

Federal Home Loan Bank of Boston

Equity Builder Program 2010 Funding Round

*Celebrating 20 Years
of the Affordable Housing Program ~
Revitalizing Communities and Changing Lives*

FHLBBoston

Presentation Agenda

1. Introduction to the EBP Program
2. Program Changes for 2010 Round
3. Eligibility Requirements
4. Online Application Process
5. EBP Retention Requirements
6. Home Buyer Enrollment Process
7. EBP Disbursement Process
8. Your Questions

Equity Builder Program Introduction

- A separate set-aside of the Bank's Affordable Housing Program (AHP).
- Facilitated through members, grants of up to \$10,000 per household to assist in the purchase of a home.
- Each member is eligible for up to \$100,000 enrollment authority cap.
- For 2010, funded with \$1,000,000 in subsidy funds.
- Since program inception, the program has disbursed over \$12.9 million to member institutions and has assisted 1,212 home buyers.

EBP Benefits

- Expands homeownership opportunities for income-eligible home buyers
- Supports member's existing mortgage-lending programs
- Assists home buyers that qualify for a mortgage, but lack funds for downpayment and/or closing costs
- Can be used in conjunction with other subsidy and down-payment assistance programs

New in 2010

EBP Application – No major changes.

Enrollments and Disbursements – Part of a continuing effort to ensure that EBP funds responsibly assist eligible home buyers:

Updated Member Certifications –

Expanded to more clearly state the member's regulatory obligation to qualify households based on both income eligibility and demonstration of a sufficient stream of income to afford the mortgage loan.

Enrollments/Disbursements in 2010

Adjustable Rate Mortgages (ARMs) –

May be deemed ineligible if less than 5/1 or are not underwritten to the fully indexed rate.

New RESPA Regulation/ HUD-1 Settlement Statements

Impact the Bank's data and documentation requirements related to the HUD-1 and truth-in-lending disclosure.

For example, if signed statements are not available, members will be required to submit documentation evidencing the final statements and the home buyer's acknowledgement of the specifics of the transaction.

Program Eligibility

Two ways to structure a program:

- Provide funds to home buyers as a straight pass through at mortgage closing; or
- Create an Individual Development Account (IDA) or similar matched-savings structure.

Member Eligibility Requirements

- Originate first mortgage for the home purchase.
- Ensure that buyers attend counseling provided by a listed homeownership counseling agency (OR submit agency's curriculum for approval) that includes:
 - Pre-purchase;
 - Post-purchase; and
 - Anti-predatory lending education counseling.
- The first 1/3 of member's enrollment must be used for first-time home buyers.

First-Time Home Buyers

- 42 U.S.C. §12704(14): Individual and spouse who have not owned a home during the three-year period prior to purchase, with exceptions for:
 - Displaced homemakers;
 - Single parents;
 - Owned a dwelling unit that was not permanently affixed to a permanent foundation; or
 - Owned a dwelling unit not in compliance with codes and which cannot be brought into compliance for less than the cost of constructing a permanent residence.

Member Eligibility Requirements

- Households earning no more than 80 percent of the area median income.
- Member must ensure that households have sufficient income to support the home purchase.
- Member must provide at least one of the following concessions:
 1. Reduced or waived fees;
 2. Below market interest rate;
 3. Expanded underwriting standards; or
 4. Down-payment or other cash assistance provided by the member at closing.

Eligible Uses of EBP Funds

In conjunction with the purchase of a home:

- Down-payment assistance
- Customary closing costs and eligible prepaid items
- Home-buyer-counseling costs not covered by another funding source
- Rehabilitation costs associated with acquisition

Ineligible Uses of EBP Funds

- Reimbursement of earnest deposits
- Reserve for principal, interest, taxes and insurance
- Prepaid life insurance premiums
- Combined with any other AHP subsidy
- Cash back to home buyers at closing in excess of \$250
- Refinancing

Eligible Property Types

- Single-family, owner-occupied housing including: one-to-four family properties, town homes, duplexes, cooperatives and condominiums occupied as the borrower's primary residence; or
- Manufactured homes must meet HUD & Fannie Mae guidelines and be anchored to the ground on property owned by borrower.
- Foreclosed properties to be used as the buyer's primary residence.

Accessing the Online Application

- To learn more about EBP visit the Housing and Economic Growth Section of the Bank's web site:
www.fhlbboston.com.
- Application period opens on Monday, March 29.
- **Applications are due by 5 p.m. on Friday, April 16.**
- Approvals and funds availability will be announced no later than Friday, April 30, 2010.

Accessing the Online Application

- Online application:
<https://housing.fhlbboston.com/ebp>
- First-time users will need to register for a Community Lending log-in account.
- Your password will be emailed to you within 1-2 business days after you register.
- Existing usernames with passwords for CDA/AHP/EBP are valid.
- If you do not remember your username or need to reset your password, both can be done online.

Elements of the Application

- Mortgage programs/products that will be used
- Intended markets to be served
- Select the home-buyer counseling agency/agencies
- The specific incentives/concessions to be provided to home buyers

Mortgage Programs and Products

Application information must include:

- Use of EBP funds;
- Incentives/concessions;
- Community-lending mortgage programs used;
- If IDA, the specific features of the dedicated savings account, matched-savings ratio; and
- If counseling, the costs of counseling and the amounts paid by member, other sources and EBP.

Community-Lending Mortgage Programs

- Mortgage product type (Fannie Mae, FHA, portfolio, etc.)
- Fixed or adjustable;
- Front-end ratio (for ARMs, base on fully-indexed rate);
- Adjustable-rate mortgage (ARM) initial interest rate, annual and lifetime caps.
- NOTE - ARMs may not be eligible if:
 - ◆ Not underwritten at fully-indexed rate,
 - ◆ Interest-only and payment-option loans;
 - ◆ Adjustment term is less than 5/1

The Targeted Market(s)

Please describe the lending market area(s) in which the EBP will be targeted:

- The geographic area (MSA/MDs);
- How the application is responding to the program requirements and local market conditions;
- If funding other than EBP is necessary to assist eligible buyers, identify the sources and/or amounts.

Homeownership Counseling Agencies

- Select from the list of counseling organizations OR submit another counseling agency for approval
- To submit another agency for approval, attach the counseling curriculum with application. Curriculum must evidence:
 - ◆ Pre-purchase homeownership counseling;
 - ◆ Post-purchase homeownership counseling; and
 - ◆ Financial literacy training alerting home buyers to the characteristics of predatory lending.

Incentives and Concessions

Application must:

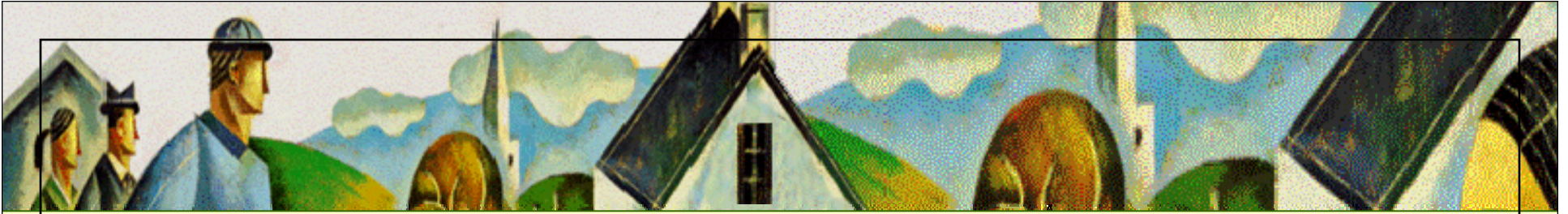
- Explain the incentive/concession; and
- Indicate how this differs from your standard residential lending product(s).

Applications: Validate and Submit

- Validation screen identifies incomplete or missing information.
- All validation issues must be resolved in order to submit the application.
- Submit—sends the completed application to the Bank.
- Summary page will confirm the attachments/exhibits.
- Please print a copy of the application for your records.
- Use the fax cover page (bar code) to fax additional documents.

EBP Application Reminders

- This is not a competitive application process.
- Purpose is to determine **eligibility** and **completeness** of the application.
- Only approved applications are eligible to access the EBP subsidy pool.
- Don't forget to upload the curriculums, if necessary, and any related information/documentation!



**Congratulations,
Your Application is Approved.**

Accessing EBP Funds

- Sign and return the award letter to Bank.
- Execute the EBP Agreement.
- Agreement must be signed by an officer of the member institution authorized under the Blanket Resolution/Delegation of Authority on file.
- Members will have access to the EBP pool for 24 months or until all EBP funds are committed, whichever is first.
- **All funds are available on a first-come, first-served home-buyer by home-buyer basis.**

Monitoring and Retention

- No long-term monitoring is required.
- However, member **MUST** maintain a separate file for each home buyer with all pertinent documentation for at least five years.
- All grant obligations are forgiven upon completion of the five-year retention period.

EBP Retention

- The EBP subsidy is secured by the member to the property using a EBP mortgage and note found on the Bank's web site at www.fhlbboston.com.
- NEW! EBP mortgages MUST be recorded and copies of the recorded mortgage are required for reimbursement.
- Past program participants: See Bank's web site for updated versions of the EBP mortgage and note on Bank's web site. Always verify that you are using the most current version.

EBP Recapture

- Five-year retention period with pro-rata forgiveness in the event of property sale from any net gain realized.
- Refinancing triggers no recapture, provided:
 - ◆ There is no net gain realized on the refinance, and
 - ◆ The EBP mortgage and note continue to secure retention obligations.

Enrolling Home Buyers

- Online enrollment process
(<https://housing.fhlbboston.com/ebp>)
- Income eligibility is approved by the Bank at enrollment and with any change in property location or type.
- Total income of ALL household members must be no more than 80 percent of area median income as defined by HUD and adjusted for household size, based on the location of the property to be purchased.
- AND
- Member must ensure that households have sufficient income to support the home purchase.

Enrolling Home Buyers

- Use of Income Calculation Guidelines and Spreadsheet are required.
- Reconcile Spreadsheet and supporting documents. (See FHLB Boston web site.)
- Complete income documentation **MUST** be submitted within 10 days of enrollment.
- Enrollments **MUST** be submitted no later than five days before anticipated closing.
- Notified of enrollment approval via email.
- Each enrollment approval is valid for 90 days.

Income Documentation

- Verification of Employment (VOE)
- Pay stubs
 - ◆ At least one consecutive month
 - ◆ Within 45 days of enrollment
- Tax returns/W2s
 - ◆ During first quarter only, supplemented with pay stubs.
- For ALL household members with income
 - ◆ 18 and older
 - ◆ Non-students

Income Calculation Methodology

- HUD Income Limits are not negotiable.
- Prospective annual income for ALL sources of household income, including:
 - ◆ Child support;
 - ◆ Rental income (at least 75%);
 - ◆ Business or self-employment income;
 - ◆ Income from other assets;
 - ◆ Overtime, bonuses, commissions and tips averaged with up to the two prior calendar years, if applicable;
 - ◆ Unemployment.
- Statement from non-working spouse is required.

EBP Calculation Spreadsheet

- EBP Calculation Spreadsheet calculates annual household income.
- All income must be entered by source and by payment period received.
- Supporting documentation must be submitted for every source of income.

Income Calculation - Common Issues

- Missing confirmation that the second spouse or other adults in household earn or do not earn income
- Future rental income omitted
- Did not follow the EBP methodology to calculate prospective, future annual income for twelve-month period from date of enrollment
 - ◆ Averaged on base wages and did not include two-year history of OT or bonuses
 - ◆ Year-to-date income annualized instead of calculating the prospective income using the employee's new wage increase.

Disbursing EBP Funds

- EBP funds provided to members on a reimbursement basis only.
- Disbursement requests are initiated online.
- Normally reimbursed within 10 business days of receipt of all required documentation.
- Incomplete disbursement requests may be denied after 30 days.

Disbursing EBP Funds

Documentation required via online reimbursement request:

- Member certification that EBP funds were used in accordance with the Program's guidelines;
- Final HUD-1 settlement statement showing EBP funds (if not signed, evidence that it is final document and home buyer acknowledged);
- Final HUD-1 for second mortgage, if applicable;
- Final Truth in Lending (TIL) Disclosures for all mortgages, including second mortgages;
- Evidence of member concession to home buyer;

Disbursing EBP Funds

- Copy of recorded EBP mortgage and note;
- Home-buyer-counseling course certificate or letter confirming completion (include invoice for fee, if paid from EBP);
- If IDA/matched savings, evidence that the ratio of the savings to grant was achieved; and
- If rehabilitation, evidence of escrowed funds on the HUD-1 settlement statement. Rehabilitation is funded after work is complete. Additional documentation is required.

Common Issues at Disbursement

- Missing homeownership-counseling certificate
- Homeownership curriculum, if not previously approved
- Buyer receives cash back greater than \$250 at closing
- Errors on the EBP note and mortgage or other documents
- Missing evidence of the mortgage concession

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