



Attachment G. Homeownership Opportunities Program (HOP) Guidelines

Contents:

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

1: Program Description

The Homeownership Opportunities Program (HOP) is part of the Homeownership Initiatives 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 when purchasing their primary residence.

The maximum subsidy that can be requested per household is **\$10,000**.

The minimum subsidy that can be requested per household is \$1,000.

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 the loan is originated by a Bank Member or another organization (non-member).

HOP may be amended at any time with input from the Affordable Housing Advisory Council of the Bank and approval by the 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.

2: Member Participation

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. *Registration:*

All Members must sign and submit a **Homeownership Initiatives Master Agreement and Registration and Certification Form**. 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. *Submitting Disbursement Requests:*

Upon approval of the **Homeownership Initiatives Master Agreement, Registration and Certification Form**, Members will be provided user registration procedures for use of the Bank's online system.

3: Funding – Use, Limits and Availability

- HOP funding may go towards down payment, closing costs, and/or counseling costs as required by § 1291.42(d)
- Each participating Member will be limited to **\$300,000** in annual HOP funds unless such limitation is waived by the Board.
- As required by § 1291.42(g), **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.
- Homeownership Initiatives funding will be announced in the spring. Funds will be made available on a first-come, first-served basis until all funds are exhausted.

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.
- A 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 and further defined in the Counseling Resource Guide.
- Members must ensure that HOP-assisted units are subject to a Retention Agreement provided by the Bank that meet requirements of § 1291.15(a)(7) of the Regulation. See *Attachment E* of the Plan for sample retention language. NOTE: please contact the Bank at housing@fhlbi.com for the most recent versions of the Retention Agreements.
- 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.
- The Member must pass the entire amount of the AHP subsidy to the household.

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. A first-time homebuyer is an individual who meets any of the following criteria:
 - An individual who has had no ownership in a principal residence during a three-year period ending on the date of the purchase of the property. This includes a spouse (if either meets the above test, they are considered first-time homebuyers).
 - An individual who is a displaced homemaker and has only owned a home with a spouse.
 - A single parent who has only owned a home with a former spouse while married.
 - 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. Please refer to *Housing Counseling Program* section of this document. Further information may be found in the Counseling Resource Guide.
- The homebuyer(s) must contribute a minimum of **\$1,000** in personal funds toward the home's purchase transaction.

- 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 public website for current limits)
- The primary household members with earned income should demonstrate at least one full year of continuous employment.
- The purchase price of the property must be supported by an appraisal completed not more than 90 days in advance of closing.
- 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 household's monthly housing expense (front-end ratio), including principal, interest, taxes, insurance, and homeowner's dues may not exceed 38% of the household's gross income at closing.
- The homebuyer's mortgage loan term and amortization period may not be less than five 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 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 FHLBank 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: Eligible Property Types

The following property types are eligible to receive HOP funding:

- Owner-occupied 1-4 family properties,
- Townhouses,
- Condominiums,
- Cooperatives, and
- Manufactured housing deeded as Real Estate

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.

7: Settlement/Closing Statement

The HOP subsidy must be used for down payment, closing costs, or counseling costs associated with the purchase transaction and must be reflected as a line item on the current HUD approved Closing Disclosure. Please see the definition of Closing Costs in the *Attachment A, Definitions* section of the Plan. The appropriate grant amount received from the Bank must be clearly identified. Other guidelines are as follows:

- The contribution to the purchase of the home, from the homebuyer, in the amount of at least **\$1,000** should be clearly reflected on Closing Disclosure. 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.
- **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 HOP-assisted units are subject to a Retention Agreement provided by the Bank that meet requirements of § 1291.15(a)(7) of the Regulation. See *Attachment E* of the Plan for sample retention language. NOTE: please contact the Bank for the most recent versions of the Retention Agreements. The Member is responsible for filing the Retention Agreement with the proper municipal office.

A household must repay a pro-rated amount of the HOP funds received 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, transfer or assignment, the purchaser, transferee, or assignee is a very low-, low-, or moderate-income household (this may be determined using the actual income documentation of the purchaser, transferee or assignee if available, or, if such documentation is not available, a proxy may be used – see *Attachment A Definitions* for the definition of what constitutes an acceptable income proxy);
- 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 § 1291.15(a)(7) after the refinancing for the balance of the original retention period;
- The household had obtained a permanent mortgage funded by an AHP subsidized advance and not a direct subsidy;
- Upon the death of the AHP-assisted sole owner, or owners in the case of multiple title holders, the AHP Retention Agreement terminates and there is no obligation to the repay the AHP subsidy; or
- The calculated repayment amount is less than \$2,500.

The household only repays the subsidy from the net proceeds from either a sale or a refinancing. If there are no net proceeds, the household does not repay any subsidy. If the net proceeds are greater than the pro-rated amount of the subsidy, the household must repay the pro-rated amount of the subsidy. If the net proceeds are less than the pro-rated amount of the subsidy, then the household must repay only the amount of the net proceeds.

These terms also apply to any future, subsequent refinancing(s) during the retention period unless the Retention Agreement has otherwise terminated.

Net proceeds are defined as: 1) In the case of a sale, transfer, or assignment of title or deed, the sales price minus reasonable and customary costs paid by the household in connection with the transaction (including real estate broker's commission, attorney's fees, and title search fees) and outstanding debt superior to the subsidy lien or other

legally enforceable AHP subsidy repayment obligation; and the household's investment (see *Attachment A Definitions*), 2) In the case of refinance, the principal amount of the new mortgage minus reasonable and customary costs paid by the household in connection with the transaction (including attorney's fees and title search fees) and the principal amount of the refinanced mortgage.

In the event the subsidy 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 to the Bank.

9. Post-Disbursement

All purchase transactions must be closed within 60 days of the subsidy disbursement to the Member. Closing documentation must be submitted to the Bank immediately following the closing.

Extensions of the required closing will be considered by the Bank on a case-by-case basis. No substitutions of households will be allowed.

10: Monitoring, Reporting, and Documentation

Annually, the Bank will monitor a random sampling of households disbursed to each Member to ensure compliance with the HOP program requirements.

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.

11: 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. The counseling can be completed in-person or using an online course. A reference of qualified online counseling programs can be found in the Counseling Resource Guide found on the Bank's public website. When using an online course, the member is to follow-up with the household and answer/clarify any questions they may have.

Additionally:

- HOP funds may be used to pay housing counseling where counseling fees have not been covered by another funding sources, including the Member. The fee must be clearly documented on the 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.

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 HUD area median income limit, based on the household size for the area at the time the household is accepted for enrollment by the Member.