



**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 Equity Builder Program policies detailed in Attachment D of the current Affordable Housing Program Implementation Plan.

The Federal Home Loan Bank’s Housing Our Workforce is not regulated by the Finance Agency’s Affordable Housing Program Regulation but has separate policies similar to 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: 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). This does not apply to the HOW Program.

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

VI. Related Policies:

FHLBank Boston Affordable Housing Program Implementation Plan, Attachment D - Homeownership Set-Aside Program, and Housing Our Workforce Policy. The first two are available at www.fhlbboston.com.

VII. Related Desktop Procedures:

FHLBank Boston - Equity Builder Program and Housing Our Workforce - 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 website at www.fhlbboston.com. This does not apply to the HOW Program.

AHP Regulation: The Federal Housing Finance Agency’s regulation governing the AHP and EBP. 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 website at www.fhlbboston.com.

AMI: Area Median Income

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

Disbursement: This is the final step in the EBP/HOW process. The Member funds the grant at the closing. Once the loan to the borrower 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 income 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

HCI: Housing and Community Investment department of FHLBank Boston. Contact information for the department can be found on the FHLBank Boston’s website at www.fhlbboston.com.

HOW: Housing Our Workforce, serving income households greater than 80% AMI and up to 120% of AMI. Please refer to Attachment A, Homeownership Assistance Programs for EBP and HOW comparisons.

HOW Policy: The governing document for the HOW program since it is not a part of FHLBank Boston’s AHP regulation and AHP Implementation Plan.

MAR: Member Action Required is when FHLBank Boston will release the file back to the Member if missing pertinent/required documentation.

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

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

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

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

a. Overview

Equity Builder Program (EBP) offers Members grants to provide households with incomes at or below 80 percent of the Area Median Income (AMI) toward down-payment, closing-cost, homebuyer counseling, and rehabilitation assistance. Housing Our Workforce (HOW) offers two-to-one matching grants to households earning more than 80 percent and up to 120 percent of the AMI toward down-payment assistance only. The programs are procedurally similar except for a few minor areas that are highlighted in FHLBank Boston's procedures. Both programs are designed to assist homebuyers who are purchasing owner-occupied primary residences.

Both EBP and HOW are annual online application processes. The schedule for the EBP/HOW funding rounds is timed to coincide with the homebuying seasons.

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

Additional reference for HOW: HOW Policy.

b. Annual Funding Round Preparation

On an annual basis, FHLBank Boston 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 Massachusetts Homeownership Collaborative (in Massachusetts only). This list will be available as part of the online EBP application. Additional preparation steps are performed by HCI and FHLBank Boston staff and can be found in the EBP Desktop Procedures.

The rates and fees charged to the homebuyer shall 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 Federal Housing Finance Agency, and Bankrate as sources in addition to sampling prior year disbursements. The annual process is documented in FHLBank Boston's EBP/HOW Desktop Procedures.

c. Solicitation of Applications

The annual Round Announcement and 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 chief executive officers and other Member staff, FHLBank Boston'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. The AHP Regulation and AHP Implementation Plan is not applicable to HOW.

All Members are eligible to apply unless there is a Community Support Restriction as noted in Section e below.

d. EBP/HOW Applications

Both EBP and HOW Application are a noncompetitive process. FHLBank Boston does not allocate or commit EBP/HOW grant funds to individual Members through the EBP/HOW application process. Grant funds are allocated on a homebuyer-by-homebuyer, first-come, first-served basis through the online enrollment and disbursement process. The Members must complete separate applications for both programs because they have varying guidelines and requirements.

Members will complete the online EBP and HOW Applications, including all appropriate and required data fields, and will submit EBP and HOW Applications through the online application system (<https://housing.fhlbboston.com>). Additional information on the EBP and HOW Application questions 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 EBP and/or HOW Application number. The number scheme for EBP is ECCYY-*nnn*. The number scheme for HOW is WCCYY-*nnn*.

Members will be required to identify which homeownership education/counseling agencies from FHLBank Boston's provided list that they anticipate their borrowers will utilize. Members may submit a new agency, not listed, with the appropriate homeownership education/counseling curriculum uploaded. The education/counseling must follow accepted industry standards regarding the purchase and ownership, including maintenance, of the home. FHLBank Boston will review the documents and issue a determination to either allow or deny the education/counseling agency for EBP and/or HOW. This is a requirement for both programs.

Although a minimum is not required, FHLBank Boston recommends a minimum of eight hours of homebuyer education with a counseling component. **Homebuyer education and counseling is required for both EBP and HOW.**

The use of online education/counseling through either Frameworks or eHome America will be permitted, but only through the FHLBank Boston's list of recognized education/counseling agencies. If a homebuyer completes online education/counseling directly through Frameworks or eHome America, the Members are required to ensure the homebuyer completes the post-counseling component. FHLBank Boston will not permit other online education/counseling agencies other than Frameworks and eHome America.

Members will execute the EBP and/or HOW Agreements as the final component of the EBP and/or HOW Application. Members are required to upload or fax the EBP and/or HOW Agreement signature page. The online application generates a bar-coded fax cover sheet for the Member in the event the Member chooses to fax the EBP and/or HOW Agreement signature page. These are two separate agreements and applications for Members.

e. FHLBank Boston Review and Approval of EBP and HOW Applications

FHLBank Boston 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 and HOW programs 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. If, as a result, a Member is deemed ineligible for EBP and/or HOW funding, FHLBank Boston will formally notify the Member of this decision.

Additionally, Federal Home Loan Bank Members are subject to the Community Support Requirements (12 CFR 1290). To ensure that these standards are met, the FHLBanks' regulator, the [Federal Housing Finance Agency](#), will review the membership biennially to insure compliance. If it is determined that a Member falls under FHFA "restriction" status as a result of the Community Support process, they will be ineligible to participate in EBP or HOW.

EBP Applications are noncompetitive and are reviewed for conformance and compliance with the AHP Regulation, as defined in the FHLBank Boston's Implementation Plan. HOW Applications are also noncompetitive and are reviewed for conformance and compliance with FHLBank Boston's HOW policy because it is not affiliated with the AHP Regulation and FHLBank Boston's AHP IP.

FHLBank Boston will review the Member-executed EBP and/or HOW Agreement as part of the application process and will execute the EBP Agreement as part of the review.

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

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

B. EBP and HOW Agreements

Members approved for EBP and/or HOW grant funds are required to execute EBP and HOW Agreement as part of the application process and submit it with the online application. These are two separate agreements and applications for Members.

The EBP and/or HOW Agreement is not considered valid unless it is signed by authorized staff of the Member. This person is an individual signing on behalf of the Member and has been designated and authorized to enter into this Agreement pursuant to its current user entitlements on file with FHLBank Boston. Please note that this authorized user may not be the Member's EBP and/or HOW main point of contact.

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

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

C. EBP and/or HOW Award Notifications

FHLBank Boston will notify Member applicants of FHLBank Boston’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 and/or HOW Agreement.

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

HCI will post the list of Members approved for participation in the EBP and/or HOW section on FHLBank Boston’s website as soon as possible coinciding with the award notifications.

D. Homebuyer Requirements:

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

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

a) Household Income:

Equity Builder Program: At or below 80 percent of the HUD AMI. Should the household income exceed the 80 percent of HUD AMI limit for the property location, the enrollment will be denied. The Member will be contacted in advance of the denial. (Available at <https://www.huduser.gov>).

Housing Our Workforce: Greater than 80 and up to 120 percent of the HUD AMI. Should the household income exceed the 120 percent of HUD AMI limit for the property location, the enrollment will be denied. The Member will be contacted in advance of the denial. (Available at <https://www.huduser.gov/portal/datasets/NSP.html>. Select Under Other Resources/NSP Income Limits/Data on the FY current year’s income limits.)

- b) Down-payment requirement: Each assisted household must contribute a minimum of \$500 down payment toward the purchase of the subject property. EBP and/or HOW grant funds cannot be used for refinancing an existing home or for reimbursement of earnest deposits or cash down payment.
- c) Down payment match: The HOW grant program is a two-to-one match of down payments made at time of purchase by eligible homebuyers. For example, if a homebuyer makes a \$1,000 down payment, FHLBank Boston will provide a \$2,000 match. Members approved to participate in the program may make enrollment requests of up to \$20,000 per homebuyer from the pool of funds to assist income-eligible households on a first-come, first-served, homebuyer-by-homebuyer basis. The down payment must be evidenced on the executed purchase and sale agreement. There is no match requirement for the EBP.
- d) Home Purchase Price Limit: Under the HOW program, 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. The limits are based on the Average Area Purchase Prices for Mortgage Revenue Bonds from 26 CFR 6a.103A-2: Qualified mortgage bond and are also revised annually. For 2019, the program will utilize Rev. Proc. 2018-28. There is no purchase price limit for EBP.
- e) Front-end Ratio: If more than 37 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. If the homebuyer's housing ratio exceeds FHLBank Boston's maximum, reasonable compensating factors will be required. Some 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. It is the Member's responsibility to review each enrollment/household based on their first mortgage underwriting. QM and Non-QM mortgage(s) are eligible for the EBP/HOW.
- f) 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. This is required for both EBP and HOW.
- g) Mortgage Product: Products will be presented for consideration and approved by FHLBank Boston. At disbursement, HCI will verify that the Member provided the first mortgage by reviewing the Closing Disclosure. In addition, HCI will verify that the mortgage product was a conventional fixed-rate, conventional adjustable-rate, or FHA product. Should the mortgage product or lender change, and no longer comply, HCI may deny the disbursement.
- h) Member Concession for **EBP only**: 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) *Below market interest rates (must be supported by standard rate sheets to determine the homebuyer received a discounted rate)*
 - (c) *Expanded underwriting standards (must be supported with a memo explaining the waiving or expansion of the Member's underwriting in conjunction with their standard guidelines and/or procedures); or*
 - (d) *Lender credit, down-payment assistance or other cash contributions made by the Member at closing.*
- h) 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.
- i) 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 will be requested. Some 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.
- j) Grant Retention Agreement - EBP and/or HOW Standard Mortgage or Deed Restriction for FHA loan products and Note: Templates for these documents are located on FHLBank Boston's website at www.fhlbboston.com (under the Housing and Economic Growth section) and must be used by the Member to secure EBP and/or HOW funds. The EBP and/or HOW standard mortgage or deed restriction for FHA loan products and note must be recorded at closing. A copy of the recorded standard mortgage or deed restriction for FHA loan products must be provided to FHLBank Boston at the time of the disbursement request and prior to reimbursement of EBP/HOW grant funds.
- k) 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. All HOW transactions must be closed and disbursed prior to the current yearend.

Homebuyer Income Calculation/Enrollment, and Review Requirements

EBP/ HOW funds are not reserved for a buyer until the enrollment is submitted to 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.

Homebuyer Enrollment Procedure

Members must submit the homebuyer enrollment via FHLBank Boston's online EBP or HOW system at <https://housing.fhlbboston.com>. 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 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. Members are required to manage the number of user ID requests and are limited to six.

Federal Home Loan Bank of Boston's Equity Builder Program Disclosure and Housing Our Workforce:

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**, validated and signed by the Loan Originator, certified and signed by the member contact for EBP/HOW. 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.

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 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 income level reported in the prior year.

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 is acceptable.

Income Calculation

The Member will be required to complete the Income Calculation section first. Please see FHLBank Boston's **Income Calculation Guidelines** for details on how FHLBank Boston 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, defined as 18 years and older, residing in the household must have income identified or provide an executed Zero Income Certification (available on FHLBank Boston's website).

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

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. 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 it is correct before submitting the income calculation and backup documentation.

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

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

Enrollment

FHLBank Boston requests that Members submit enrollments at least 15 business days prior to the scheduled closing for the purchase transaction. This will give 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.

For EBP, the first third of a Member's annual enrollment cap must be designated first-time homebuyers based on the definition provided by FHLBank Boston (see the AHP Implementation Plan for the definition). **There is no requirement for HOW homebuyers to be a first-time homebuyer.**

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.

Review

All homebuyer enrollments will be reviewed in accordance with FHLBank Boston's Affordable Housing Program Implementation Plan, Attachment D - Homeownership Set-Aside Program (available at www.fhlbboston.com), EBP/HOW Desktop Procedures and FHLBank Boston's guidelines titled Red Flags for Housing and Community Investment Department.

Review will begin within 15 business days from the initial enrollment submission. HCI staff may follow up with the Member to address any questions or concerns. Please note that enrollments submitted during the AHP application review period may take longer as staff resources are limited. As part of the review, HCI staff will review the request, including the third-party income documentation to determine income eligibility.

FHLBank Boston will 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.

E. Time Limits and Extensions

After an enrollment request is submitted and FHLBank Boston approves it, 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, as soon as it is known by the Member. This will allow the funds to be placed back into the pool for other homebuyers and Members to 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, FHLBank Boston, in its sole discretion, may grant an extension. The EBP/HOW Manager should be contacted to discuss the extension of 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. Please note that all HOW transactions must be closed and disbursed prior to the current yearend.

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. If an enrollment is withdrawn, the withdrawal amount will be added back to the Member’s enrollment cap and to the EBP/HOW pool.

Members can only withdraw through FHLBank Boston’s website when an enrollment is in Submitted status. If the Member would like to withdraw an enrollment when it is in MAR, they must notify FHLBank Boston. Once an enrollment has been approved, it is the Member’s responsibility to notify FHLBank Boston if an enrollment needs to be withdrawn. The Member must notify FHLBank Boston via email requesting the withdrawal and a brief explanation to notate the enrollment where it was previously approved by an HCI staff member.

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.”

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 sufficient income documentation within 10 business days or if questions regarding the enrollment cannot be resolved. HCI staff will contact the Member via phone before denying and releasing the funds back into the pool.

F. Grant Disbursement Requests, Requirements and Review

Disbursement Request

Members must request the funds using FHLBank Boston’s online system (<https://housing.fhlbboston.com>). 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 must be closed and disbursed prior to the current yearend.

Review:

Members must provide a Member-originated eligible mortgage loan to the assisted homebuyer in accordance with FHLBank Boston’s Affordable Housing Program Implementation Plan, Attachment D - Homeownership Set-Aside Program (available at www.fhlbboston.com), EBP/HOW Desktop Procedures and FHLBank Boston’s guidelines titled Red Flags for Housing and Community Investment Department.

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. As part of the review, HCI staff will review the request, including the third-party income documentation to determine income eligibility. 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.

If the mortgage loan product being offered to the homebuyer is provided by a third-party entity 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 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 to the closing attorney(s) the **EBP/HOW note and mortgage found on FHLBank Boston's website. The most current version should be used and executed at all times as it refers to the current program year.**
- b.) When the EBP/HOW programs are being offered to a homebuyer that will receive a FHA loan product, **a deed restriction document is available for execution and recording and can be located on FHLBank Boston's website. The most current version should be used and executed at all times as it refers to the current program year.**
- c.) If the Member's first mortgage financing includes non-borrowing spouse(s) or person(s) on title, mortgage and deed, it must be reflected on the EBP/HOW Mortgage in accordance with standard mortgage practices.
- d.) Members should review and approve the Closing Disclosure, 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 Closing Disclosure.
- e.) **No cash back to the homebuyer is allowed at closing in excess of \$250.** 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 coverage of eligible costs. If a household is to receive more than \$250 cash back at closing, the first option would be to reduce the EBP/HOW grant amount. In the second option, the Member will apply all EBP/HOW grant exceeding such amount that is beyond what is needed at closing for eligible 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, FHLBank Boston must be notified in advance of the closing and/or as soon as possible.
- f.) A copy of the signed Closing Disclosure and FHLBank Boston-provided EBP/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.

Rehabilitation Using EBP Funds. Not Permitted for HOW:

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 Member 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 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 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).

Requirements

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

Prior to disbursement of EBP/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 EBP/HOW Agreement.

The Member must submit all required documentation with the disbursement request. FHLBank Boston allows up to 20 business days to execute a reimbursement to the Member once all documentation has been received and reviewed in accordance with the Policy and EBP/HOW Desktop Procedures. Please note that the 20 business-day timeframe begins on the day HCI receives all satisfactory documentation for the disbursement request.

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.

Review

Compliance Review and Reporting for Disbursements:

Prior to issuing a reimbursement of EBP funds to a Member, the EBP/HOW 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.

- a.) HCI will review the documentation provided 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 **37** percent requires additional explanation and compensating factors. Examples are referenced on page 7 Homebuyer Requirements. 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/HOW Manager or another 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/HOW funds have been deposited to the Member's IDEAL WAY account at FHLBank Boston. 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 4:00 p.m. on the day of disbursement.

When cash back to the homebuyer exceeds \$250

Resolution of instances in which homebuyers 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 to mitigate the transaction as outlined in section G (c) of this document and the EBP/HOW Desktop Procedures.

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.

H. Sale, Refinance/Subordination, and Foreclosure

If during the first five years of the EBP/HOW standard mortgage or deed restriction for FHA loan products the property is sold, title is transferred, a refinance, or a foreclosure occurs, it is required that all lenders (including FHLBank Boston), be notified at the time the new transaction is originated.

FHLBank Boston will perform all recapture calculations.

Refinancing an EBP/HOW-Assisted Home

If the transaction is for refinancing:

- 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 upon request to the Member.
 - Drafting and executing subordination requests are the responsibility of the Member but reviewed in advance of recording by FHLBank Boston.
- b.) If the mortgage is being canceled and replaced, the Member will need to consent to a discharge and then replace the existing EBP/HOW note and standard mortgage or deed restriction for FHA loan products with a new note and standard mortgage or deed restriction for FHA loan products. The discharge, EBP/HOW note and standard mortgage or deed restriction for FHA loan products must be reviewed and approved by FHLBank Boston prior to execution. The standard mortgage or deed restriction for FHA loan products must be recorded and a copy of the recorded standard mortgage or deed restriction for FHA loan products returned to FHLBank Boston.
- c.) 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.

Sale or Transfer of Title of an EBP/HOW-Assisted Home

If the transaction is to sell the home:

- a.) Repayment will be due from any net gain on the transaction.
- b.) No repayment is due if the sale of the EBP-assisted home is to a low- or moderate-income household or the sale of the HOW-assisted home is to a household with an income of 120 percent of area median income or less, both as determined by FHLBank Boston. FHLBank Boston will make all reasonable efforts to determine that the new purchaser is income eligible based on the program and on documentation as provided. If FHLBank Boston cannot conclude that the subsequent purchaser is, or is likely to be, income eligible, then the selling household must repay the pro-rated amount of the EPB/HOW grant from any net gain realized upon the sale, as is currently required.
 - FHLBank Boston will review the original EBP/HOW transaction documents
 - The Member will provide current transaction and/or new homebuyer information, if available

In the Event of Foreclosure

The homebuyer's obligation to repay the EBP/HOW grant 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.

HCI is to be notified by the Member of any foreclosures, pending, or sales in lieu of foreclosure. 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.

The Repayment Calculation – All calculations are done by FHLBank Boston

- FHLBank 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 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/HOW 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/HOW retention period.
- If the net gain is greater than the repayment due on the EBP/HOW funds, the full amount of the EBP/HOW repayment will be due. However, if the net gain is less than the repayment due on the EBP/HOW funds, the maximum collected will be the amount of the net gain.
- Repayments of all EBP/HOW grant funds made to the Member must be returned to FHLBank Boston.

Calculation Examples

- Example 1 - Refinance without a Subordination with Net Gain: Home originally purchased 12/01/2015 for \$200,000 with \$10,000 EBP/HOW is refinanced for a new loan amount of \$250,000 on 12/01/2018. Net gain of \$50,000, which requires a repayment. The \$10,000 EBP/HOW is pro-rated to \$2,000 per year. Three years of the five-year EBP/HOW 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 05/08/2016 for \$232,000 with \$10,000 is refinanced for a new loan amount of \$190,000 on 05/08/2018. Net “loss” of \$42,000, which requires no repayment of EBP/HOW funds.
- Example 3 – Sale of Home with Net Gain: Home originally purchased 01/02/2014 for \$150,000 with \$10,000 EBP is sold for \$180,000 on 01/02/2018. 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/HOW 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 06/10/2016 for \$210,000 with \$10,000 EBP/HOW is sold for \$195,000 on 06/10/2018. Net loss of \$15,000, which requires no repayment of EBP/HOW 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 Closing Disclosure/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 FHLBank Boston; lines 08-12).

If the homeowner has performed any repairs to the property, these expenses can be used to bring down any net gain realized by the homeowner at time of sale. The homeowner will need to provide detailed receipts (to include homeowner’s name) as well as a written narrative detailing the repairs that were done.

- **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).

If the homeowner has performed any repairs to the property, these expenses can be used to bring down any net gain realized by the homeowner at time of sale. The homeowner will need to provide detailed receipts (to include homeowner’s name) as well as a written narrative detailing the repairs that were done.

Notification and Process

Once the Member has notified FHLBank Boston, the EBP/HOW Manager will request a copy of the draft Seller's Closing Disclosure (with a firm closing date) for the sale or refinance.

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

FHLBank Boston will notify the Member by email of the amount due and request a final executed Seller's Closing Disclosure from the closing.

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.

Recapture of Funds

In the event of recapture 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 will be instructed to send recaptured funds to FHLBank Boston;
- c.) The EBP/HOW Manager will enter the recapture amount once received into the EBP/HOW Applications database and the chronological record and forward the check and information to the Accounting department.

FHLBank Boston will make the recaptured or deobligated funds available to Members through the current EBP/HOW pool, as determined by the AHP Implementation Plan.

In other atypical situations requiring recapture, FHLBank Boston 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/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 possible 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 practices;
- 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 AHP initiatives 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 a FHLBank Boston business transaction, which may include any material misstatement, misrepresentation, or omission, such party must notify FHLBank Boston immediately.

Requirements for FHLBank Boston

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