

MEMBER FINANCIAL INSTITUTIONS' FREQUENTLY ASKED QUESTIONS

HOW DO I ACCESS HOP/NIP/AMP FUNDS?

After the member has submitted an approved Homeownership Initiatives Program Master Agreement and Registration & Certification Form, available at <https://www.fhlbi.com/products-services/community-investment-and-housing/homeownership-initiatives>, the member may begin requesting funds on a household-by-household basis via FHLBI.GIVES by following the procedures outlined in the FHLBI.GIVES User Guide - <https://www.fhlbi.com/products-services/community-investment-and-housing/fhlbi-gives>.

WHY DO MY INCOME CALCULATIONS DIFFER FROM FHLBI'S CALCULATION?

When calculating income, FHLBI considers the total gross income of every adult household member, including overtime and other pay that may not be included for loan qualification.

DOES FHLBI "GROSS-UP" NON-TAXED INCOME FOR THE PURPOSES OF QUALIFICATION?

FHLBI utilizes total gross income – including deductions for insurance. The practice of "grossing-up" income is not accepted.

WHAT IF THE HOP HOUSEHOLD HAS HAD A CHANGE OF JOB IN THE PAST 12 MONTHS?

Providing there has been no gap in employment there should not be issue. It may be necessary to document all positions with VOEs reflecting start-end dates.

ONCE I HAVE SUBMITTED A DISBURSEMENT APPLICATION, WHAT SHOULD I EXPECT?

Allow a reasonable turnaround for review of the application and disbursement – most typically made within 10 business days. Upon review, any questions pertaining to the application will be sent to the member via FHLBI.GIVES.

Once disbursement has occurred, notification will be provided by FHLBI.GIVES.

ONCE THE FUNDS HAVE BEEN DISBURSED BY FHLBI, WHAT ARE MY RESPONSIBILITIES?

1. HOP:

- Transactions should close within 30 days. Following the closing, the household's application file must be updated with required closing information along with FHLBI.GIVES submission of copies of the following:
 - Final CD Settlement Statement
 - Homeownership Counseling Certification
 - Optional: a copy of the Recorded Real Estate Retention Agreement.
 - Additional items that should be available for review if requested:
 - Documentation supporting other grants or awards included on the CD
 - If the property address has changed since disbursement, a copy of the Underwriting Transmittal Summary will be required.
 - Documentation supporting items paid outside of closing (POCs).

2. NIP/AMP:

- Repairs and modifications should be completed within 6 months. Following completion, submission of copies of the following documentation must be submitted via FHLBI.GIVES:
 - Completed Rehabilitation Closing Statement, signed by member and homeowner(s) – [https://www.fhlbi.com/products-services/community-investment-and-housing/homeownership-initiatives/neighborhood-impact-program-\(nip\)](https://www.fhlbi.com/products-services/community-investment-and-housing/homeownership-initiatives/neighborhood-impact-program-(nip))
 - Cost validation:
 - Copies of bids, invoices, scope of work
 - Copies of checks or transfers to pay contractors
 - Before and after photos
 - Additional NIP due diligence validating ownership and clear title such as:
 - Title search
 - Tax/mortgage records
 - Homeowner's insurance
 - Credit Report

HOW DO THE CONTRACTORS FOR NIP/AMP GET PAID?

It would be dependent upon what the member is most comfortable with in terms of how and when to disburse the funds, keeping in mind that you as the member are responsible for diligently overseeing the process. It is strongly recommended that the member issues 2-party checks upon receiving authorization from the homeowner that they are satisfied with the work. Some members allow for a limited upfront disbursement to purchase materials and then disburse the remaining funds at completion. Members may implement a practice based on any existing internal procedures for similar transactions such as the FHA 203K or construction to perm transactions.

WHAT IS THE RETENTION PERIOD REQUIRED FOR USING THE FUNDS?

No household may receive funds more than once every five years. For HOP households, the retention period shall be secured by the member with the recording of FHLBI's Real Estate Retention Agreement.

A pro rata return of funds may be required if the HOP-assisted home is sold or refinanced prior to the end of the retention period.

HOW IS THE HOUSEHOLD'S MINIMUM \$1,000 OF THEIR OWN FUNDS CALCULATED?

The homebuyer's cash contribution totaling \geq \$1,000 is a combination of deposit/earnest monies, items paid outside of closing (and documented on the CD) and cash brought to the closing table.

Any cash back at closing would be netted from the borrower's cash contribution.

Funds personally contributed - and documented - by the household to an IDA would also count as part of their cash contribution.

WHAT IF I HAVE A HOUSEHOLD WHO IS SELLING THEIR HOP/NIP/AMP-ASSISTED HOUSEHOLD?

The Member is responsible for any recording, subordination or release of the Real Estate Retention Agreement (retention agreement).

1. NIP/AMP:

- Due to a change in federal regulation, the retention agreement is no longer required for NIP/AMP assisted households. Previously recorded retention agreements may be released at any time without prejudice.

2. HOP:

- The member is responsible for the recording of the Real Estate Retention Agreement (HOP only) as well as any subordination or release of the retention agreement.
- If a payoff is necessary, please complete the HOP Payoff Worksheet – available at [https://www.fhlbi.com/products-services/community-investment-and-housing/homeownership-initiatives/homeownership-opportunities-program-\(hop\)](https://www.fhlbi.com/products-services/community-investment-and-housing/homeownership-initiatives/homeownership-opportunities-program-(hop)) and forward to FHLBI. Further information will be provided by FHLBI staff at that time.

HOW DO I ESTABLISH OWNERSHIP OF THE PROPERTY?

1. What if the home is owned by a trust?

- This would be an acceptable form of ownership if the trust documents reflect the primary resident(s) of the home are the sole beneficiaries of the trust.

2. What if there is a land contract?

- By FHLBI definitions, land contracts are not a qualified form of ownership and thus the household/property would not be eligible.

3. What if someone is in title to the property but lives elsewhere?

- All persons in title must reside in subject property and claim it as their primary residence. However, children included on title for estate planning purposes are permitted without this residence requirement.

4. Are mobile or manufactured homes eligible?

- Yes, provided the home is titled as real estate and permanently affixed to a permanent foundation such as that which is demonstrated by an Affidavit of Affixture.

WHAT IF THE NIP/AMP BIDS DIFFER BY >30%?

A reasonable explanation as to why the differential would be expected. FHLBI tries to be flexible with this but typically expect an effort is made to obtain a third bid. A brief statement or letter of explanation should be provided by the member. The letter should explain why a bid within 30% cannot be obtained (i.e., the household is in a very rural area and it is difficult to find contractors willing to travel to the home), and why the bids vary by more than 30% (i.e., more expensive material being utilized on one bid versus another). A letter from one of the contractors explaining why their bid is so expensive or cheap may be helpful.

COMMON AREAS FOR MISTAKES:

1. Income Documentation:

- Income documentation:
 - Outdated: >60 days old
 - Is not consecutive
 - Does not represent 30 days of income
 - Special items such as bonus structure or unusual pay items are not addressed
- Tax returns:
 - Failure to include required tax returns
 - Failure to include all required W-2s, 1099s and applicable schedules to correspond with the tax return: i.e., Schedule C – Statement 1 is missing
 - Failure to include tax returns for all household members
 - Filing status – single, married filing jointly, head of household, etc. – differs from information provided in request

2. Income Calculation:

- Annualized versus average calculation differs significantly
- Seasonal or irregular schedule not explained
- Unemployment status not provided

3. Property Requirements:

- Ownership structure should have been in place with no changes for 6 months
- NIP bids not delineated so as to differentiate roofing costs from window costs, etc. and/or eligible from ineligible costs
- Validation of appropriate form of ownership for NIP
 - All persons on title to the property reside in home – primary residence – except for adult children included for estate planning purposes

4. Household Size:

- Differs from tax returns
- Different address on pay stubs or other documentation

TIPS:

1. Income Documentation:

- A Verification of Employment (VOE) may be required for current or previous employer(s) in circumstances such as the following:
 - Start date and/or date of separation is necessary
 - Previous year tax returns or W-2s indicate a change in earnings or employment
 - There has been a change in employment within the last 12 months
 - Change in employer(s)
 - Change in status (part-time vs. full-time)
 - Change in rate of pay (raise; hourly vs. salaried)
- Include income documentation or Verification of Previous Employment to correspond with all sources of income on previous year's tax return.
- Include additional information in the comments section of if necessary
 - Such as explanation of odd work periods, seasonal position or gaps in employment
 - Supporting documentation from employer/previous employer necessary
- Include a Certification of Zero Income for all applicable parties 18 years of age or older

2. Income Calculation:

- Double check dates and amounts on check stubs are consecutive
- Utilize proper dates for input
- Utilize total gross YTD earnings – generally this includes OT, bonuses, shift differentials
 - DO THE MATH! – because we will

3. General Program Requirements:

- Make certain all forms are fully completed.
- Certification on bottom of NIP HQF
- Student status certification on Income Calculation Worksheet
- Enrollment date
 - Check that enrollment date meets FHLBI's definition
- Month and year of property ownership (for NIP only)

4. Household Size:

- For all household members where the subject property is not immediately identifiable as primary/permanent residence, obtain formal documentation reflecting primary residence.

5. Bids should include (AMP and NIP only):

- Itemized costs by repair
- Provide quantity when relevant
- Property address/household name
- Contractor name/address
- Date of bid