



2016 MANUAL

of the Homeownership Set-aside Program

HSP

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Program Description

FHLBank Topeka annually sets aside funds within the Affordable Housing Program (AHP) to assist very low-, low-, and moderate-income first-time homebuyers. The Homeownership Set-aside Program (HSP) provides down payment, closing cost and repair assistance to first-time homebuyers earning at or below 80% of the Area Median Income (AMI) for households purchasing or constructing homes in Colorado, Kansas, Nebraska or Oklahoma. HSP subsidy is provided to households as a forgivable grant with a five-year retention period. The program is offered in partnership with FHLBank members — members work with qualified homebuyers, submit required documents to FHLBank, advance the grant funds at closing and request reimbursement of the funds after closing.

Available funding for the 2016 program is a minimum of \$4.5 million. Grants of up to \$5,000 per household are available on a first-come, first-served basis.

Member Eligibility

Institutions must be FHLBank members when submitting a 2016 Homeownership Set-aside Program Member Registration Agreement (Registration Agreement) to be eligible to participate in the program.

MEMBER REGISTRATION: To participate in the program, members must submit an HSP Member Registration Agreement each program year. Registration Agreements are accepted after they are made available on FHLBank's website through November 14, 2016.

FUNDING PERIOD: Reservations are accepted March 7 through November 14, 2016. Reservations will not be accepted if grant funds have been exhausted or the member has reached its monthly limit. Disbursement requests will be accepted through December 5, 2016.

MEMBER LIMIT: HSP grant funds are available on a first-come, first-served basis of \$25,000 per month plus any unused portion of previous months' limits, if funds are available, per FHLBank member as outlined in the AHP Implementation Plan. Members are not guaranteed the availability of HSP funds and are neither allocated nor guaranteed \$25,000 per month. Each member institution may not reserve funds in excess of the member limit, unless that limit is increased or eliminated by FHLBank. Housing and Community Development management will evaluate funds remaining after July 1, 2016, to determine whether to continue, discontinue or change the individual member funding limit. FHLBank will announce changes to member funding limits.

Household Eligibility

ELIGIBLE HOUSEHOLDS: To be eligible, the household must meet all of the following requirements:

- ▶ The household income must be at or below 80% of applicable AMI at the time the reservation is received by FHLBank.
- ▶ Must be a first-time homebuyer as defined below and in the 2016 AHP Implementation Plan.
- ▶ All borrowers/co-borrowers must be household members of the property being purchased.

FIRST-TIME HOMEBUYER: An individual who does not own and is not an investor in another residence and who wishes to purchase a home that will be his/her primary residence who meets any one of the following criteria:

1. An individual who has had no ownership in a residence during the prior three-year period ending on the date of purchase of the property;
2. A divorced or legally separated individual who has only owned a residence with a former spouse;
3. An individual who has only owned a residence not permanently affixed to a permanent foundation in accordance with applicable FHFA Regulations; or
4. An individual who has only owned a property that was not in compliance with state, local or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure.

Member certifies, on the HSP Funds Reservation Form, the homebuyer is a first-time homebuyer per the definition provided above and in the 2016 AHP Implementation Plan. FHLBank reserves the right to request supporting documentation to verify the member certification.

THE HOUSEHOLD MUST MEET ADDITIONAL REQUIREMENTS, DESCRIBED IN OTHER SECTIONS OF THIS MANUAL, INCLUDING:

- ▶ Contribute at least \$500 towards down payment, closing costs, and costs paid before closing. (Participation in USDA direct loans, USDA Self-Help, Habitat for Humanity, or other mutual self-help housing programs supported by documented sweat equity may be substituted for the \$500 down payment.
[REFER TO DISBURSEMENT \(REIMBURSEMENT\) OF GRANT FUNDS](#)
- ▶ Complete a Homebuyer Education course by a provider approved by FHLBank's designated organization for the state in which the property is being purchased.
[REFER TO HOMEBUYER EDUCATION](#)
- ▶ Agree to a five-year retention period.
[REFER TO RETENTION REQUIREMENTS](#)
- ▶ Payment of other debt is not allowed as part of the home purchase.
[REFER TO DISBURSEMENT \(REIMBURSEMENT\) OF GRANT FUNDS](#)
- ▶ **RECEIVE NO CASH BACK AT CLOSING.**
[REFER TO DISBURSEMENT \(REIMBURSEMENT\) OF GRANT FUNDS](#)

Property Eligibility

The property being purchased must be located in FHLBank Topeka's four-state district (Colorado, Kansas, Nebraska, or Oklahoma).

ELIGIBLE PROPERTY TYPES: Single-family dwelling, townhouse, condominium, cooperative housing unit or manufactured housing to be used as the homebuyer's primary residence.

New construction of a single-family dwelling is allowed.

If the purchase includes repairs, review the eligible and ineligible repair expenses listed under Eligible Use of Grant Funds.

[REFER TO ELIGIBLE USE OF GRANT FUNDS](#)

Eligible Use *of* Grant Funds

HSP funds may be used for:

- A. Down payment for eligible properties
- B. Closing/Settlement Costs — Examples of eligible closing costs include:
 - Loan origination fee; discount fee; appraisal fee; credit report; mortgage insurance (including upfront premium); application fee; closing fee; document preparation; attorney fees; title insurance; abstracting fees; recording fees; tax stamps; survey fees; prepaid interest ; initial flood insurance premium; escrow of property taxes, homeowners insurance, mortgage insurance and flood insurance; homeowner's insurance premium; property inspection fees.
- C. Homebuyer Education costs
[REFER TO DISBURSEMENT \(REIMBURSEMENT\) OF GRANT FUNDS](#)
- D. **ELIGIBLE REPAIR COSTS** include correction of deferred maintenance and/or replacement of principal fixtures and components of an existing building including, but not limited to:
 - ▶ accessibility improvements
 - ▶ roof repair or replacement
 - ▶ electrical repair
 - ▶ plumbing repair
 - ▶ mechanical repair or replacement
 - ▶ foundation or other structural repair
 - ▶ exterior siding replacement or paint
 - ▶ window and/or door replacement
 - ▶ floor coverings
 - ▶ wall repair and/or paint

INELIGIBLE REPAIR COSTS include but are not limited to the following (FHLBank will determine eligibility of repairs. Contact FHLBank with questions.):

- ▶ payments directly to the household for repair labor
- ▶ appliances
- ▶ luxury items (i.e. hot tubs)
- ▶ room addition(s)
- ▶ decks
- ▶ fences
- ▶ construction/repairs of a detached garage or outbuildings

Refer to [DISBURSEMENT \(REIMBURSEMENT\) OF GRANT FUNDS](#) or the Closing Checklists located on our website for guidance documenting repair expenses.

Process Overview

- 1. TRUESHARE:** All registration agreements, reservation workbooks and disbursement requests for HSP subsidy and required documentation must be submitted via TrueShare online file server.
- 2. MEMBER REGISTRATION:** The member must submit a Registration Agreement in order to participate. Registration Agreements are accepted after they are made available on FHLBank's website through November 14, 2016.
- 3. RESERVATION OF HSP SUBSIDY:** To reserve funds for a household the member must submit a Reservation Workbook (which includes the HSP Funds Reservation and Income Calculation Worksheet) and supporting income documentation.
[REFER TO RESERVATION OF FUNDS](#)
FHLBank will notify the member when the HSP reservation has been approved/denied. Reservations are accepted March 7 through November 14, 2016, until the monthly member limit has been reached, or the grant funds have been exhausted.
- 4. CLOSING:** The transaction may close after FHLBank approves the reservation and income. The HSP subsidy is advanced by the member at closing and reimbursed to the member by FHLBank after approval of the member's disbursement request. Closing documentation is required by FHLBank.
[REFER TO DISBURSEMENT \(REIMBURSEMENT\) OF GRANT FUNDS](#)
- 5. DISBURSEMENT/REIMBURSEMENT OF GRANT FUNDS:** After closing, member will submit an HSP Disbursement Request Form, final Closing Disclosure (CD), recorded Real Estate Retention Agreement and homebuyer education certificate. Additional documentation may be required. FHLBank will notify the member when the HSP Disbursement Request has been approved/denied. Disbursement requests are accepted through December 5, 2016, and funds must be disbursed to the member on or before December 31, 2016.

The HSP subsidy may not be used for home purchases closed prior to reservation and income approval or prior to the HSP funding period as outlined in [MEMBER ELIGIBILITY](#).

TrueShare

Registration, Reservation and Disbursement documentation is required to be submitted via TrueShare. TrueShare is a secure cloud-based document storage site that facilitates large file sharing. The use of TrueShare allows HSP staff to compile the documentation from members and process it in the order that it was received. Registration, Reservation and Disbursement documentation will not be accepted by any other means of transmission. All HSP participants must to enroll to access TrueShare. Instructions and the enrollment form can be found on our website.

Reservation *of* Funds

Reservation of HSP funds can be submitted starting March 7, 2016, by registered members. Reservations are on a first-come, first-served basis. Reservations must identify a specific homebuyer and a specific property address. Reservations without a property address are not accepted.

To reserve funds, the member must submit a Reservation Workbook (which includes the HSP Funds Reservation Form and Income Calculation Worksheet) and supporting documentation as required by FHLBank's Income Calculation Manual. The Reservation Workbook can be found on our website .

HSP FUNDS RESERVATION FORM

- ▶ All sections must be completed
- ▶ Enter the address of the **property the homebuyer is purchasing**
- ▶ Maximum subsidy per household is \$5,000
- ▶ If the HSP funds will be used for repair expenses, refer to [ELIGIBLE USE OF GRANT FUNDS](#)
- ▶ Must be signed by an authorized representative of the member included on the FHLBank Credit Authorization or FHLBank Credit Resolution
- ▶ Closing must occur AFTER reservation and income are approved by FHLBank

FHLBank will reserve funds upon receipt of all required documents. The contact listed on the HSP Funds Reservation Form is notified when the funds are reserved. Complete reservation packets must be received by FHLBank in order to reserve funds.

ADDITIONAL REQUIREMENTS

A. PROPERTY ADDRESS CHANGES: The homebuyer and the property address submitted for disbursement must match the homebuyer and property address identified on the HSP Funds Reservation Form. Reservations **cannot** be transferred to other homebuyers or other properties.

B. CANCELLATION: Members may cancel a reservation by notifying FHLBank in writing.

C. TIMING: HSP subsidy may not be used for home purchases closed prior to:

- ▶ 2016 HSP funding period
- ▶ FHLBank approval of reservation and income.

D. HOMEBUYER EDUCATION: The homebuyer must participate in homebuyer education offered by an approved provider for the state in which the home is being purchased. Completed homebuyer education is not required at reservation.

[REFER TO HOMEBUYER EDUCATION](#)

Homebuyer Education

The homebuyer education must be provided by an approved provider listed on the designated state organization websites shown below and on the HSP web page. Contact your designated state organization for questions about approved providers and course schedules. Below are the state organization websites:

- ▶ Colorado: WWW.CHFAINFO.COM/HOMEOWNERSHIP
- ▶ Kansas: [HTTP://WWW.KSCCCS.ORG/KANSAS-HOMEBUYER.HTML](http://WWW.KSCCCS.ORG/KANSAS-HOMEBUYER.HTML)
- ▶ Nebraska: [HTTP://HOUSINGDEVELOPERS.ORG](http://HOUSINGDEVELOPERS.ORG)
- ▶ Oklahoma: WWW.HOMEBUYEREDUCATION.INFO

For households with more than one homebuyer, only one homebuyer must complete the homebuyer education course and be named on the certificate. The provider must be on the list of the state in which the house is being purchased. The certificate must be signed or initialed by the provider unless the course is taken online. If the course is taken online, the certificate must be signed by the homebuyer. If the certificate does not provide a signature line, the homebuyer or provider may sign in any open space on the certificate.

Disbursement (Reimbursement) of Grant Funds

A. Disbursement requests include:

- 1. DISBURSEMENT REQUEST FORM**
- 2. FINAL CLOSING DISCLOSURE (CD)**
- 3. RECORDED REAL ESTATE RETENTION AGREEMENT**
- 4. HOMEBUYER EDUCATION CERTIFICATE**
5. A complete copy of the property **APPRAISAL** (required **if** the member currently has an ownership interest in or currently holds the mortgage or lien on the property).

B. Disbursement requests are accepted through December 5, 2016.

C. Disbursement requests are submitted after FHLBank approval of reservation and income and after closing.

D. With the exception of the appraisal, all documents listed above are required with every disbursement request and must be received before the disbursement request will be reviewed.

E. When all documents have been received, FHLBank will send a notification of receipt of disbursement request.

F. FHLBank will review the documents and notify the member of the approval/denial of the disbursement request.

G. Upon approval of the disbursement request, FHLBank will transfer grant funds listed on the closing disclosure to the member's DDA. FHLBank will notify the member of approval and transfer of funds.

DISBURSEMENT REQUEST FORM:

- ▶ All sections must be completed.
- ▶ Must be signed by an authorized representative of the Member included on the FHLBank Credit Authorization or FHLBank Credit Resolution.

CLOSING DISCLOSURE (CD): Ensure the Closing Disclosure demonstrates eligibility as follows:

- ▶ The closing did NOT occur prior to reservation of funds and income approval.
- ▶ FHLBank's HSP grant is listed and appropriately labeled. The grant should be labeled as "HSP Grant," "FHLBank Grant," "FHLBank Funds" or similar.
- ▶ The first mortgage interest rate is at or below the FHLBank maximum interest rate in effect as of the date of closing. The interest rate is located at WWW.FHLBTOPEKA.COM/HSP.
- ▶ The second mortgage interest rate is at or below the FHLBank maximum interest rate in effect as of the date of closing. The interest rate is located at WWW.FHLBTOPEKA.COM/HSP.
- ▶ The mortgage term is no less than five (5) years and no greater than forty (40) years.

Disbursement (Reimbursement) *continued*

CLOSING DISCLOSURE (CD) CONTINUED FROM PAGE 12

- ▶ The homebuyer contribution towards down payment, closing costs, or costs paid before closing (PBC) is at least \$500.00. Items PBC can be applied towards this requirement (e.g. homeowner's insurance premiums, application fees, earnest money, appraisal fees, home inspections, etc.); however, they must be listed as PBC by borrower on the Closing Disclosure. Participation in USDA direct loans, USDA Self-Help, Habitat for Humanity, or other mutual self-help housing programs supported by documented sweat equity may be substituted for the \$500 down payment.
- ▶ The homebuyer did not receive cash back at closing.
- ▶ Lender fees (origination fee, document preparation fee, application fee, etc.) do not exceed 4% of the mortgage amount for all mortgages associated with the transaction. (USDA Guaranty fees are not considered a lender fee.)
- ▶ Discount points do not exceed 2.5% of the mortgage amount.
- ▶ Homebuyer Education fee (if applicable) is identified and does not exceed \$500.00.
- ▶ Nonprofit processing fee (if applicable) is identified and does not exceed \$500.00
- ▶ No processing fee is charged by the member for providing the HSP subsidy to the household.
- ▶ The loan terms section (amount, interest rate, etc.) is filled out completely.
- ▶ No debt is being paid through closing (e.g. credit cards, loans, collections, etc.).
- ▶ Repair expenses are included on the Closing Disclosure and are documented by either option below:

Repair expenses are held in escrow and disbursed by the member or closing agent. Any unused funds must be applied to the new first mortgage as a principal reduction or held in escrow to be applied towards future payments.

OR

Repair expenses are listed on the Closing Disclosure with a detailed description of the repair(s) completed. Copies of paid invoices or receipts for repairs paid before closing by the borrower may need to be provided with the disbursement request form.

- ▶ For details on eligible repair expenses, [REFER TO THE ELIGIBLE USE OF GRANT FUNDS](#).

RECORDED REAL ESTATE RETENTION AGREEMENT: The Real Estate Retention Agreement must be signed by the homebuyer and must be recorded. FHLBank cannot process the disbursement request without the recorded retention agreement.

[REFER TO THE RETENTION REQUIREMENTS](#)

HOMEBUYER EDUCATION CERTIFICATE:

- ▶ The homebuyer education must be provided by an approved provider listed on designated state organization websites. See the state organization lists at the links provided on the HSP web page.
- ▶ The provider must be on the list for the state in which the house is being purchased.
- ▶ The certificate must be signed or initialed by the provider unless the course is taken online. If the course is taken online, the certificate must be signed by the homebuyer. If the certificate does not provide a signature line, the homebuyer or provider may sign in any open space on the certificate.

Disbursement (Reimbursement) *continued*

APPRAISAL: A complete copy of the property appraisal (required if the member currently has an ownership interest in, or currently holds the mortgage or lien on the property).

- ▶ The appraisal must be completed within 6 months prior to the date of disbursement and by an appraiser licensed in the state in which the property is located.
- ▶ The purchase price of the property must not exceed the “as is” or “as repaired” appraised value.

Retention Requirements

- A. Homebuyer must agree to a five-year retention period. The homebuyer will maintain ownership of and reside in the property as the primary residence for a period of five years from the closing date or repay a prorated share of the HSP funds as described below.
- B. Member must submit to FHLBank the recorded Real Estate Retention Agreement with the disbursement request. A copy of the recorded document is acceptable.

REPAYMENT OF SUBSIDY: Homeowners who received HSP subsidy may be required to repay a portion of the remaining balance of the grant if they sell or refinance the property prior to the end of the five-year retention period.

- ▶ All subsidies to be repaid must be calculated using FHLBank Topeka's Repayment/Request for Release Worksheet, which can be found on FHLB Topeka's website along with instructions. Use the worksheet to determine whether a repayment is required, the amount to be repaid (if any) and to request a release if the retention period has expired. The Repayment/ Request for Release Worksheet also identifies the documentation FHLBank requires to complete our analysis.
- ▶ If the property is sold before the end of the retention period, a pro rata share of the subsidy calculated to the nearest whole month must be repaid from any net gain unless the unit is sold to a very low-, low-, or moderate-income household, or proxy for such household. The amount of subsidy subject to repayment declines 1/60th each month for 60 consecutive months and is then forgiven.
- ▶ In the case of refinancing before the end of the retention period, an amount equal to a pro rata share of the direct subsidy that financed the purchase, construction or repair of the unit, reduced 1/60th each month for every month the occupying household has owned the unit shall be repaid to FHLBank from any net gain unless the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism described in this section. FHLBank will subordinate to the new loan if necessary.
- ▶ The obligation to repay HSP subsidy to FHLBank terminates after any foreclosure, deed-in-lieu of foreclosure, assignment to the Secretary of the U.S. Department of Housing and Urban Development, or the death of the homeowner.

