

FEDERAL HOME LOAN BANK OF BOSTON
Equity Builder Program
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 the Federal Home Loan Bank of Boston’s Equity Builder Program policies detailed in Attachment D of the current Affordable Housing Program Implementation Plan.

II. Statements of Procedures for the Equity Builder Program (EBP):

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III. Administration:

- A. Roles and Responsibilities
 - a. Administrator: Equity Builder Program Manager
 - b. Authorized Approver: Director/Deputy Director
 - c. Compliance Owner: Deputy Director

- B. Governance
 - a. Approval frequency: Annually
 - b. Review frequency: Annually

- C. Exception Management/Procedure Interpretations: Director/Deputy Director

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 (09/27/2011).

VI. **Related Policies:**

FHLB Boston Affordable Housing Program Implementation Plan, Attachment D - Homeownership Set-Aside Program (available at www.fhlbboston.com).

VII. **Related Desktop Procedures:**

FHLB Boston - Equity Builder Program - Desktop Procedures.

VIII. **Glossary/Definitions:**

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. Found on the Bank's web site at www.fhlbboston.com.

AHP Regulation: The Federal Housing Finance Agency's regulation governing the AHP. Found in the Code of Federal Regulations at 12 CFR Part 1291. A link to the AHP Regulations can be found on the Bank's web site at www.fhlbboston.com.

Bank or FHLB Boston: Federal Home Loan Bank of Boston or FHLB Boston

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

EBP: Equity Builder Program, a component of the AHP

HCI: Housing and Community Investment department of the Bank. Contact information for the department can be found on the Bank's web site at www.fhlbboston.com.

HUD-1: Settlement statement signed by the seller and the buyer at the time of closing.

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

EBP Policy: The governing document for the EBP program. A component of the AHP IP, Attachment D-Homeownership Set-Aside Program.

Seller's Closing Disclosure: Purchase transaction disclosure representing the seller's side of the transaction. This is signed by the seller at the time of closing.

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

Statements of Procedures for the Equity Builder Program (EBP)

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

a. Overview

The EBP is an annual, online application process. The schedule for the EBP funding rounds are timed to coincide with the home-buying season.

Reference: Federal Home Loan Bank of Boston Affordable Housing Program Implementation Plan, Attachment D - Homeownership Set-Aside Program (available at www.fhlbboston.com).

b. Round Preparation

On an annual basis, the Bank will review the list of experienced homeownership counseling agencies and update as needed. The Bank developed the list of experienced homeownership 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 Massachusetts Homeownership Collaborative (in Massachusetts only). This list will be published as part of the online EBP application. Additional preparation steps are performed by HCI and Bank staff and can be found in the EBP Desktop Procedures.

c. Solicitation of Applications

The annual Round Announcement and Notice of Changes will be distributed and published on the Bank's web site within a reasonable timeframe, or at a minimum, 10 to 15 days prior to the opening of the EBP funding round. The audience includes Member chief executive officers and other Member staff, the Bank's Advisory Council, Board of Directors, and other stakeholders such as other Federal Home Loan Banks, and the Federal Housing Finance Agency.

Updates will be included in the notice related to AHP Regulation and AHP Implementation Plan changes affecting the EBP. It will also include information about the application process and instructions, the enrollment period, definitions, eligibility requirements, and all applicable dates.

All member financial institutions are eligible to apply.

d. EBP Application

The EBP Application is a non-competitive process. The Bank does not allocate or commit EBP subsidy funds to individual Members through the EBP application process. Subsidy funds are allocated on a homebuyer-by-homebuyer, first-come, first-served basis through the online enrollment and disbursement process.

Members will complete the online EBP Application, including all appropriate and required data fields, and will submit EBP Applications through the online application system (<https://housing.fhlbboston.com>). Additional information on the EBP Application questions can be found in the AHP Implementation Plan on the Bank's website. At the time an Application is submitted, it will be assigned an EBP Application number. The number scheme is ECCYY-nnn.

Members will be required to identify which homeownership education/counseling agencies from the Bank provided list that they anticipate their borrowers will utilize. The Member may submit a new agency, not listed, with the appropriate homeownership education/counseling curriculum uploaded. The counseling should follow accepted industry standards regarding the purchase and ownership, including maintenance, of the home. The Bank will review the documents and issue a determination to either allow or deny the counseling agency for the purpose of EBP.

- Although a minimum is not required, the Bank recommends a minimum of eight hours of homebuyer education with a counseling component.
- Specific online counseling courses have been reviewed and will be permitted as an acceptable resource for meeting the homebuyer education/counseling requirement, when approved in advance by the Bank.

Members will also execute the EBP Agreement as the final component of the EBP Application. Members are required to upload or fax the EBP Agreement signature page. The online application generates a bar-coded fax cover sheet for the Member in the event the Member chooses to fax in the EBP Agreement signature page.

e. Bank Review and Approval of EBP Applications

The Bank reserves the right in its sole discretion to determine, at the time the application is submitted, whether a Member is eligible to participate in the EBP based on, but not limited to, the borrowing and/or credit status of the Member. In addition, the Bank will consider the Member's past experience and performance with the program when determining eligibility. If, as a result, a Member is deemed ineligible for EBP funding, the Bank will formally notify the Member of this decision.

EBP Applications are noncompetitive and are reviewed for conformance and compliance with the AHP Regulation, as defined in the Bank’s Implementation Plan.

FHLB Boston will review the Member-executed EBP Agreement as part of the application process and will execute the EBP Agreement as part of the review.

EBP Applications will be approved by Executive Vice President/Chief Business Officer.

The timeframe for review and approval of EBP applications is identified in the AHP Implementation Plan and is typically within 14 days after the close of the application submission period.

B. EBP Agreements

Members approved for EBP subsidy funds are required to execute an EBP Agreement as part of the application process and submit it with the online application.

The EBP Agreement is not considered valid until it is signed by authorized Bank staff of the Member, under the FHLB Delegation of Authority pursuant to the Blanket Resolution for Advances, Letters of Credit, and Interest Rate Swaps to draw FHLB Boston advances.

A Member can be approved for EBP subject to proper execution of the EBP Agreement. An approved Member, pending receipt of the Agreement, will not have access to enroll eligible homebuyers until Bank staff records the receipt of the EBP Agreement in the Lotus Notes EBP Applications database.

Once all of the applications have been reviewed and approved, the department will formally collate the Agreement with the executed signature page from the Member along with the executed signature page from the Director of Housing and Community Investment at the Bank.

A link to the fully executed EBP Agreement is provided to the Member as part of the Award Notice. It is also available at <https://housing.fhlbboston.com/>.

C. EBP Award Notifications

The Bank will notify Member applicants of the Bank’s decision by email within a reasonable timeframe, typically less than 14 days from the application submission deadline.

The award email includes the award notification and a link to the executed EBP Agreement.

Members not receiving an approval will receive an unsuccessful email notice and follow-up technical assistance from HCI staff to review the features of the submitted program that did not meet program eligibility.

The department will also post the list of Members approved for participation in the EBP section on the Bank's web site as soon as possible coinciding with the award notifications.

D. Homebuyer Requirements:

All enrollments of homebuyers are done in the Bank's online system at <https://housing.fhlbboston.com> and in accordance with the Federal Home Loan Bank of Boston Affordable Housing Program Implementation Plan, Attachment D - Homeownership Set-Aside Program (available at www.fhlbboston.com).

In addition to the requirements detailed in the current AHP Implementation Plan, HCI will review the following:

- a) Household Income: At or below 80 percent of the HUD area median income (AMI). Should the household income exceed the 80 percent of HUD area median income limit for the property location, the enrollment will be denied. The member will be contacted in advance. (Available at <https://www.huduser.gov>).
- b) Downpayment requirement: Each EBP-assisted household must contribute a minimum of \$500 downpayment toward the purchase of the subject property.
- c) Front-end Ratio: If more than **34** percent 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 sufficient income, or to deny the enrollment. QM and Non-QM mortgage(s) are eligible for the Equity Builder Program.
- d) Homeowner Education/Counseling: Program must have been completed by the homebuyer within 24 months of the enrollment and prior to closing on the purchase of the property. Disbursement of funds may be held or denied without this certificate.
- e) Mortgage Product: Products will be presented for consideration and approved by the Bank. HCI will verify the Member's first mortgage at the time of disbursement when the Closing Disclosure is submitted. Should the mortgage product or lender change, and no longer complies with this requirement, HCI may deny the disbursement.
- f) Member Concession: HCI will confirm that the Member has provided a concession to the buyer prior to disbursement.
- g) Subject Property: HCI will confirm the location of the property by reviewing the executed purchase and sale 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.

- h) Related Party Transactions: 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 may be requested.
- i) Subsidy Retention Agreement-EBP Mortgage and Note: Templates for these documents are located on the Bank's website at www.fhlbboston.com (under the Housing and Economic Growth section) and must be used by the Member to secure EBP funds. The EBP mortgage must be recorded at closing. A copy of the recorded mortgage must be provided to the Bank at the time of the disbursement request and prior to reimbursement of EBP subsidy funds.
- j) Enrollment Expirations: The Member will be notified by email 90 days from the time of enrollment, unless enrolled in an IDA/savings program or similar savings or counseling program. Extensions are available should there be extenuating circumstances.

E. Homebuyer Income Calculation/Enrollment, and Review Requirements

EBP funds are not reserved for a buyer until the enrollment is submitted. EBP funds are not committed until the Enrollment has been approved. Funds are reserved for each homebuyer and are specific to the transaction.

Homebuyer Enrollment Procedure:

Members must submit the homebuyer enrollment via the Bank's online EBP system at <https://housing.fhlbboston.com>. Members will reserve EBP subsidy 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 has a user name and password. First-time users of the system may request a user name and password in this section of the online system. Approval and receipt of a user name and password may take up to 24 hours.

Federal Home Loan Bank of Boston's Equity Builder Program Homebuyer Information, Household Members and Income Worksheet, Authorization to Release form (aka as the EBP disclosure):

Equity Builder Program Homebuyer Information, pages 1-4, must be initialed by at least one adult household member.

Household Members and Income Worksheet, page 5-6, is to be **completed by the household**, verified and signed by the Loan Originator, and certified and signed by the member contact for EBP. 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 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.

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

Tax Returns/IRS Transcripts:

The most recent year signed federal tax return or IRS Transcript is required for each filing adult household member. The tax returns serve as a baseline when comparing the current income documents provided by the Member with the prior years reported income level.

The Member is required to review and provide explanations when changes in employment or levels of income changes are significant, year over year.

For non-filing adult household members, a signed and dated letter from the household member confirming a non-filing status will be acceptable.

Income Calculation:

The Member will be required to complete the Income Calculation section first. Please see the Bank's **Income Calculation Guidelines** for details on how the Bank requires income to be calculated. They can be found at www.fhlbboston.com under the Housing and Economic Growth section.

In the Income Calculation section of the online system, the Member must enter information for each household member. Only adults, 18 years and older, residing in the household must have income identified or provide an executed Zero Income Certification (available on the Bank's website).

- Social Security income received by the household on behalf of a minor child should be included in the Income Calculation.

An executed purchase and sales agreement for the specified property with a current closing date will be required.

When the basic 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. It is imperative that the data be entered into the Income Calculation section correctly. 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 has 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 annual income calculated to be sure that it is correct before submitting the income calculation and backup documentation.

Note: Paystubs are the Bank's preference when submitting income documentation.

Once the income calculations section has been completed, the Member may proceed to enrollment to reserve funds.

Enrollment:

The Bank requests that Members submit enrollments at least 15 business days prior to the scheduled closing for the purchase transaction. This will permit the department sufficient time to review the submitted income documentation. Enrollments submitted less than 15 business days prior to closing will be processed as quickly as time allows. In all cases, proper communication should be provided to meet any extenuating deadlines associated with enrollment.

- The first third of a Member's annual enrollment cap must be designated first-time homebuyers based on the definition provided by the Bank (see the AHP Implementation Plan for the definition).

The Member must enter all information pertaining to the mortgage product, total housing payment, homebuyer's front-end ratio, amount of EBP subsidy funds being reserved (up to the maximum HH cap), and any required explanations for deviations outside of Bank's thresholds.

Once all the information is entered into the Enrollment section, the Enrollment is submitted to the Bank for review and approval. Upon approval, the member will be notified by email and the EBP subsidy funds will be committed to transaction specific household.

Review:

All homebuyer enrollments will be reviewed in accordance with the FHLB Boston Affordable Housing Program Implementation Plan, Attachment D - Homeownership Set-Aside Program (available at www.fhlbboston.com) and the EBP Desktop Procedures.

Review will begin within 10 business days from the initial Enrollment submission. HCI staff may follow up with the Member to address any questions or concerns.

Note: Transactions submitted during the AHP application review period may take longer as staff resources are limited.

The Bank will also review the enrollment for any potentially fraudulent or subprime/predatory characteristics.

Denial:

An email will be sent and/or a phone call made to the Member notifying them of the decision. The Member will be provided with an opportunity to cure any deficiencies, unless the total household income exceeds the AMI limit for the location of the subject property.

F. Time Limits and Extensions

After an enrollment request is submitted and the Bank approves it, the amount of EBP 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. The Bank 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 the Bank’s expectation that when a homebuyer’s request for financing is cancelled or denied, the Equity Builder funds will also be cancelled, as soon as it is known by the Member. This will allow the funds to be placed back into the pool for other homebuyer’s and other Members’ use.

Expiration of an Approved Enrollment:

The Member will receive an automated email one week 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.

Extensions:

On a case by case basis, the Bank, in its sole discretion, may grant an extension. The EBP Manager should be contacted to discuss the Enrollment. The Member may need to provide documents for consideration of the request. 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. Extensions are granted for an additional period of up to 90 days.

The Member will be notified via email or phone once the decision has been made. If an extension is denied, the Member will be notified prior to an enrollment being withdrawn. In the event that an enrollment is withdrawn, the withdrawal amount will be added back to the Member’s enrollment cap and to the EBP pool.

Members can view the expiration/extension dates of all enrolled buyers through the secure EBP Application website by clicking on the “Manage My Approved Homebuyer Income Calculations/Enrollments.”

Outstanding Documentation:

Enrollments with outstanding documentation will not be denied or withdrawn within the 15 business days, provided that the Member is working to obtain the documentation. However, if the Member is unable to submit complete and sufficient documentation

within 20 business days and/or questions regarding the enrollment cannot be resolved, the Bank retains the sole discretion to withdraw or deny the enrollment.

The Member will be notified via email or phone once the decision has been made. In the event that an enrollment is withdrawn, the withdrawal amount will be added back to the Member's enrollment cap and to the EBP pool.

G. Subsidy Disbursement Requests, Requirements and Review

Disbursement Request

Members must request the funds using the Bank's online system (<https://housing.fhlbboston.com>). Member 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 funds for an enrolled homebuyer.

Members must provide a member-originated eligible mortgage loan to the EBP-assisted homebuyer as detailed in the FHLB Boston Affordable Housing Program Implementation Plan, Attachment D - Homeownership Set-Aside Program (available at www.fhlbboston.com) and the EBP Desktop Procedures. If the mortgage loan product being offered to the homebuyer is provided by a third party entity (finance housing agency) or an affiliated wholly-owned 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 the Bank. The Member must be the lender of record for the EBP subordinate Mortgage and Note. The EBP Mortgage cannot be assigned.

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

Member's Responsibility:

- a.) Members should provide, to the closing attorney(s), the **EBP note and mortgage found on the Bank's website. The most current version should be used for execution at all times.**
- b.) When the EBP is being offered to a homebuyer that will also receive a FHA loan product, a deed restriction document is available for execution and recording. The Member will need to notify the Bank, in advance of closing, for further instructions.
- c.) Member's should review and approve the Closing Disclosure/Seller's Closing Disclosure, in advance of the closing, to insure that the EBP grant is properly noted and that the Member's concession provided to the household has been reflected on the Closing Disclosure.
- d.) **No cash back to the home buyer is allowed at closing in excess of \$250.** The Member shall make every attempt to insure that the EBP funds are used at the time of closing to directly benefit the homebuyer through downpayment and closing costs coverage. If a household is to receive more than \$250 cash back at closing, the first

option would be to reduce the EBP grant amount. In the second option, the Member will apply all EBP subsidy exceeding such amount that is beyond what is needed at closing for closing costs and the approved mortgage amount 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 Step 2, the Bank must be notified in advance of the closing and/or as soon as possible.

- e.) A copy of the signed Closing Disclosure/Seller's Disclosure and Bank-provided EBP mortgage/retention document are to be retained on file by the Member for future review by the Bank or its auditors/regulator, if necessary.

Rehabilitation Using EBP Funds:

When EBP funds are being used for rehabilitation of the subject property, the Member will be required to provide additional documentation.

- 100 percent of the work must be completed in a satisfactory manner.
- Closing Disclosure must evidence the escrowed funds retained by the Lender for the completion of the repairs.
- Documentation 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 also 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.

Closing Attorney's Responsibility:

- a.) To ensure that the Closing Disclosure/Seller's Closing Disclosure is signed and dated by all parties and evidences the entire EBP assistance, total contribution of funds by the homebuyer/borrower, and any payments made outside of closing.
- b.) To ensure that the current Bank-provided EBP mortgage and note is executed, recorded, and returned to the Member financial institution with the recording information (stamped by the recording office).

Requirements

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

Prior to disbursement of EBP funds by the Bank to a Member, the Member must certify that the EBP funds will be provided to homebuyers meeting the eligibility requirements of §1291.6(c). See the attachment to the EBP Agreement.

The Member must submit all required documentation with the disbursement request. The Bank allows up to 15 business days to execute a reimbursement to the Member once all documentation has been received and reviewed in accordance with the Policy and EBP Desktop Procedures.

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 adequately 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 institution.

Review

Compliance Review and Reporting for Disbursements:

Prior to issuing a reimbursement of EBP funds to a Member, the EBP Manager or HCI-designated staff member reviews the Member's Homebuyer Enrollment/Disbursement in accordance with the Policy and the EBP Desktop Procedures.

- a.) HCI will review the documentation provided in order to meet regulatory compliance and satisfactory data entry for the Data Reporting Manual (DRM). Analysis of the front-end ratio (housing debt to income) is required and any instance above 34 percent requires additional explanation. HCI has sole discretion on acceptance of the member's explanation.
- b.) Two Steps: Review of the disbursement request is done initially by the EBP Manager or other designated staff member. The next level of staff approves the transaction and, if in agreement, will process the disbursement electronically. An email is sent to the member.
- c.) Upon disbursement, an email will be sent to the Member contact alerting him/her that the EBP funds have been deposited to the Member's IDEAL WAY account here at the Bank. Each transaction is listed in an electronic file for Bank Operations, which is created by an agent daily at 3:45 p.m. Funds are available to the Member after 4:00p.m. on the day of disbursement.

When cash back to the homebuyer exceeds \$250

Resolution of instances in which home buyers receive cash back exceeding \$250 limit: When a disbursement is submitted and the Closing Disclosure evidences cash back to the borrower in excess of \$250, the HCI staff member reviewing the file will discuss the transaction with the Member. The Member will be provided with several options in order to mitigate the transaction as outlined in section G (c) of this document and the EBP Desktop Procedures.

The Member must submit evidence to the Bank documenting the resolution no later than 15 days after the disbursement request. If evidence is not submitted by the deadline, the Bank may opt to disburse the EBP funds, less the amount of unexplained cash back exceeding \$250. The Bank reserves the right to extend this deadline on a case-by-case basis when documentation is provided showing progress towards resolving the oversight.

H. Sale, Refinance/Subordination, and Foreclosure

If during the first five years of the EBP mortgage, the property is sold, title is transferred, a refinance, or a foreclosure occurs, it is required that all lenders (including the Bank), be notified at the time of the new transaction is originated.

The Bank will perform all recapture calculations.

Refinancing an EBP-Assisted Home

If the transaction is for the purpose of refinancing:

- a.) The EBP mortgage may remain in place and can be subordinated to the new mortgage loan.
 - If subordinated, repayment calculations will not apply.
 - The Bank has a subordination template that will be made available upon request to the member.
 - Drafting and executing subordination requests are the responsibility of the member.
- b.) If the mortgage is being canceled and replaced, the Member will need to consent to a discharge and then replaces the existing EBP note and mortgage with a new note and mortgage. The discharge, EBP note and mortgage must be reviewed and approved by the Bank prior to execution. The mortgage must be recorded and a copy of the recorded mortgage returned to the Bank.
- c.) If the EBP mortgage is not going to remain in place or be subordinated, the repayment calculation may apply.
- d.) Modification requests due to a change in ownership will be granted at the Bank's sole discretion. Members requesting a modification to the original terms of the EBP note and mortgage should contact the Bank for instructions.

Sale or Transfer of Title of an EBP-Assisted Home

If the transaction is for the purpose of selling the home:

- a.) Repayment will be due from any net gain on the transaction.
- b.) The Bank will make all reasonable efforts to determine that the new purchaser of the AHP assisted home is a low- or moderate-income household. If the Bank cannot conclude that the subsequent purchaser is, or is likely to be, low-or moderate-income, then the selling household must repay the pro rate amount of the AHP subsidy from any net gain realized upon the sale, as is currently required.
 - The Bank will review the original EBP transaction documents
 - The Member will provide current transaction and/or new homebuyer information, if available

In the Event of Foreclosure

Per the AHP Regulation, the homebuyer's obligation to repay AHP subsidy terminates after any foreclosure within the five-year retention period.

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.

The Bank's Housing and Community Investment department is to be notified of any foreclosures, pending, or sales in lieu of foreclosure. The department tracks the number of foreclosures resulting primarily from data purchased from RealtyTrac, legal notices

received, and/or other methods. The department will report this information to the Housing and Community Development Committee of the Board semiannually.

The Repayment Calculation – All calculations are done by the FHLB Boston

- The FHLB Boston will review the HUD-1 Settlement Statement (HUD-1) or Closing Disclosure(s) from the original closing as compared to the Seller’s Closing Disclosure for the current transaction in order to determine if there is a net gain to the borrower on the transaction.
- The net gain calculation takes into account the difference between the original purchase price and the current sales price or in a refinance, the new loan amount, including the closing costs, in each of the transactions.
- If there is no net gain, there is no repayment of the EBP funds.
- If there is a net gain, the repayment is pro-rated over the five-year period based on the original closing date and the current date of the transaction. Credit is given for the period of time that the borrower owned their home. Repayment is due only for the remainder of the five-year EBP retention period.
- If the net gain is greater than the repayment due on the EBP funds, the full amount of the EBP repayment will be due. However, if the net gain is less than the repayment due on the EBP funds, the maximum collected will be the amount of the net gain.
- Repayments of all EBP subsidy funds made to the Member must be returned to the Bank.

Calculation Examples

- Example 1 - Refinance without a Subordination with Net Gain: Home originally purchased 12/01/2009 for \$200,000 with \$10,000 EBP is refinanced for a new loan amount of \$250,000 on 12/01/2012. Net gain of \$50,000, which requires a repayment. The \$10,000 EBP is pro-rated to \$2,000 per year. Three years of the five-year EBP period have passed. Therefore, the \$4,000 for the remaining two years must be repaid.
- Example 2 – Refinance without a Subordination No Net Gain: Home originally purchased 05/08/2010 for \$232,000 with \$10,000 is refinanced for a new loan amount of \$190,000 on 05/08/2012. Net “loss” of \$42,000, which requires no repayment of EBP funds.
- Example 3 – Sale of Home with Net Gain: Home originally purchased 01/02/2009 for \$150,000 with \$10,000 EBP is sold for \$180,000 on 01/02/2013. Net gain of \$30,000, which requires a repayment. The \$10,000 EBP is pro-rated to \$2,000 per year. Four years of the five-year EBP period have passed. Therefore, the \$2,000 for the remaining year must be repaid.
- Example 4 – Sale of Home No Net Gain: Home originally purchased 06/10/2010 for \$210,000 with \$10,000 EBP is sold for \$195,000 on 06/10/2012. Net loss of \$15,000, which requires no repayment of EBP funds.

Calculation Specifics

- **Net Gain on Sale of a Home:**
Using the HUD-1 Settlement Statement or Closing Disclosure from the original purchase of the home and from the pending sale, **net gain** is defined as the sales price of the home (Seller’s Closing Disclosure: Sales Price (of the property) (top of page), minus the

original purchase price and purchase-related closing costs (Line 120 from the original HUD-1 or Borrower's Transaction, page 3, section K: Due from Borrower at Closing), and costs associated with the sale (Seller's Closing Disclosure: Page 1, Seller's Transaction, section N: Due from Seller at Closing, line 02, plus other costs such as seller concessions, as determined by the Bank; lines 08-12).

- **Net Gain on Refinance of a Home:**

Using the HUD-1 Settlement Statement or Closing Disclosure from the original purchase of the home and from the pending refinance, **net gain** is defined as the new loan amount (Closing Disclosure, page 1, loan amount), minus the original purchase price and purchase-related closing costs (Line 120 from the original HUD-1 or Borrower's transaction, section K: Due from Borrower at Closing) and costs associated with the refinance (Closing Disclosure, page 3, Borrower's Transaction, section K: line 03).

Notification and Process

Once the Member has notified the Bank, the EBP Manager will request a copy of the draft Closing Disclosure/Seller's Closing Disclosure for the sale or refinance.

Bank staff will review and calculate the net gain/recapture amount.

The Bank will notify the Member by email of the amount due and request a final Closing Disclosure/Seller's Closing Disclosure from the closing.

The Member is responsible for discharge or release of the EBP mortgage and/or note. While the Bank may be asked to consent to such discharge on a case-by-case basis, the Bank does not obtain evidence that the discharge or release is completed.

Recapture of Funds

In the event of recapture of EBP subsidy funds:

- a.) If requested by the Member, the Bank will provide documentation of the calculation to the Member;
- b.) The Member will be instructed to send recaptured funds to the Bank;
- c.) The EBP Manager will enter the recapture amount once received into the EBP Applications database and the chronological record and forward the check and information to the Accounting department.

The Bank will make the recaptured funds available for other applications for set-aside funds or for other AHP-eligible projects, as determined by the AHP Implementation Plan.

In other atypical situations requiring recapture, the Bank may require additional information and documentation.

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 grant subsidy. In accordance with the EBP 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 mortgage 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 possible fraud related to a purchase or sale of a loan using EBP to HCI. The fraud may result from:

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

The Bank and the department have established policies and are committed to implementing and maintaining processes and controls to discover fraud. The Member is expected to support the Bank's efforts in addressing fraud by immediately providing written notification of any suspected fraudulent activity in relation to their dealings with the Bank. Should the Member discover or suspect an instance of fraud related to an Bank business transaction, which may include any material misstatement, misrepresentation, or omission, such party must notify the Bank immediately.

Requirements for the Bank

In the event that the Bank is notified of any misstatements, etc., the Bank will collect all appropriate information and documentation, review said information, and act appropriately per the AHP Regulation and the Bank's policies and procedures.