



# **Federal Home Loan Bank of Boston**

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## **Equity Builder Program 2010 Next Steps Training**

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

**FHLBoston**

# Overview of Presentation

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- Program Summary
- Member Eligibility Requirements
- Home-buyer Enrollment Process
- EBP Disbursement Process
- EBP Retention Requirements
- Questions

# Program Summary

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- Since 2003, EBP has awarded over \$12.9 million to member institutions and assisted 1,212 home buyers.
- For 2010, the EBP will be funded with \$1,000,000 in subsidy funds
- Provides grants through members of up to \$10,000 per household to assist in the purchase of a home.

# Program Summary

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- Approved members have an enrollment cap up to \$100,000
- EBP funds are accessed through an enrollment pool on a first-come, first-served, home-buyer by home-buyer basis
- Funds are not guaranteed to any one member.
- Members will have access to the EBP pool for 24 months, or until all EBP funds are committed, whichever is first.

# Program Summary

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- Each member must have one staff person coordinating enrollments and disbursements
- Enrollment and disbursement requests are conducted on-line at <https://housing.fhlbboston.com/ebp>
- EBP Manual and checklist provide complete guidelines and instructions
- See the Bank's web site for information and documents

# Member Eligibility Requirements

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- Member must originate first mortgage in the home purchase transaction
- First one-third of allocation must be used to fund qualified first-time home buyers (as defined by the Bank)
- Household cannot earn more than 80 percent of the area median income

# First-Time Home Buyers

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- 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

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- Member must provide at least one of the following concessions:
  1. Reduced or waived fees
  2. Below market interest rate
  3. Expanded underwriting standards
  4. Down-payment or other cash assistance provided by the member at the closing

# Member Eligibility Requirements

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- Member must work with homeownership counseling agency to provide counseling which includes:
  - ♦ Pre-purchase,
  - ♦ Post-purchase, and
  - ♦ Anti-predatory lending education counseling
- Counseling agencies are listed in the application and can be selected
- Any new counseling agencies and curriculums must be approved by the Bank

# Eligible Uses of EBP Funds

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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

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- 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

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- 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.

# Rehabilitation Assistance

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- Rehabilitation assistance is an uncommon use
- The Bank will not disburse funds until after the rehab work has been paid for
- Documentation may include copies of paid invoice(s) or lien waiver(s)

# New in 2010

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**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.

## New in 2010

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### 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.

# Enrolling Home Buyers

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- Enrollment may begin following execution of EBP award letter and Agreement by a member officer listed on the Blanket Resolution or related Delegation of Authority
- Income eligibility is approved by the Bank at enrollment
- Members are notified of enrollment approval via email
- Enrollments will be accepted online beginning May 3 (<https://housing.fhlbboston.com/ebp>)

# Enrolling Home Buyers

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- 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

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- Use of HCI 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

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- 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

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- 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.

# Income Calculation Spreadsheet

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

# Income Calculation - Common Issues

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- 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

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- 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

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Online disbursement request will include entering data to describe the mortgage product and the transaction:

- Fixed rate or ARM? If ARM, adjustment caps, underwritten at fully indexed rate?
- PITI (not PITIA; first mortgage only)
- Sales price, first /second mortgage amounts, terms,
- Closing costs (*New for 2010—line 803 not 1400!*),
- First and second mortgage APRs,
- Single family, new construction, other

# Disbursing EBP Funds

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Documentation required via online reimbursement request:

- Member certification that EBP funds *(2010 change!)* 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

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- Copy of recorded EBP mortgage and note (*new!*);
- 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

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- 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

# Monitoring and Retention

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- No long-term monitoring is required
- Member must maintain a separate file for each homebuyer with all pertinent documentation for at least five years
- All grant obligations are forgiven upon completion of the five-year retention period which is five years from date of closing

# Monitoring and Retention

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- The EBP subsidy is secured by the member to the property using a EBP note and mortgage found at [www.fhlbboston.com](http://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.

# Retention Obligations

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If a property sells prior to the end of five years:

- An amount equal to the pro rata share of the EBP funds — reduced for each year the seller owned the unit — must be repaid to the Bank from any net gain
- EBP recapture worksheet posted on our web site is used to determine pay-off
- Refinancing triggers no recapture provided EBP note and mortgage remain in place and continue to secure retention obligations

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**Questions?**

# Need Further Assistance

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**Theo Noell, Manager of Programs and Outreach, 617-292-9668**

Fairfield, Hartford, Litchfield, and New Haven counties in western Connecticut

**Tobi Goldberg, Senior Community Investment Manager, 617-292-9653**

Maine and Massachusetts' Essex county

**Kathy Naczas, Senior Community Investment Manager, 617-292-9646**

New Hampshire, Vermont, and Massachusetts' Berkshire, Franklin, Hampden, Hampshire, and Worcester counties

**Christine Rogers, Senior Community Investment Manager, 617-292-9677**

Eastern Connecticut (Middlesex, New London, Tolland, and Windham counties), eastern and southeastern Massachusetts (Barnstable, Bristol, Dukes, Middlesex, Nantucket, Norfolk, Plymouth, and Suffolk counties), and Rhode Island.

**Mary Ellen Jutras, Assistant Vice President/Deputy Director, 617-292-9607**

**Kenneth Willis, Vice President/Director, 617-292-9631**

# Need Further Assistance

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## Other Bank Staff dedicated to EBP:

- **Carielle Collins**, Bank Operations Senior Analyst, 617-292-9418
- **April Gancarz**, HCI Compliance Analyst II, 617-292-9606
- **Paulette Vass**, Community Development Advances Manager, 617-292-9792
- **Jawaun Zimbabwe**, Bank Operations Senior Analyst, 617-292-9434

**We look forward to working with you!**