



## Equity Builder Program and Housing Our Workforce Procedures

### I. Policy to Which These Procedures Relate:

These procedures relate to, and are intended to assist compliance with, the Federal Housing Finance Agency's Affordable Housing Program regulation 12 CFR Part 1291 (AHP Regulation) and Federal Home Loan Bank of Boston's ("FHLBank Boston" or "the Bank") Equity Builder Program policies detailed in Attachment D of the current Affordable Housing Program Implementation Plan. The Federal Home Loan Bank of Boston's Housing Our Workforce is not regulated by the Finance Agency's Affordable Housing Program Regulation but has separate policies like the Equity Builder Program.

### II. Statements of Procedures for the Equity Builder Program (EBP) and Housing Our Workforce (HOW):

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### III. Administration:

- A. Roles and Responsibilities
  - a. Administrator: Homeownership Set-Aside Programs Manager
  - b. Authorized Approver/Compliance: VP, HCI Operations Manager
- B. Governance
  - a. Approval frequency: Annually
  - b. Review frequency: Annually
  - c. User Access: Review reporting will be completed by Information Security on a semi-annual basis in quarters 2 and 4. The VP, HCI Operations Manager will assess the reports from Information Security to confirm appropriateness of each user's access.

C. Exception Management/Procedure Interpretations: VP, HCI Operations Manager

#### IV. Compliance Monitoring

##### V. **Applicable Laws and Regulations:**

Federal Housing Finance Agency's Affordable Housing Program 12 CFR 1291 related Advisory Bulletins and Regulatory Interpretations, and Federal Housing Finance Agency's Questions and Answers about the Affordable Housing Program (07/2019). This does not apply to the HOW program.

Federal Housing Finance Agency's Community Support Requirements 12 CFR 1290.

Equal Credit Opportunity Act 12CFR 1293.

##### VI. **Related Policies:**

[FHLBank Boston Affordable Housing Program Implementation Plan, Attachment D - Homeownership Set-Aside Program](#), and Housing Our Workforce Policy.

##### VII. **Related Desktop Procedures:**

FHLBank Boston - Equity Builder Program and Housing Our Workforce - Desktop Procedures.

##### VIII. **Glossary/Definitions:**

**Adobe Sign:** FHLBank Boston's cloud-based e-signature platform used for electronic signature and tracking.

**AHP:** Affordable Housing Program

**AHP Implementation Plan or [AHP IP](#):** The governing document for the AHP and EBP programs, as required by the AHP Regulation. The AHP IP does not apply to the HOW Program.

**AHP Regulation:** The Federal Housing Finance Agency's regulation governing the AHP and EBP is in the Code of Federal Regulations 12 CFR Part 1291. This does not apply to the HOW program.

**AHP subsidy:** EBP/HOW grant

**AMI:** Area Median Income

**Closing Disclosure (CD):** Purchase transaction disclosure signed by buyer at the time of closing detailing conveyance transaction.

**[Community Lending](#):** HCI's online system to submit all pertinent documentation for EBP and HOW.

**Disbursement:** Last step in the EBP/HOW process. The member funds the grant at the closing. Once the first mortgage is funded and closed, the member submits the closing documentation and will be reimbursed following FHLBank Boston's review.

**EBP:** Equity Builder Program, a component of the AHP serving first-time homebuyers/households at or below 80% AMI. Please refer to Attachment A, Homeownership Assistance Programs for EBP and HOW comparisons.

**EBP Policy:** The governing document for the EBP program. A component of the [AHP IP, Attachment D-Homeownership Set-Aside Program](#).

**Enrollment:** The first step in the EBP/HOW process is the member's submission of the homebuyer information for FHLBank Boston's income review.

**FHLBank Boston:** Federal Home Loan Bank of Boston

**FTHB:** First-time homebuyer is defined by the 42 U.S.C. §12704(14).

**HCI:** Housing and Community Investment department of FHLBank Boston. Contact information for the department can be found under the [HCI department](#).

**HOW:** Housing Our Workforce, serving households with incomes greater than 80% and up to 120% of AMI.

**MAR:** Member Action Required occurs when FHLBank Boston releases the file back to the member because of missing pertinent/required documentation.

**Member/Member Financial Institution:** New England financial institutions that are members of Federal Home Loan Bank of Boston.

**OLB:** Online Banking platform system differs from the Community Lending platform. OLB is utilized for the annual EBP/HOW agreements that are executed by UEA.

**P&S:** Purchase and Sales agreement is a contract that provides details about the real estate transaction.

**UEA:** User Entitlement Administrator is a designated and authorized signer to execute the annual EBP and/or HOW agreement on behalf of the member's organization.

## IX. Procedures History Log:

Date	Purpose	Author	Approved by
04/13/2012	Creation/Initial Adoption	HCI Staff	Mary Ellen Jutras
05/04/2012	Update	Susan Younis	Mary Ellen Jutras
03/25/2013	Annual update	Susan Younis	Mary Ellen Jutras
03/10/2014	Annual update	Susan Younis	Mary Ellen Jutras
03/01/2015	Annual Update	Susan Younis	Mary Ellen Jutras
03/09/2016	Annual Update	Susan Younis	Mary Ellen Jutras
03/15/2017	Annual Update	Susan Younis	Mary Ellen Jutras
03/28/2018	Annual Update	Michelle Chisholm	Mary Ellen Jutras

05/02/2018	Update	Kaitlyn Mulhern	Mary Ellen Jutras
01/02/2019	Annual Update	Kaitlyn Mulhern	Mary Ellen Jutras
02/13/2019	Update	Kaitlyn Mulhern	Mary Ellen Jutras
02/28/2019	Update	Kaitlyn Mulhern	Mary Ellen Jutras
01/02/2020	Annual Update	Kaitlyn Mulhern	Mary Ellen Jutras
1/04/2021	Annual Update	Kaitlyn Mulhern	Livia Bourque
1/07/2022	Annual Update	Kaitlyn Mulhern	Livia Bourque
1/19/2023	Annual Update	Kaitlyn Mulhern	Livia Bourque
01/02/2024	Annual Update	Kaitlyn Mulhern	Livia Bourque
03/18/2024	Update	Kaitlyn Mulhern	Livia Bourque
01/22/2025	Annual Update	Kaitlyn Mulhern	Livia Bourque

## Statements of Procedures for the Equity Builder Program (EBP) and Housing Our Workforce (HOW)

### Overview

Equity Builder Program (EBP) offers members grants to provide first-time homebuyers with incomes at or below 80% of the Area Median Income (AMI) funding for down payments, closing costs, homebuyer counseling, and rehabilitation assistance. Housing Our Workforce (HOW) offers grants to households earning more than 80% and up to 120% of the AMI for down payments, closing costs, and homebuyer counseling. The programs are procedurally similar except for areas that are highlighted further in these procedures. Both programs are designed to assist homebuyers who are purchasing owner-occupied primary residences. For information that highlights the similarities and differences of both homeownership programs, please refer to our Homeownership Assistance Program Comparison in the [Notice of Change](#) on the website. EBP and HOW have an annual online application process. The [funding release schedule](#) for the EBP/HOW rounds is timed to coincide with the homebuying seasons and subject to change depending on need each program year.

**Homebuyers who have received previous grant assistance through FHLBank Boston are not eligible to enroll again for other homeownership assistance. Additionally, FHLBank Boston's homeownership assistance programs cannot be layered with each other.**

### **A. Annual Funding Round, Application Submission, Review, and Approvals**

#### a.) Annual Funding Round Preparation

Prior to opening the member application round, the Homeownership Set-Aside Programs Manager will prepare all programmatic recommendations. All program materials will be updated annually on the website and members should discard all prior year program documentation. The formal EBP/HOW Announcement and Notice of Changes incorporates standard member reminders, including important programmatic changes and dates.

In addition, the Homeownership Set-Aside Programs Manager will review the list of experienced homeownership education/counseling agencies and update as needed. FHLBank Boston developed the list of experienced homeownership education/counseling agencies based on approval by United States Department of Housing and Urban Development (HUD) and National Industry Standards for Homeownership Education and Counseling (NISHEC), as well as the Citizens' Housing and Planning Association (CHAPA). This list will be available as part of the online EBP/ HOW application. The annual process is documented in FHLBank Boston's EBP/HOW Desktop Procedures.

The Homeownership Set-Aside Programs Manager also reviews pertinent regulatory requirements governed by the Federal Housing Finance Agency (FHFA), including rates and fees charged to the homebuyer to not exceed a reasonable market rate of interest, points, fees, and other charges for a loan of similar maturity, term, and risk. FHLBank Boston establishes guidelines and reviews the guidelines annually using Fannie Mae, Freddie Mac, the FHFA, and Bankrate as sources in addition to sampling prior year disbursements. The annual process is documented in FHLBank Boston's EBP/HOW Desktop Procedures.

b.) Solicitation of Applications

The annual Notice of Changes will be distributed and published on FHLBank Boston's website within a reasonable timeframe, or at a minimum, 10 to 15 days prior to the opening of the EBP and HOW funding rounds. The audience includes member CEOs, CFOs, prior year EBP/HOW contacts, FHLBank Boston's Advisory Council, and Board of Directors.

c.) Updates affecting the EBP will be included in the notice related to AHP Regulation and AHP Implementation Plan. It will also include information about the application process and instructions, the enrollment period, definitions, eligibility requirements, and all applicable dates. The AHP Regulation and AHP Implementation Plan are not applicable to HOW. All members are eligible to apply unless there is a Community Support Restriction as noted in Section d below. EBP/HOW Application

FHLBank Boston does not allocate or commit EBP/HOW grant funds to individual financial institutions through the EBP/HOW member application process. The annual application process is done through **one** application for both EBP and HOW. Each member must complete this application each year and it does not automatically renew.

Members will complete the EBP/HOW application, including all required data fields through the Community Lending online system. Additional information on the EBP/HOW application can be found in the AHP Implementation Plan on FHLBank Boston's website. At the time an application is submitted, it will be assigned an application number.

Members will be required to identify which homeownership education/counseling agencies their first-time homebuyers will utilize from FHLBank Boston's provided list. Members may submit an agency that is not listed, provided the appropriate curriculum is uploaded. The education/counseling must follow accepted industry standards regarding the purchase, ownership, and maintenance of the home. FHLBank Boston will review the documents and either approve or deny the education/counseling agency for EBP and/or HOW. **For both EBP and HOW grant recipients, the homebuyer education and counseling requirement will apply only to first-time homebuyers.**

The use of online education/counseling is permitted through either eHome America, Fannie Mae HomeView, Finally Home!, Framework, or HomeTrek, preferably through FHLBank Boston's list of recognized education/counseling agencies. If a homebuyer completes online education/counseling directly through eHome America, Fannie Mae HomeView, Finally Home! , Framework, or Home Trek, the member is required to ensure the homebuyer completes the post-counseling component. FHLBank Boston will not permit online education/counseling agencies beyond these five. For examples of an acceptable certificate, please refer to the EBP/HOW training webinars.

d.) FHLBank Boston Review and Approval of EBP/ HOW Applications

FHLBank Boston reserves the right at its sole discretion to determine whether a member is eligible to participate in EBP and HOW based on, but not limited to, the borrowing and/or credit status of the member. In addition, FHLBank Boston will consider the member's previous experience and performance with the program when determining eligibility.

FHLBank Boston members are subject to the Community Support Requirements (12 CFR 1290). The FHFA will review the membership biennially. If it is determined that a member falls under

FHFA “restriction” status because of the Community Support process, they will be ineligible to participate in EBP and HOW.

Following approval of the EBP/ HOW applications, at least one person/staff member must attend the live or pre-recorded enrollment and disbursement training. The staff member who attends the training is required to train all personnel involved in EBP and HOW transactions or ensure that all appropriate personnel have viewed the recorded trainings.

## **B. Homeownership Assistance Program Agreement**

Members approved for EBP and HOW grant funds are required to execute the Homeownership Assistance Program Agreement through Adobe Sign as part of the application process. Members have the option to request a wet-sign document.

The Homeownership Assistance Program Agreement is not considered valid unless it is signed by authorized staff of the member with EBP/HOW Entitlements. This person is designated and authorized to sign on behalf of the member by its User Entitlements Administrators (UEAs) listed in the [Online Banking Portal](#). Please note that this authorized UEA may or may not be the member’s EBP/HOW main point of contact. Each organization has a UEA who can designate the EBP/HOW entitlements. Within the annual application process, each member will identify the designee responsible for signing the agreements utilizing a drop-down feature within the annual application. If a member does not see the appropriate contact, the member can contact their UEA. These entitlements are outside of the [Community Lending platform](#) and in the [Online Banking Portal](#). For further information about navigating Online Banking, please see the [Online Banking Resource Center](#) or contact us at [customerservice@fhlbboston.com](mailto:customerservice@fhlbboston.com) or 800-357-3452 (option 3).

The agreements will be sent directly to the designated contact with EBP/HOW entitlements through Adobe Sign. The member must have **one** person execute the document within 10 business days upon receipt of the agreement. This agreement cannot be forwarded to other staff members for e-sign execution. All members will receive a copy of the Homeownership Assistance Program Agreement through Adobe Sign upon execution by all parties. Refer to the [Notice of Changes](#) on the website for the current year deadline.

## **C. EBP and/or HOW Member Award Notifications**

FHLBank Boston will notify member applicants of their decision by email within a reasonable timeframe. Members not receiving an approval will receive an email notification and follow-up technical assistance from HCI staff to review why they did not meet program eligibility. HCI will post the list of members approved for participation in EBP and HOW on FHLBank Boston’s website as soon as possible coinciding with the award notifications.

## **D. Homebuyer Requirements**

All EBP and/or HOW homebuyer enrollments are completed in FHLBank Boston’s [Community Lending](#) system in accordance with the FHLBank Boston’s AHP Implementation Plan, Attachment

D - Homeownership Set-Aside Program or EBP/HOW Procedure. In addition to the requirements detailed in the current AHP Implementation Plan (EBP only), HCI will review the following:

- **Property Type:** Allowable property types include one- to four-family homes, condominiums, cooperative housing units, or manufactured homes. If a property is a manufactured home, the member must provide documentation evidencing the dwelling is either permanently affixed or wheels up/axels down (homeowner must assume title).
- **Household Income:**  
**EBP:** At or below 80% of the HUD AMI. Should the household income exceed the 80% of HUD AMI limit for the property location, the enrollment will be denied. (AMIs available at <https://www.huduser.gov/portal/datasets/il.html>).  
**HOW:** Greater than 80% and up to 120% of the HUD AMI. Should the household income exceed the 120% of HUD AMI limit for the property location, the enrollment will be denied. (AMIs available at <https://www.huduser.gov/portal/datasets/il.html>. Please refer to the 50% HUD AMI limit multiplied by 2 and then multiplied by 1.2).
- **Down-payment requirement:** Each assisted household must contribute down-payment funds toward the purchase transaction. The contribution must be the homebuyer's own funds. For EBP, the minimum contribution is \$500, and for HOW, the minimum contribution is \$2,000. EBP or HOW grant funds cannot be used for refinancing an existing home or for reimbursement of earnest deposits or cash down payment. The down payment/deposit must stay in the transaction and be evidenced on the final Closing Disclosure.
- **Home Purchase Price Limit for HOW only:** The price of the home being purchased cannot exceed our Home Purchase Price Limits. These limits are established annually prior to the start of the round and can be adjusted at FHLBank Boston's sole discretion if a newer version is published. The limits are based on the Average Area Purchase Prices for Mortgage Revenue Bonds from 26 CFR 6a.103A-2: Qualified mortgage bonds, which are also revised annually. For 2024, the program will utilize Rev. Proc. 2024-22: [Internal Revenue Bulletin: 2024-21 | Internal Revenue Service \(irs.gov\)](#). **There is no purchase price limit for EBP.**
- **Front-end Ratio:** If the monthly housing payment is more than **37%** of the household's gross monthly income, the member will be asked to confirm the household's ability to support the mortgage and associated housing costs. HCI reserves the right to request more information pertaining to adequate income, or to deny the enrollment. If the homebuyer's housing ratio exceeds FHLBank Boston's maximum, reasonable compensating factors will be required. Acceptable examples that demonstrate the homebuyer can sustain homeownership include the following: current rental payment evidencing minimal payment shock, minimal or no additional monthly debt, and two to six months reserves. Anything outside the three examples requires the member's due diligence assuring the ability to repay.
- **First-time Homebuyer Education/Counseling:** Education and counseling must be completed by the homebuyer or one adult household member within 24 months of closing or enrollment approval (greater of the two). Disbursement of funds will be held or denied without this certificate. **This is required for first-time homebuyers only.**



- **Mortgage Product:** At disbursement, HCI will verify that the member provided the first mortgage by reviewing the CD. Additionally, HCI will verify that the mortgage product was a conventional fixed-rate, conventional adjustable-rate, or Federal Housing Administration (FHA) product. Conventional adjustable-rate mortgages (ARM) are acceptable with an initial interest rate period of five years or more. The maximum initial and total rate adjustment cap(s) can be no greater than 2/6, respectively. Other products may be presented for consideration and approval by FHLBank Boston. The specific mortgage product will be evaluated at enrollment and/or disbursement. To mitigate any unintended support of inappropriate lending practices, FHLBank Boston will review the homebuyer's transaction to assess whether the ARM products offered are subprime or have predatory loan characteristics using a methodology and definitions based on the Interagency Guidance on Nontraditional Mortgage Product Risks (September 28, 2006) and the Statement on Subprime Mortgage Lending (June 29, 2007). The member is responsible for reviewing each enrollment/household based on their first mortgage underwriting. QM and non-QM mortgage(s) are eligible for EBP/HOW. Should the mortgage product or lender change and no longer comply, HCI may deny the disbursement.
- **Member Concession for **EBP only**:** The member must provide a description of the member concession being provided in connection with the grant. The member only needs to provide one concession to each homebuyer. The member concession can deviate from the original concession listed at time of application. HCI will confirm that the member has provided a concession/special incentive to the buyer prior to disbursement. This does not apply to HOW.

The following concessions will be acceptable:

- (a) *Reduced or waived fees,*
  - (b) *Reduced or waived points,*
  - (c) *Below-market interest rates (must be supported by standard rate sheets to determine the homebuyer received a discounted rate),*
  - (d) *Reduced or waived items that otherwise affect the homebuyer's financial outlay, such as a mortgage insurance or loan-level pricing adjustments,*
  - (e) *Relaxed minimum credit score or maximum DTI requirements, and/ or*
  - (f) *Lender credit, down-payment assistance or other cash contributions made by the member at closing.*
- **Subject Property:** HCI will confirm the location of the property by reviewing the executed purchase and sales agreement. Changes to the subject property must be provided to HCI in advance of closing for review and continued eligibility. If the enrollment no longer qualifies, HCI will ask the member to withdraw the household enrollment.
  - **Conflicts of Interest and Related-Party Transactions:** Bank employees and their immediate family are prohibited from applying for any FHLBank Boston HCI programs with the following exceptions: an immediate family member of a Bank employee who is financially independent of the employee may apply as long as the FHLBank Boston employee is not providing financial support to the family member by co-signing on the mortgage, assisting with the down payment, or providing any other financial assistance. In no way can an FHLBank Boston employee benefit directly or indirectly from the family member's participation in the HCI programs. If, to a Bank employee's knowledge, an EBP or HOW enrollment has been submitted by the

employee's family member (immediate or other relative affiliated person defined by FHLBank Boston's Code of Ethics and Business Conduct), the employee will promptly notify the SVP/Director of HCI and FHLBank Boston's Ethics Officer. The FHLBank Boston employee will also need to disclose the relationship to the member when the relative formally applies to either program. Homebuyers are required to disclose related-party transactions between buyer and seller when they involve the transfer of title on the subject property. In addition, the member is required to disclose when a relationship exists between the member and the household. Additional documentation will be requested, pertaining to the defined related-party relationship. Examples of this include the following: seller is a relative to the buyer, a real estate attorney or agent is related to either buyer or seller, and buyer is currently residing in the subject property.

- **Grant Retention Documents:** Templates for the EBP or HOW standard mortgage or deed restriction are located on FHLBank Boston's website and must be used by the member to secure EBP and/or HOW funds. FHLBank's deed restriction mortgage is for FHA products only. If the purchase address has affordable restrictions or covenants, FHLBank Boston's standard mortgage includes deed restriction language. The EBP and/or HOW standard mortgage or deed restriction and note must be recorded at closing. A copy of the recorded standard mortgage or deed restriction must be provided to FHLBank Boston at the time of the disbursement request and prior to reimbursement of EBP/HOW grant funds. Please note FHLBank Boston cannot accept any old templates from prior program years. The member must use the current respective documents for either EBP or HOW as they reference program specifics. These documents are located on FHLBank Boston's website under [Forms and Applications](#).
- **Enrollment Expirations:** The member will be notified by email 90 days from the time of enrollment approval. Extensions are available should there be extenuating circumstances. **Please refer to section F Time Limits and Extensions.**

## **E. Homebuyer Income Calculations, Enrollment Review and Denial Requirements**

EBP/ HOW funds are not reserved for a homebuyer until the enrollment is submitted and received by FHLBank Boston. EBP/HOW funds are not committed until the enrollment has been approved by FHLBank Boston. Funds are reserved for each homebuyer and are specific to the transaction. Effective 2025, the allocation methodology is comprised of two separate pools of money for each program. The first pool will give each of the six New England states 60 days to identify homebuyers. The state-by-state pool must be used first. Any funds not utilized within the 60 days will be placed in the general pool. The general pool is the second pool and available to all members in each New England state on a first-come, first-served basis.

### **Homebuyer Enrollment Process**

Members must submit the homebuyer enrollment via FHLBank Boston's [Community Lending](#) online system. Members will reserve EBP/HOW grant funds by completing the homebuyer enrollment process, which includes an income calculation and documentation review section. Access to this enrollment system requires that the member have a username and password. First-

time users of the system may request a username and password in this section of the online system.

Members cannot submit the same homebuyer under EBP and HOW. Both programs have income limits, requiring manual income calculations prior to the member's online submission. No exceptions can be granted if a homebuyer meets the other program's income eligibility. It is the member's responsibility to determine which program a homebuyer qualifies for and apply under the correct program. Additionally, a homebuyer grant submission may only be completed by a single member. Homebuyers cannot utilize multiple members to request homeownership assistance grants. To avoid potential misuse of the grant funds that are on a first-come, first-served basis, households with submissions from multiple members will be ineligible for FHLBank Boston's homeownership programs.

All homebuyer enrollment requests should be fully complete when submitted. Placeholder documents (i.e., a purchase and sales agreement that is not fully executed, blank or blatantly inappropriate documentation) will not be permitted when a member submits an enrollment to reserve funds. If FHLBank Boston has determined a placeholder document has been used, the homebuyer's enrollment will be denied, and funds will be placed back into the general EBP or HOW pools.

FHLBank Boston's EBP/HOW Disclosure:

***Electronic signatures will be permitted with the member's electronic signature software. Please refer to the definition of e-signature on the disclosure.***

Pages 1-4 inform the homebuyer of the program requirements prior to closing and afterward. No initials are required.

*Household Members and Income Worksheet*, page 5-6, is to be **completed by the entire household**, reviewed, and validated by the Loan Originator and certified member contact for EBP/HOW through the [Community Lending](#) online system. The household is required to provide each individual income source received by each adult household member. The total income disclosed will be used to qualify the EBP/HOW grant.

*Authorization to Release/Certification of Information* page 7 should be reviewed and signed by **all** adult household members 18 years of age or older.

*First-time Homebuyer Certification (if applicable)* page 8 should be signed by all adult household members 18 years of age or older.

At the time of enrollment, the member will be required to upload a signed and dated copy of the document. Members should be using the form dated for the current year only.

Tax Returns/IRS Transcripts:

Tax returns will only be required for non-wage earners such as self-employment, unemployment compensation, capital gains, interest, or dividend income. If applicable, business returns will be required for self-employed homebuyers to determine percentage of ownership.

### Income Calculation

The member will be required to complete the income calculation section first. Please see FHLBank Boston's Homeownership Programs Income Calculation Guidelines for details on how FHLBank Boston requires income to be calculated. In the income calculation section of the online system, the member must enter information for each household member. Only adults, defined as 18 years and older, residing in the household must have income identified or provide an executed Zero Income Certification.

When the required information has been entered for an individual in the household, the member will be asked to identify the type of third-party income verification being used. The member will enter data from the verification(s) and upload the verification(s) into the system. The member should verify the data prior to completion and submission of the enrollment. Once the data has been reviewed, and the household's information and income have been finalized, the prospective annual income will be automatically calculated and compared to the HUD income limit for the subject property. The member should check the final calculated annual income to be sure it is correct before submitting the income calculation and backup documentation.

**Note:** Paystubs are FHLBank Boston's preference when submitting W2 wage income documentation.

Once the income calculations section has been completed, the member may proceed to the enrollment section and reservation of funds.

### Enrollment

Members must submit enrollments at least 15 business days prior to the scheduled closing for the purchase transaction to permit sufficient time for HCI to review. All required documentation must be submitted with the enrollment request. Any enrollments submitted with less than 15 business days before the closing require an extension to the P&S before submission. FHLBank Boston reserves the right to deny the enrollment request if there is insufficient time based upon the closing date and P&S.

EBP is for first-time homebuyers (FTHB) only. FTHB is based on the definition provided by FHLBank Boston (see Glossary/Definitions). **There is no requirement for HOW homebuyers to be a FTHB; however, if they own a primary residence, it must be sold prior to or upon purchase of the new subject property.**

The member must enter all information pertaining to the mortgage product, total housing payment, homebuyer's front-end ratio, amount of EBP/HOW grant funds being reserved (up to the maximum household cap), and any required explanations for deviations outside of FHLBank Boston's thresholds.

Once all the information is entered in the enrollment section, the enrollment is submitted to FHLBank Boston for review and approval. Upon approval, the member will be notified by email and the EBP/HOW grant funds will be committed to the transaction specific household.

Misappropriation in grant reservations is prohibited. Grants are reserved specifically for a homebuyer and cannot be shifted to a different buyer if a deal falls through.

### Homeownership Team Review

All homebuyer enrollments will be reviewed in accordance with FHLBank Boston's AHP Implementation Plan, Attachment D - Homeownership Set-Aside Program, Homeownership Assistance Programs' Desktop Procedures, and FHLBank Boston's guidelines titled Red Flags for Housing and Community Investment Department. FHLBank Boston will review the enrollment for any potentially fraudulent or subprime/predatory characteristics.

The FHFA's suspended counterparty list must be reviewed for all homebuyers as part of the enrollment process. Any matches found must be reported to FHLBank of Boston's compliance department. Homebuyers on the suspended counterparty list are not eligible to receive down-payment assistance from any FHLBank program.

The review will begin within 15 business days from the **initial** enrollment submission. If any documentation has been requested, the review turnaround time is based off of the date all sufficient information is re-submitted. HCI staff may follow up with the member to address any questions or concerns. All documents uploaded by the member will be reviewed to determine whether a homebuyer is income eligible. Please note that enrollments submitted during the AHP application review period may take longer as staff resources are limited.

### Denial

The member will receive an email and/or a phone call notifying them of the decision. The member will be provided with an opportunity to cure any deficiencies, including if the total household income exceeds the AMI limit for the location of the subject property. The member may submit additional documentation for further consideration by HCI. HCI staff will follow the EBP/HOW Desktop Procedures to ensure all the appropriate steps have been completed. Prior to any grant being declined, an additional compliance review will be completed to consider all submitted documentation. If an EBP or HOW grant is denied, the monies will be released into their respective funding pools. If a homebuyer does not meet the original program's AMI, but is eligible for another FHLBank Boston program, the member will need to re-submit the homebuyer as long as funding for that program is available.

## **F. Time Limits and Extensions**

After an enrollment request is submitted and approved by FHLBank Boston, the amount of EBP/HOW funds requested for that homebuyer will be reserved for a 90-day period.

### Cancellation of an Enrollment

Enrollments and reservation of funds are made to a specific household. FHLBank Boston will allow the subject property to be updated or changed for the household when a purchase transaction is cancelled due to specific property issues. However, it is FHLBank Boston's expectation that when a homebuyer's request for financing is cancelled or denied, the EBP/HOW funds will be cancelled. This will allow the funds to be placed back into the pool for other homebuyers and members to use.

Members can only withdraw through [Community Lending](#) online system when an enrollment is in 'Submitted' status. If the member would like to withdraw an enrollment in MAR status, they must notify the Homeownership Team via email. Contact information is on the website under the [HCI team](#), which includes each staff member's respective programs. Approved enrollments cannot be

withdrawn by the member. The member must notify the Homeownership Team via email requesting the withdrawal and a brief explanation to note the enrollment since it was previously approved by an HCI staff member. If a member decreases a grant, an explanation is required. Grant decreases require a formal approval that will be reviewed and processed by the Homeownership Set-Aside Programs Manager or the VP, HCI Operations Manager.

#### Expiration of an Approved Enrollment

The member will receive an automated email 10 business days prior to the expiration of the previously approved enrollment. The member will be required to request disbursement, request an extension in writing, or withdraw the enrollment. Members can view the expiration/extension dates of all enrolled buyers through the secure EBP/HOW application website by clicking on the "Manage My Approved Homebuyer Income Calculations/Enrollments."

#### Extensions

On a case-by-case basis, FHLBank Boston, in its sole discretion, may grant an extension. There are specific criteria for extension requests that pertain to enrollment and disbursements processes, in addition to EBP and HOW programmatic differences.

##### a.) Enrollment Extension Requests

The Homeownership Team should be contacted to discuss the extension of the enrollment. Extension requests should include the cause of the delay, the anticipated date of resolution, the anticipated closing date, and the length of the member's loan commitment. All reservations for the EBP funds are homebuyer specific. FHLBank Boston will allow the subject property to be updated or changed when a purchase transaction is cancelled due to property issues, at the discretion of FHLBank Boston. If a homebuyer with an approved extension does not find another property within 60 days, the member is required to notify FHLBank Boston. The monies will be released to the general EBP or HOW funding pool, allowing other income-eligible homebuyers access to the funds. Extensions beyond the 60-day deadline are not permitted.

If any extension is denied, the member will be notified prior to an enrollment being withdrawn. If the enrollment is withdrawn, the monies will be added back to the member's enrollment cap and to the EBP or HOW general pool. The monies are not guaranteed to the member, as the funds are on a first-come, first-served basis.

##### b.) Disbursement Extension Requests

The Homeownership Team should be contacted to discuss the extension of the disbursement. Extension requests should include the cause of the delay, the anticipated date of resolution, and the anticipated closing date. Extensions are granted for an additional period of **up to 90** days. Please review the Extension Request section for specific details.

The member will be notified via email if an extension is approved. If any extension is denied, the member will be notified prior to a reservation is withdrawn. If withdrawn, the withdrawal amount will be added back to the member's enrollment cap and to the EBP/HOW pool. The monies are not guaranteed to the member, as the funds are on a first-come, first-served basis.

c.) New Construction or Rehabilitation Unit Extension Requests

New construction or rehab units are permitted to request disbursement extensions beyond the 60-day deadline. FHLBank Boston will allow reasonable extensions provided the member can demonstrate an appropriate construction/rehab timeline. Per the FHFA regulatory requirements, the extension cannot exceed the end of the second year after the enrollment approval. Any disbursements carried over into the following year must be submitted by the member prior to FHLBank Boston's release of new funding.

Outstanding Documentation

All missing documentation must be submitted within 10 business days. An email reminder will be sent on the fifth business day to remind the member of the outstanding items. HCI retains sole discretion to deny an enrollment if the member does not submit complete and adequate income documentation within 10 business days or if questions regarding the enrollment cannot be resolved. HCI staff will call the member before denying and releasing the funds back into the pool.

**G. Grant Disbursement Requests, Requirements and Review**

Disbursement Request

Members must request the funds using FHLBank Boston's [Community Lending](#) online system. Members can request a disbursement through the "Manage My Approved Homebuyer Income Calculations/Enrollments" screen. HCI is notified electronically when a member submits a request to disburse EBP/HOW funds for an enrolled homebuyer. **Please note that all HOW transactions without an extension must be closed and disbursed prior to the current year-end.**

*Member Certification upon Disbursement 1291.7(b)(2)(i):*

Prior to disbursement of EBP or HOW funds by FHLBank Boston to a member, the member must certify that the EBP/HOW funds will be provided to homebuyers meeting the eligibility requirements of §1291.6(c). See the attachment to the Homeownership Assistance Agreement.

The review will begin within 20 business days from the initial disbursement submission. HCI staff may follow up with the member to address any questions or concerns. Please note that disbursements submitted during the AHP application review period may take longer as staff resources are limited.

If the mortgage loan product being offered to the homebuyer is provided by a third-party entity or an affiliated mortgage company of the member, the member will be asked to provide a copy of the current executed contract for review. These arrangements will be approved at the sole discretion of FHLBank Boston. The member must be the lender of record for the EBP/HOW subordinate standard mortgage or deed restriction for FHA loan products and note. The EBP/HOW standard mortgage or deed restriction for FHA loan products cannot be assigned.

It is in both the member's and FHLBank Boston's best interests that the closing attorney be given instructions so that the EBP/HOW funds are properly transacted, documented, and recorded with the EBP/HOW note and mortgage.

#### Member's Responsibility

- a.) Members should provide the EBP and HOW notes and mortgages found on FHLBank Boston's website to the closing attorney(s). Each program has its own note and mortgage templates as they reference program specifics, including income limits. **The most current version should be used and executed because it refers to the current program year.**
- b.) When the EBP/HOW programs are being offered to a homebuyer that will receive an FHA loan product, a deed restriction document for execution and recording available on FHLBank Boston's website should be used. **The most current version should be used and executed because it refers to the current program year.**
- c.) Members should review the EBP or HOW notes and mortgages prior to closing, ensuring all appropriate parties are reflected on the documents. Please refer to the General Title, Mortgage and Deed Requirements below for examples. Additionally, Power of Attorneys (POA) are permitted but must be approved by FHLBank Boston before the homebuyer's closing. Please refer to the Closing Attorney's Responsibility section below.
- d.) Members should review and approve the CD in advance of the closing to ensure that the EBP/HOW grant is properly noted, and that the member's concession provided to the household has been reflected on the CD. A separate CD is not required for either EBP or HOW and can be reflected on page 3 of the CD as a grant. Please note that neither grant programs should be reflected as a loan on the CD because there is no monthly principal and interest.
- e.) **No cash back more than \$250 to the homebuyer is allowed.** The member shall make every attempt to ensure that the EBP/HOW funds are used at the time of closing to directly benefit the homebuyer for coverage of eligible costs. If a household is expected to receive more than \$250 cash back at closing, the first option would be to reduce either the first mortgage or grant amount. In the second option, the member will apply any amount above \$250 as a credit to reduce the principal of the mortgage loan or as a credit to the household's monthly payments on the mortgage loan. **If the member needs to take the second option, FHLBank Boston must be notified in advance of the closing and/or as soon as possible.** The member must submit evidence to FHLBank Boston documenting the resolution no later than 15 days after the disbursement request. If evidence is not submitted by the deadline, FHLBank Boston may opt to disburse the EBP/HOW funds, less the amount of unexplained cash back exceeding \$250. FHLBank Boston reserves the right to extend this deadline on a case-by-case basis when documentation is provided showing progress towards resolving the oversight.
- f.) A copy of the signed CD and FHLBank Boston-provided EBP or HOW mortgage/retention document are to be retained on file by the member for future review by FHLBank Boston or its auditors/regulator, if necessary.

#### Use of Grant Funds

EBP/HOW grant can be used toward down-payment and closing-cost assistance. The following closing cost items are permissible toward EBP/HOW:

- Closing costs reflected on page 2 of the CD (grant funds cannot be used toward real estate commissions)
- Interest rate buydown (2 points maximum)



- Homebuyer education and counseling (\$500 maximum)

EBP/HOW grant cannot be used to bridge the gap between purchase price and appraised value if the value comes in lower than the sales amount. Additionally, the homebuyer's earnest money deposit/down payment cannot be reimbursed using the grant funds and must remain in the transaction.

#### Rehabilitation Using EBP Funds (Not Permitted for HOW):

When EBP funds are used for a purchase with a rehabilitation component, the member will be required to provide additional documentation.

- 100% of the work must be completed in a satisfactory manner.
- CD must evidence the escrowed funds retained by the member for the completion of the repairs.
- Documentation must be submitted to support the work was paid for and the escrowed funds were spent prior to disbursement of EBP funds.
- Use of the escrow balance must be documented adequately prior to disbursement to include copies of checks provided to contractors for work completed, paid invoices detailing the scope of the work required, and a household or member certification that the work performed has been completed in a satisfactory manner.
- 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.

#### General Title, Mortgage and Deed Requirements

- a.) All mortgages should be executed in accordance with industry standard mortgage practices.
- b.) If a non-borrowing spouse or adult household member is on the first mortgage, title and deed, the individual should also be reflected on the EBP or HOW mortgage accordingly.
- c.) If a subject property is held in the name of a trust, the EBP or HOW mortgage must comply in accordance to how the trust is held. Members must provide a copy of the trust, including the schedule of beneficiaries to evidence the correlation to the EBP or HOW grant recipient.
- d.) Non-occupant co-borrowers are not required to execute the mortgage and only at the sole discretion of the member executing the first mortgage.

#### Closing Attorney's Responsibility

- a.) To ensure that the CD is signed and dated by all parties and evidences the entire EBP/HOW assistance, total contribution of funds by the homebuyer/borrower, and any payments made outside of closing.
- b.) To ensure that the current FHLBank Boston-provided EBP/HOW standard mortgage or deed restriction for FHA loan products and note is executed, recorded, and returned to the member financial institution with the recording information (stamped by the recording office).
- c.) When the borrower has designated an individual to represent the attorney-in-fact by granting a POA, the POA must be notarized on or before the EBP/HOW note date. The person acting as attorney-in-face should not be employed by or affiliated with any party to the loan transaction other than the borrower. Except otherwise required by applicable law, or unless they are the borrower's relative, none of the following persons connected to the transaction shall sign the security instrument or note as the attorney-in-face or agent under a POA:
  - The lender;

- Any affiliate of the lender;
- Any employee of the lender or any other affiliate of the lender;
- The loan originator;
- The employer of the loan originator;
- Any employee of the employer of the loan originator;
- Title insurance company providing the title insurance policy or any affiliate of such title insurance company (including but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate; or
- Any real estate agent with a financial interest in the transaction or any person affiliated with such real estate agent.

The borrower's relative includes a person who is a spouse, fiancé(e), or domestic partner of the borrower. The POA must specifically grant the attorney-in-fact the power to act in transaction either by specifically describing the applicable transaction or by describing the type of transaction. The original POA must be attached to and delivered with the EBP or HOW note unless:

- The member ensures it is recorded pursuant to applicable law with the EBP or HOW mortgage, in which case a certified copy of the POA must be attached to the note; or
- The signatory used a general POA to sign the EBP or HOW note and the signatory needs the general POA for other legal documents, in which case a certified copy of the POA must be attached to the EBP or HOW note.

Except as required by applicable law, a POA may not be utilized to sign a security instrument or note if no other borrower executed such loan documents in person and in the presence of a notary, unless a POA is utilized to sign such loan documents for each borrower, and the attorney-in-face is either:

- The borrower's attorney at law; or
- The borrower's relative.

#### Homeownership Team Review:

##### *Compliance Review and Reporting for Disbursements:*

Prior to issuing a reimbursement of EBP funds to a member, the Homeownership Set-Aside Programs Manager or EBP/HOW staff member reviews the member's Homebuyer Enrollment/Disbursement in accordance with the Policy, the EBP/HOW Desktop Procedures and FHLBank Boston's guidelines titled Red Flags for Housing and Community Investment Department. Additionally, HCI will review the documentation provided to meet regulatory compliance and satisfactory data entry for the Data Reporting Manual (DRM).

The review will begin within the 20 business days from the **initial** disbursement request. An HCI staff member will follow up with the member to address any questions or concerns. All documents uploaded by the member will be evaluated prior to the EBP or HOW grant fund disbursement. All missing documentation must be submitted within 10 business days. An email reminder will be sent on the fifth business day to remind the member of the outstanding items. If the member is unable to provide the documentation within the 10 business days, they must notify the HCI staff member with an update and/or explanation. In the event a requested reimbursement is not fully documented or

HCI has questions, no disbursement will be made until the required documentation is received and/or all questions answered. If the member institution has requested disbursement but failed to provide the disbursement documentation within 30 days, HCI has the discretion to deny the disbursement request. In such instances, HCI will communicate this denial via a formal email and/or phone call to the member. Upon disbursement approval, an email will be sent to the member contact notifying them that EBP or HOW funds have been deposited to their IDEAL WAY account at FHLBank Boston. Funds are available to the member after 4:00 p.m. on the day of disbursement.

## **H. Sale, Transfer, Assignment of Title or Deed, Refinance, and Foreclosure**

If the property is sold, the title is transferred, the title of deed is assigned, the mortgage refinanced, or a foreclosure occurs during the first five years of the EBP/HOW retention periods, the member must notify FHLBank Boston when the new transaction is originated. FHLBank Boston will perform a subsidy repayment calculation, if applicable.

FHLBank Boston or its designee will notify EBP/HOW-assisted households at the time they purchase units that they should maintain documentation of their 'Household Investments' in case the unit is sold or refinanced during the five-year retention period.

### **Discharges**

The member is responsible for discharge or release of the original EBP/HOW standard mortgage or deed restriction for FHA loan products and/or note. While FHLBank Boston may be asked to consent to such discharge on a case-by-case basis, FHLBank Boston does not obtain evidence that the discharge or release is completed. The member is responsible for retaining records to maintain and comply with FHLBank Boston's five-year retention period. It is the member's sole responsibility to execute the discharge during a homeowner's sale, transfer, assignment of title or deed refinance and foreclosure. The discharge must still be executed by the member after the five-year retention period regardless of whether the EBP/HOW homeowner's first mortgage is sold to another lender. It is the member's responsibility to cover the recording cost or coordinate with the new lender refinancing the homeowner's loan.

### **Repayment Notification and Process**

Once the member has notified FHLBank Boston, the Homeownership Team will request a copy of the draft seller's CD for the sale or borrower's CD for refinance transaction (if new lender will not subordinate). The closing date should be firm as the pro rata calculation is based on that date.

The households will be given a reasonable amount of time, as specified by FHLBank Boston in the procedures, to provide the documentation to FHLBank Boston or its designee in the event of a sale or refinancing. The FHLBank Boston's two-tier review has a standard turnaround time of two business days upon receipt of documentation to complete the repayment calculation.

FHLBank Boston staff will review and calculate the Net Proceeds/pro-rated subsidy repayment amount. FHLBank Boston will notify the member by email of the amount due and request an electronic copy of the executed grant discharge.

### Definitions

**Net Proceeds** are defined as the sale price minus reasonable and customary costs paid by the household and outstanding superior debt. In the case of a refinance, net proceeds are defined as the principal amount of the new mortgage minus reasonable and customary costs paid by the household and the principal amount of the refinanced mortgage.

**Household Investment** is defined to mean reasonable and customary transaction costs paid in connection with the purchase of the unit, down payment, cost of capital improvements made, and any mortgage principal repaid since the purchase of the unit until the time of sale or refinancing during the AHP five-year retention period where the household documents these costs to FHLBank Boston or its designee. For example, a household could produce documentation of its expenditures associated with the installation of a new roof. The homebuyers are instructed to retain records of invoices and receipts throughout the five-year retention period.

If any portion of the household's total investment cannot be documented within the amount of time specified in FHLBank Boston's procedures, that portion would not be subtracted from the Net Proceeds in calculating the amount of AHP subsidy\* required to be repaid by the household to FHLBank Boston.

Household Investment expenditures should be documented in the CD or other settlement statement, if applicable, or elsewhere. An "other settlement statement" could include a HUD-1, which was commonly used prior to the change by the Consumer Financial Protection Bureau to the CD. A Bank\*\* may accept other documentation besides settlement statements if FHLBank Boston\* determines that they are reasonable evidence of the household's expenditures. For example, a household may provide copies of cancelled checks as evidence of the down payment paid by a household in connection with the purchase of the unit. A household may produce documentation (e.g., cancelled checks, receipts, and invoices) of expenditures associated with capital improvements (e.g., installation of a new roof or a new heating/ventilation/air conditioning system) related to the unit. A household may also produce documentation from its mortgage lender e.g., detailed payoff statements) as evidence of any mortgage principal paid since purchase of the unit.

### Repayment Calculation for Sale, Transfer of Title, Assigned Title, or Deed of an EBP- or HOW-Assisted Home

The repayment calculation uses the Net Proceeds and Household Investment definitions in the section above. FHLBank Boston will do all calculations. Repayments of all EBP/HOW grant funds made to the member must be returned to FHLBank Boston. **Proxy is only applicable to EBP and not HOW. The proxy will be reviewed prior to the formal calculation.**

The calculation is as follows:

- a) The AHP subsidy that financed the purchase, construction, or purchase of a home in conjunction with its rehabilitation (does not apply in cases where the household uses the AHP subsidy solely for rehabilitation of a home), reduced on a pro rata basis per month or days (in favor of the homeowner) until the unit is sold, transferred, or its title or deed transferred, or is refinanced during the AHP five-year retention period.

**Actual Calculation:**

$$\left(1 - \frac{\# \text{ of months homeowner occupied home}}{\text{Retention Period (60 months)}}\right) \times \text{Original Grant Amount} \\ = \text{Pro Rata Grant Amount}$$

If the above calculated EBP/HOW subsidy is \$2,500 or less, it is not required to be repaid.

If the amount is greater than \$2,500, then proceed to b).

- b) FHLBank Boston will review the buyer's CD from the original purchase and compare it to the seller's CD for the current transaction to determine if any Net Proceeds from the sale are realized, including consideration of the Household Investment.

The EBP/HOW repayment is due unless one of the following applies:

1) **The proxy does not apply to HOW grants or EBP refinances.**

The subsequent purchaser, transferee, or assignee is a low- or moderate-income household, as defined by the FHFA AHP Regulation. Neither FHLBank Boston nor its designee is required to request or obtain the subsequent purchaser's income. The subsequent purchaser, transferee, or assignee does not have any obligation to provide any income documentation; however, if FHLBank Boston or its designee has documentation demonstrating the subsequent purchaser's actual income, FHLBank Boston may not apply the value limits proxy or any other proxy to determine subsequent purchaser income. In lieu of the subsequent purchaser's, transferee's, or assignee's actual income documentation, the member and FHLBank Boston shall determine that the subsequent purchaser, transferee, or assignee is a low- or moderate-income household, as defined by the AHP Regulation by using the HUD Home Investment Partnership Program (HOME) and the Housing Trust Fund (HTF) value limits of the subject property's location. The limits are posted annually on the HUD website and will be available on the FHFA website. FHLBank Boston will confirm the subject property address against the HOME and HTF value limits prior to the sale, determining whether the repayment process will be fully executed.

- 2) As noted above, the repayment calculation results in an amount of \$2,500 or less.

**FHLBank Boston Internal Process**

In the event of repayment of EBP/HOW grant funds:

- a.) If requested by the member, FHLBank Boston will provide documentation of the calculation to the member;
- b.) The member or closing attorney will be instructed to send repayment funds to FHLBank Boston;
- c.) FHLBank Boston will make the repayment or de-obligated funds available to members through the current EBP pool, as determined by the AHP Implementation Plan. Repayment monies are not made available to members for HOW because it is a voluntary program.

In other atypical situations requiring repayment, FHLBank Boston may require additional information and documentation.

### Refinancing of an EBP/HOW-Assisted Home

- a.) The EBP/HOW standard mortgage or deed restriction for FHA loan products may remain in place and can be subordinated to the new mortgage loan.
- If subordinated, repayment calculations will not apply.
  - FHLBank Boston has a subordination template that will be made available to the member upon request. EBP and HOW have different templates.
  - Drafting and executing subordination requests are the responsibility of the member but reviewed in advance of recording by FHLBank Boston's legal department.
  - The executed copy will need to be provided once the template has been approved. There is no requirement for a recorded copy from registry of deeds. FHLBank Boston only requires the signed/dated, electronic copy.
- b.) If the standard mortgage or deed restriction for FHA loan products is not going to remain in place or be subordinated, the repayment calculation may apply.

Modification requests due to a change in ownership will be granted at FHLBank Boston's sole discretion. Members requesting a modification to the original terms of the EBP/HOW note and standard mortgage or deed restriction for FHA loan products should contact FHLBank Boston for instructions.

### Foreclosure of an EBP/HOW-Assisted Home

The homebuyer's obligation to repay the EBP/HOW grant terminates after any foreclosure, transfer by deed-in-lieu of foreclosure, assignment of an FHA first mortgage to HUD, or death of the AHP-assisted homeowner within the five-year retention period.

A member must notify HCI of any of the above scenarios. The department tracks foreclosures from legal notices received. The department reports this information to the Housing and Community Development Committee of the Board semi-annually.

Evidence of the foreclosure is required for both foreclosure and sales/deeds-in-lieu transactions. In the event of foreclosure, the department will scan copies of all correspondence and documentation pertaining to the unit, updating the chronological record as necessary, and record the data.

## **I. Reporting and Document Retention**

### Reporting

In general, no additional reporting is required of the member after enrollment and disbursement.

### Document Retention

The member is required to retain a separate file for each individual EBP/HOW grant. In accordance with the EBP/HOW agreement, the member will remain the point of contact for the household throughout the five-year retention period. All communication will be initiated by the originating member on behalf of the household. Members are responsible for the discharge of the EBP/HOW standard mortgage or deed restriction for FHA loan products upon expiration of the five-year retention period.

#### Reporting intentional or unintentional fraud

Members are required to report in writing any instances of fraud or unintentional fraud related to a purchase or sale of a loan using EBP/HOW to HCI. The fraud may result from:

- a.) False information contained in identification, employment, or income documents reviewed during the underwriting and monitoring process;
- b.) False appraisals, theft of custodial funds, non-remitted payoff funds;
- c.) Misrepresentations of collateral; or
- d.) Use of EBP/HOW funds for an ownership unit that had been previously funded through AHP and is currently under the five-year AHP retention period.

FHLBank Boston has established policies and is committed to implementing and maintaining processes and controls to discover fraud. The member is expected to support FHLBank Boston's efforts in addressing fraud by immediately providing written notification of any suspected fraudulent activity in relation to their dealings with FHLBank Boston. Should the member discover or suspect an instance of fraud related to an FHLBank Boston business transaction, which may include any material misstatement, misrepresentation, or omission, the member must notify FHLBank Boston immediately. Additionally, it is at FHLBank Boston's discretion to inquire if potential fraud has been committed, based on information provided at enrollment or disbursement. If either intentional or unintentional fraud has been identified by HCI, the member will be monitored further than the standard two-tier review and require additional training.

#### Requirements for FHLBank Boston

If FHLBank Boston is notified of any misstatements, etc., FHLBank Boston will collect all appropriate information and documentation, review the information, and act appropriately per the AHP Regulation and FHLBank Boston's policies and procedures.

\*- AHP Subsidy is referenced within FHLBank's regulation with the FHFA

\*\* - A Bank is referenced within FHLBank's regulation with the FHFA