Attachment D)

1: Program Description

The Homeownership Opportunities Program (HOP) is part of the Homeownership Initiatives Programs allocation. HOP helps first-time homebuyers whereby the household is at or below 80% of area median income (AMI) with down payment and closing cost assistance and improves their eligibility for mortgage financing.

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

- \$8,000, if a Federal Home Loan Bank of Indianapolis (“FHLBI” or the “Bank”) member is originating the first mortgage loan (NO match required)
- \$4,000, if a non-member is providing the first mortgage loan (Match required)

The financing terms must be consistent with market rate of interest, points, fees and other charges for loans of similar maturity, terms and risk charged by the lender for all transactions whether or not the loan is originated by a Bank member.

For transactions where a non-member is the first mortgage lender, matching funds are required at a 3:1 ratio. The HOP subsidy will only match funds for the purpose of providing down payment or closing cost assistance. HOP matches other funds to increase a homebuyer’s total source of funds to purchase 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 Bank matching funds it will provide to recipients.

Up to \$150 of the HOP subsidy may be used toward housing counseling for home purchases.

HOP 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. The Bank reserves the right to allocate funds among programs to meet program demand and to ensure utilization of all funds. All funds allocated to the set aside programs are available on a first-come, first-served basis.

2: Member Participation Requirements

Institutions that are current members of and eligible to borrow from the Bank may participate in HOP. The Bank does not accept applications from institutions with pending applications for membership in the Bank. A list of eligible members may be obtained from a directory at <https://www.fhlbi.com/>

A. *Registration:*

All members must sign and submit a **Homeownership Initiatives Master Agreement and Registration and Certification Form**, which allows participation in all Bank 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 NEW users of the program will be required to participate in training that presents information and instructions on program guidelines, disbursements, and documentation requirements. NEW users are defined as those member who have never participated in the program or those who have not received a disbursement in the prior two years. *At a minimum, either the member’s Primary or Secondary contact is required to participate in the training.*

C. *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

- Funding for HOP is part of the total Homeownership Initiatives Programs allocation. Throughout the program year, the remaining amount of funds available will be published on the Bank's Web site at least bi-weekly.
- HOP funding may go towards down payment and closing costs as required by § 1291.2(a)(1), the Bank must make available at least one-third of the aggregate annual Homeownership Initiatives Programs allocation to programs that assist first-time homebuyers.
- Each participating member will be limited to **\$500,000** in HOP funds, unless such limitation is waived by the Board.
- Homeownership Initiatives Programs funding will be announced in the spring. Funds will be made available on a first-come first-serve basis until all funds are exhausted.
- As required by § 1291.6(c)(7), **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 subsidy shall not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms and risk.
- The purchase price of the property must be supported by an appraisal completed not more than 90 days in advance of closing.

4: Member Requirements

- The member is responsible for structuring the purchase transaction in a manner that complies with all applicable laws, regulations and this Plan.
- Members must enroll each household in a Federal Home Loan Bank of Indianapolis Homeownership Initiatives Program. The enrollment date is defined by the Bank as the date on which the member issues a qualification or other such loan commitment or enrolls the household in a Bank Homeownership Initiatives Program.
- Members must submit a disbursement request to the Bank within 30 days after enrollment of the household into a Bank Homeownership Initiatives Program.
- Member may not request the HOP subsidy for transactions involving the member's real estate-owned (REO) properties.
- 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 provide subsidy only to homebuyers that complete a housing counseling program as described in these guidelines.
- Members must ensure that HOP-assisted units are subject to a Retention Agreement provided by the Bank that meet requirements of §1291.9 of the Regulation. See *Attachment E* of the Plan for sample retention language.
- Members must comply with Bank requirements to provide copies of retention agreements, settlement statements and other documentation as described in this document.
- Members must maintain project files with all applicable information for all grant recipients. The Bank may conduct on-site compliance reviews.
- Members may not charge fees to provide subsidy to any homebuyer.
- Member must certify that the recipient(s) and the proposed transaction meet all eligibility requirements for HOP funds.

5: Recipient Requirements

- HOP funds may only be made available to a first-time homebuyer. The member must maintain a first-time homebuyer affidavit in the project file. In order to be considered a first-time homebuyer, a homebuyer must be in one or more of the following categories:
 - 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.
 - An individual who is a displaced homemaker and has only owned a home with a spouse, who has not worked full-time, full-year in the labor force for more than two years and during that period, worked primarily without remuneration to care for a home and family.
 - A single parent who has only owned a home with a former spouse while married and has 1 or more minor children for whom the individual has physical custody or joint physical custody as ordered by the state authority on child support, guardianship or custody order or divorce decree. If physical custody is not formally established, the primary residence of the child must be documented by third-party documentation.
 - An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
 - 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.
- The homebuyer(s) must complete a counseling/education program prior to the loan closing. (Refer to *Housing Counseling Program* section of this document).
- The homebuyer(s) must contribute a minimum of \$1,000 in personal cash funds toward the purchase of the home.
- The homebuyer(s) 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 the Bank's Web site for current charts)
- The primary household members with earned income should demonstrate at least one full year of continuous employment. The homebuyer(s) must be owner-occupants of the home to be purchased (must be primary residence). Transactions that require or involve non-occupying co-borrowers, co-owners, co-signers, or non-occupying loan guarantors are not eligible.
- Duplexes are eligible as long as the homebuyer will occupy one-half as the primary residence and 75% of the projected income generated from the other unit(s) is included in the HOP income calculation. Projected income must be included in household income whether or not homebuyer intends to rent the other unit(s).
- 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 individuals in title to the property must occupy the property for which the subsidy is being provided and must sign retention documents as described below in *Section 8: Real Estate Retention Period*.
- The homebuyer(s) must provide all documentation to the member institution as required for participation in the program.
- The homebuyer(s) may not receive more than \$250 cash back at closing. Any 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.

- The household's monthly housing expense, including principal, interest, taxes, insurance, and homeowner's dues may not exceed 35% of the household's gross income at closing.
- The homebuyer's mortgage loan term and amortization period may not be less than 5 years and 15 years, respectively. The homebuyer may not utilize a construction to permanent loan product to finance the purchase of the property. The property must be an existing dwelling.
- The homebuyer may not acquire the property under the terms of a cash purchase. An amortizing mortgage must be transacted to purchase the property.
- The homebuyer may not purchase the property under a non-arm's length transaction whereby the transaction's parties are related by blood or marriage.
- Purchase transactions requiring funds to be escrowed for property rehabilitation or repairs are not eligible unless the rehabilitation/repair escrow is paid outside of closing or by a third party at closing as evidenced by either the HUD-1 Settlement Statement/Closing Disclosure or other documentation.
- The homebuyer(s) 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 Bank 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.
- The homebuyer cannot receive for the same property more than one Federal Home Loan Bank of Indianapolis 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.

6: Match Requirements (Non-Member First Mortgage Lender)

The HOP subsidy will only match funds for the purpose of providing down payment or closing cost assistance for home purchases (existing or new construction) for first-time homebuyers.

- Each member shall determine the ratio of the Bank matching funds it will provide to recipients not to exceed 3:1. For example, if a homebuyer has \$1,500 in matching funds, the member may request up to \$4,500 in HOP subsidy, giving the homebuyer a total of \$6,000 for qualified uses.
- HOP subsidy per household shall be no less than \$1,000.
- As stated in the *Recipient Requirements* section, a minimum of \$1,000 must be from the homebuyer's own cash funds.
- The remaining matched funds may come from grants (i.e., CDBG, HOME or USDA funds), gifts, forgivable loans, expenses paid outside closing by the homebuyer or sweat equity. Allowable sweat equity hours are those completed by the household members on the subject property only, valued at the current rate as published on www.independentsector.org. Sweat equity hours worked by other parties or extended family are not eligible as match.

Note: Seller contributions or paid closing costs are NOT an eligible source of match.

7: Settlement/Closing Statement

The HOP subsidy must be used for down payment or closing cost assistance and must be reflected as a line item on the current HUD approved HUD-1 Settlement Statement/Closing Disclosure. Please see the definition of Closing Costs in the *Attachment A, Definitions* section of the Implementation Plan. The appropriate grant amount received from the Bank must be clearly identified. Other guidelines are as follows:

- Previously closed loans must have closed within **60 days** of the Bank's receipt of the disbursement request.

- The contribution from the homebuyer in the amount of at least \$1,000 should be clearly reflected on HUD-1 Settlement Statement/Closing Disclosure. Part or all of the \$1,000 can be met through deposit or earnest money, cash brought to closing and/or expenses paid outside of closing (such as insurance, appraisals, etc.). The Bank, in its sole discretion, will determine the eligibility of items paid outside of closing.
- If matching funds are required and are received from other sources such as additional grants or gifts, they should be clearly reflected on the HUD-1 Settlement Statement/Closing Disclosure.
- Homebuyers may not receive more than \$250 in cash back at closing. Any 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.

8: Real Estate Retention Period

All subsidies to be repaid or returned must be calculated using the **Retention Agreement Guide and Subsidy Repayment Worksheet** (Worksheet), which can be found on the Bank's Web site. The Worksheet outlines the 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.

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, the Bank 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 Bank with instructions to the Bank to withdraw the funds from the member's Federal Home Loan Bank of Indianapolis CMS account, assuming funds are owed or unused.

The lien securing the subsidy must be released.

9: Disbursement Process

To request funds, members must submit the following for each household:

- 1) Federal Home Loan Bank of Indianapolis Disbursement Authorization form (in Excel workbook). The Disbursement Authorization Form must be signed by a Bank-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) Federal Home Loan Bank of Indianapolis Household Qualification Form (in Excel workbook)
- 3) Federal Home Loan Bank of Indianapolis Fund Manager (in Excel workbook)
- 4) Federal Home Loan Bank of Indianapolis Income Calculation Worksheet and corresponding income documentation as outlined in *Attachment D, Income Guidelines*
- 5) Zero Income Affidavit, if applicable

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 Federal Home Loan Bank of Indianapolis CMS account.

The member must pass the entire amount of the AHP subsidy to the household.

10. Post-Disbursement Documentation Requirements

All loans must be closed within 30 days of the disbursement. Immediately following the loan closing, the following documents must be submitted to the Bank:

- a) Final Executed HUD-1/Closing Disclosure with all transactional funds identified; and
- b) Federal Home Loan Bank of Indianapolis Household Qualification Form completed with the post-closing mortgage information.

Extensions will be reviewed on a case-by-case basis. No substitutions of households will be allowed.

11: Monitoring, Reporting, and Documentation

Semi-annually, the Bank will request documentation for a 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 Bank 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 (in their files) the documents described below for every HOP recipient:

- (1) A copy of the final HUD-1 Settlement Statement/Closing Disclosure executed by homebuyer.
- (2) A copy of the disbursement request and all documentation obtained and used to qualify the household at enrollment.
- (3) A copy of the fully executed *and* recorded retention document.
- (4) Evidence of completion of housing counseling prior to the loan closing.
- (5) First-time Homebuyer affidavit.
- (6) Evidence of required recipient's \$1,000 cash contribution.
- (7) Evidence of other required matched funds.

On-Site Monitoring

At the discretion of the Bank, participating members may be selected for an on-site monitoring review. During reviews, which are held at the member's place of business, the Bank reviews the member's policies

and procedures for administering HOP and a sampling of the grant recipient files. The Bank reserves the right to review all files if sampling indicates compliance issues.

12: Housing Counseling Requirements

Members may only provide HOP funds to households that complete an approved homebuyer counseling program.

Approved Counseling Programs

Housing counseling must be provided by an organization certified and recognized as experienced in housing counseling by HUD or a state Housing Finance Agency delivered by face-to-face tutorial, classroom or workshop session.

Online Counseling

In the event a face-to-face counseling program is unavailable, a Bank-approved online housing counseling program may be completed, **along with** a follow-up one-on-one session with a member representative via face to face or telephone. The member and homebuyer must certify to completing the one-on-one review session.

All other Bank-approved counseling programs can be found in a **Counseling Resource Guide** on the Bank's Web site.

- HOP funds may be used to pay up to \$150 for housing counseling and the fee must be clearly documented on the HUD-1 Settlement Statement/Closing Disclosure.
- Counseling must take place before closing and generally not more than one year earlier than the enrollment date.
- To help prevent grant recipients from later becoming targets of predatory lending, the Bank recommends that financial literacy and predatory lending be given emphasis as part of the training.

13: 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.