

Equity Builder Program Checklist
For Agreements, Enrollments, and Disbursements
 (Used by FHLB HCI staff in review of documentation.)

EBP Agreement

Agreement	<ul style="list-style-type: none"> • Must be executed prior to enrolling first home buyer • The person signing the EBP Agreement for the Member Institution must be list on the current Blanket Resolution on file with the Bank • All other certifications or requests can be signed by other delegated individuals at the Member Institution and do not have to be listed on the Blanket Resolution

EBP Enrollment Checklist

	<i>Review carefully; you are approving the income eligibility.</i>
Household type	<ul style="list-style-type: none"> • Enrollment information should indicate whether the property is a single-family (SF) or a 2-4 unit property (MF). • If MF, please ensure that the rental income (at least 75%) is included in the income calculation. If no rental income will be earned, then an explanation is required confirming this fact.
Income Documents	<ul style="list-style-type: none"> • Must include income for the entire HOUSEHOLD • Household size must be confirmed by reviewing the information in the enrollment screen. • All members of the household must be accounted for, including ages of children and status as full-time students. Adults refer to household members ages 18 and older. • Written/email confirmation or other documentation is required when a household member does not earn income e.g. stay-at-home parent. • Must evidence current year income and going forward • Documentation can not be more than 45 days prior to the enrollment date • Most acceptable documentation is a current VOE • Second preferred is at least a calendar month's pay stubs • Can be tax returns on regular income (not for business nor self-employment income) within first quarter of year • On business or self-employment income, current year profit & loss statements and tax returns are required. • Co-signers not part of the household are allowed on the HUD-1 and mortgage and their income should NOT be included.
Income Calculator form	<ul style="list-style-type: none"> • Current Income Calculator spreadsheet must be used <p>All household members who earn income must be listed on the</p>

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	<p>Income Calculator worksheet. All sources of income should be included for household. Use additional sheet if necessary.</p> <ul style="list-style-type: none"> • Include income from assets • Include rental income (at least 75%) • CIM verifies documentation and calculation to the nearest dollar. • Total on Income Calculator form should match income field on Enrollment form in Notes
<p>Calculations of Income: General Information</p>	<ul style="list-style-type: none"> • Annual prospective and total income for the household • Compare to the HUD Income Limits. Must be less than 80% of the area median income for the area that the new home is located in, adjusted for family size.
<p>Calculations of Income: Wages and Salaries</p>	<ul style="list-style-type: none"> • Please use gross income, including untaxed 401K income deducted from gross pay, not the net income of the household. If you use the W-2 to determine income, use Box 3 (Social Security wages) instead of Box 1 (Wages, tips, and salaries). • Annualizing regular/base wages or salaries based on the most recent year-to-date information and the length of time in the position (if less than the full current year) from either the VOE or current pay stubs is preferred. • Based on available information and documentation provided, the year-to-date or annual income reported on the VOE should corroborate the year-to-date amounts indicated on current pay stubs. In circumstances where the VOE lists the year-to-date income and hourly wages per pay period worked, these will be compared for consistency. • Please note that Income Tax Returns and/or W-2 forms are accepted as the sole documentation only in the first three calendar months of the year.

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<p>Calculations of Income: Overtime, Commissions, Fees, Tips, and Bonuses</p>	<ul style="list-style-type: none"> • If income documentation is available for six (6) months or more of the current calendar year, it is preferred that the current year-to-date amounts be averaged with the prior calendar year amount over the actual time period, depending on the available data. • If income documentation is not available for six (6) months or more of the current calendar year, overtime pay, etc should be averaged using the two prior calendar year earnings, based on the available data. • Averaging these sources of income must be based on the start date of employment if it was during this calendar year. • Seasonal overtime or other earnings or any other exceptions or reasons why annualizing such income would not be appropriate must be explained in writing by the member financial institution.
<p>Calculations of Income: Business or Self-Employment</p>	<ul style="list-style-type: none"> • If income documentation is available for six (6) months or more of the current calendar year, it is preferred that the current year-to-date profit & loss statement (YTD P&L) be averaged with the prior two calendar years' worth of tax returns over the actual time period, depending on the available data. • In instances where a YTD P&L is not available or the YTD P&L is for a period less than six (6) months of the current calendar year, this income should be averaged using the prior three calendar years' worth of tax returns. • If the income data is not adequate to meet the two guidelines above, because the person has not been self-employed or operated the business for a sufficient period of time, then the income should be annualized using the data available for that period of time of self-employment or business operation (e.g. if the business has only been in operation for two years, then averaging based on this two-year history.)
<p>Calculations of Income: Assets, Interest, Dividends, Rental Income, Child Support, Periodic Payments, Other</p>	<ul style="list-style-type: none"> • Include income from assets, interest, dividends, etc. • Rental income is 100%, unless member documents what percentage they used to qualify household for underwriting. Can not be less than 75%. • Please note that child support and/or alimony should be counted <u>if received regularly, and should be based on the actual amounts received.</u> • Please include the full amount of periodic payments received such as from social security, annuities, insurance policies, housing payments such as Section 8, retirement funds, pensions, disability or death benefits

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	<p>and other similar types of period receipts, including a lump sum payment for the delayed start of a periodic payment.</p> <ul style="list-style-type: none"> • Section 8 rental assistance should not be counted as income if that assistance will end when the household closes on the purchase of a home. If the Section 8 assistance will continue as Section 8 homeownership assistance, the amount of the Section 8 assistance should be shown as income. • Payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation, and severance pay • Welfare assistance • All regular pay, special pay, and allowances of a member of the Armed Forces.
Chronology	<ul style="list-style-type: none"> • Document any discrepancies, any modifications made by the CIM, any odd income calculation methodology, or other items of note.

EBP Disbursement Checklist (in the order that documents are organized)

Certification	<ul style="list-style-type: none"> • Certification must be on the form provided from the online application (not modified, unless all wording is verified as the same). • Certification must be signed. Person does not have to be listed on the Blanket Resolution.
HUD-1	<ul style="list-style-type: none"> • Individuals listed must be at least one of those approved in the household (additional borrowers could indicate additional household members and potentially additional income, if that is the case, make sure they are included on the Income Calculator spreadsheet.) • Co-signers not part of the household are allowed on the HUD-1 and mortgage and their income should NOT be included. • Review seller (may indicate previous AHP by referencing the organization). If it is a sponsoring organization, verify in AHP Projects that they do not have a current AHP project that this could also be disbursing under. • Lender should be this EBP member or its affiliated mortgage company. If it is not, the requested disbursement is not acceptable. The member/affiliate must appear on the HUD-1 as this is the evidence that the member provided the first mortgage. If not on HUD-1 get a copy of the first mortgage.

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	<ul style="list-style-type: none"> • Property Location should be same as in the EBP system. • EBP amount should appear and match Notes and the amount recorded in the EBP note and mortgage. • Evidence of concession may appear on HUD-1. • Only cash back up to \$250 should appear on HUD-1. • If EBP is paying for rehabilitation, the HUD-1 must indicate escrowed funds for rehabilitation/improvements/repairs. (See section on rehabilitation costs below.) • Signed by both buyer and seller.
Evidence of Concession	<ul style="list-style-type: none"> • If the concession(s) do not appear on the HUD-1, a separate document must be provided. The member can confirm underwriting or other concessions with a written statement. • Member can confirm rate concession with a written statement and/or rate sheets showing the market rate which is compared against rate entered. • Must include at least one of the original concessions listed in the application, unless an amendment has been approved.
Counseling Costs	<ul style="list-style-type: none"> • The invoice must be included • HUD-1: Counseling costs must be included in EBP amount and should also be included on page 2 as a closing cost under Paid From Borrower's Funds at Settlement. • Note and Mortgage: Counseling costs must be included in EBP amount on both documents.
Rehabilitation Costs	<ul style="list-style-type: none"> • Escrowed funds should show on the HUD-1 • Member will need to provide documentation that this work was paid for and the escrowed funds were spent prior to disbursement of EBP funds. This may include (but is not limited to) paid invoice(s) or lien waiver(s) confirming that the scope of work was completed, • If a balance remains in the escrow, the entire balance must be applied to the principal of the first mortgage or as a credit towards the household's monthly payment on the mortgage. This use of the escrow balance must also be documented adequately prior to disbursement.
EBP Mortgage and Note	<ul style="list-style-type: none"> • Verify that documents contain the elements that were provided in the templates (especially the covenants). • Check the following: <ul style="list-style-type: none"> ○ Borrower ○ Lender ○ Agreement date (should be EBP agreement date,

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	<p>not mortgage – not critical legally)</p> <ul style="list-style-type: none"> ○ Amount (HUD-1, Notes, note and mortgage should match) ○ Closing date ○ Location—the property address must be listed in the note and/or mortgage and a legal description of the property attached to the mortgage. ○ Signatures on all documents
Home-buyer Education	<ul style="list-style-type: none"> ● At least one borrower must have attended. ● Does not have to be the listed counseling agency, as long as requirements are fulfilled and the agency appears as an approved agency in the Lotus Notes EBP applications database view for the round. ● If the agency is not listed in the approved application or the list from the entire round, an amendment must be initiated and approved prior to disbursement. ● If training was after 01/31/05, evidence of predatory lending must be included with either the original application or with the home buyer certificate.
Matched Savings Program	<ul style="list-style-type: none"> ● Evidence of home buyer’s savings
Chronology	<ul style="list-style-type: none"> ● Update chronology for home buyer with all appropriate notes ● Document any discrepancies, any modifications made by the CIM, any odd or questionable items, or other items of note ● Update chronology for application as needed

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