



Federal Home Loan Bank
NEW YORK

First Home Clubsm Program Guidelines

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Introduction

The Federal Home Loan Bank of New York's ("FHLBNY") First Home Club ("FHC") is a set-aside of the Affordable Housing Program ("AHP") that is designed to assist income eligible first-time home buyers in the purchase of a home. Assistance is provided in the form of matching funds based on the home buyer's systematic savings within a dedicated savings account, up to \$7,500 based on a 4:1 match of household's savings. The FHLBNY's matching funds may be used toward the down payment and/or closing costs for the purchase of a home.

The FHC provides up to \$500 paid to the stockholder institution of the FHLBNY ("Member") towards the defrayment of non-profit housing agency counseling costs. This amount will be added to the FHC grant, resulting in the potential maximum assistance of \$8,000.



First Home ClubSM (FHC) Member Participation

The Federal Home Loan Bank of New York (FHLBNY) has an annual FHC Program and Member Enrollment Cap. Based upon FHLBNY's annual enrollment cap, each *active* and/or *participating* FHC Member is allotted an individual Member enrollment cap for the year. The FHLBNY may, in its sole discretion, limit the number of households Members enroll in the FHC.

Active Members are those who have enrolled households within the prior calendar year.

Participating Members are those who, within the past three calendar years, have either submitted household enrollments or been newly approved to participate in the FHC Program. Both Active and Participating Members will receive an annual written notification regarding their FHC enrollment cap for the year. Members who do not receive written notification and are interested in participating in the FHC Program should contact FHLBNY.

Members may become approved to participate in the FHC program by completing the *First Home Club Member Application* available on the FHLBNY website at <http://www.fhlbny.com/forms/FHC/APP-100.pdf>. Approval is based on compliance with FHLBNY Program Guidelines and submission of appropriate exhibits. Members that do not originate home mortgages may participate if they originate mortgages through a wholly-owned subsidiary.

Only Members in good standing are eligible to participate in the FHC Program. Participation may be revoked at any time at the sole discretion of the FHLBNY if the Member is no longer in good standing with the FHLBNY.

Household Eligibility Requirements

In order to be approved as a qualified Household, eligible for enrollment in the FHC Program, the Household must:

- ❖ Meet the definition of a first-time homebuyer. A first-time home buyer, based upon the U.S. Department of Housing and Urban Development ("HUD") definition, is an individual who meets any of the following criteria:
 - An individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. This includes a spouse (if either meets the above test, they are considered first-time homebuyers).
 - A single parent who has only owned a principal residence with a former spouse while married.
 - An individual who is a displaced homemaker and has only owned a principal residence with a spouse.
 - An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
 - An individual who has only owned a property that was not in compliance with state, local or model building codes and that cannot be brought into compliance for less than the cost of constructing a permanent structure.
- ❖ Reside and agree to purchase in the FHLBNY's district at time of enrollment, namely:



- New York
 - New Jersey
 - Puerto Rico
 - U.S. Virgin Islands
- ❖ Purchase an eligible property type, namely:
- 1-4 family home
 - Condominium
 - Cooperative
 - Manufactured home permanently affixed to a foundation
- ❖ Be enrolled through a participating First Home Club Member.
- ❖ Demonstrate a two-year history of receiving a consistent and reliable stream of income. Reliable streams of income include full time employment (defined as ≥ 32 hours a week), pension, disability award, Social Security, Individual Retirement Accounts, or other recurring sources.
- ❖ College enrolled household members are dependents in the household, eighteen years and older, excluding head or co-head of household, spouse or partner.
- ❖ Meet the income guidelines at the time of enrollment with a total Household income of 80% or less of the area median income for their current place of residence, adjusted for family size, as determined under 26 U.S.C. 143(f), Mortgage Revenue Bonds (“MRB”), as published by a State agency or instrumentality. For the U.S. Virgin Islands only, the median family income for the area, as published annually by U.S Department of Housing and Urban Development (“HUD”), is used.
- Household size is based upon the number of people who will reside in the home being purchased. Divorced or separated households who have joint custody of their children should include the children in their household count, even though the children may live in the household on a part-time basis.
- ❖ Open a dedicated savings account and agree to save systematically on a monthly basis for a minimum of 10 months to achieve an “Equity Goal” as determined by the Household and FHC Member. Any withdrawals from the dedicated savings account must be directly related to the home purchase under the FHC Program.
- ❖ Completion of a homeownership counseling program (minimum 6 hour course).
- ❖ Agree to obtain mortgage financing from the FHC Member, or a wholly owned subsidiary of the Member. The rate of interest, points, fees and any other charges for the mortgage financing that are made to the household in conjunction with the FHC subsidy shall not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms and risk.
- ❖ Agree to sign, at the time of closing, a 5-year Subordinate Mortgage or Declaration of Restrictive Covenant, if applicable, with the FHC Member in the amount of the FHC grant.



- ❖ A Household who currently holds an ownership interest in other real property (*excluding* a time share unit or life estate) may not be considered a first-time homebuyer and therefore is ineligible for FHC assistance), particularly if that household has claimed tax deductions for mortgage interest and property taxes in connection with that property.
- ❖ Ownership of a vacant parcel of land does not constitute a principal residence. A Household that owns vacant land, on which it subsequently builds a home, will be eligible to receive FHC assistance towards the permanent financing.

Eligible and Ineligible Income Sources

The FHC Member is responsible for verifying sources of annual income for Households enrolled in the FHC program and determining income eligibility. Income eligibility is based on the household's projected annual income, which is determined at the time of enrollment with the Member based upon the Occupancy Handbook of HUD. The following lists, although not considered to be all inclusive, identify what does and does not constitute annual income.

What constitutes "income"?

- ❖ Total anticipated income from all sources for the last two calendar years and year-to-date income (at time of enrollment) received by the Household (even if a member is temporarily absent) and by each additional member of the household 18 years or older.
- ❖ The full amount (at the time of enrollment), before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses and other compensation of personal services.
- ❖ The reported net income derived from operation of a business or profession averaged over a two (2) year period as evidenced by the income tax returns. If a household owns 25% or greater of a business the applicable business tax returns are to be provided. Net income, depreciation, depletion, amortization and other losses that are not consistent and recurring will be added back to the business cash flow. Any negative income will count as zero. A year-to-date Profit and Loss ("P&L") Statement prepared by the household must be provided. The P&L must state that these numbers are true and accurate and must be signed by the applicable household(s).
- ❖ Full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts.
- ❖ Income consistently derived from stock portfolio earnings, dividends, and other interest income.
- ❖ Net income of any kind from real or personal property.
- ❖ Payment in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay.



- ❖ Automobile allowance.
- ❖ Alimony and Child Support. (Note: If alimony or child support is not received regularly, and this fact is documented, annual support will be determined by averaging the year to date support received and annualizing that average.)
- ❖ Government/Welfare Assistance.
- ❖ All regular pay, special pay and allowances of a member of the Armed Forces.

What does not constitute "income?"

- ❖ Employment derived from individuals (including foster children) under the age of 18 years. Note: Welfare assistance, SSI, and other non-earned income paid to children are included in annual income.
- ❖ Payments received for the care of foster children or foster adults.
- ❖ Lump sum additions to Household assets (e.g., inheritances, capital gains, insurance policy death benefit payments, settlement for personal/property losses)
- ❖ Amounts received by the household that are specifically for, or in reimbursement of, the cost of medical expenses for any household member.
- ❖ Income of a live-in aide.
- ❖ Mileage reimbursement.
- ❖ Educational scholarships paid directly to a student, educational institution, or a veteran.
- ❖ Earned income tax credits.
- ❖ Unreliable and non-recurring income (e.g., gifts, employee stock option buyouts).
- ❖ The value of food stamp allotments (per §913.106 of the HUD regulations).
- ❖ The special pay to a household member serving in the Armed Forces who is exposed to hostile fire.
- ❖ Deferred periodic payments from supplemental security income and Social Security benefits that are received in a lump-sum amount or in prospective monthly disbursements.
- ❖ Amounts received by the household in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.



- ❖ Amounts paid by a state agency to a Household with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled Household member at home.

Calculating Income Eligibility

Prior to enrollment with FHLBNY, the FHC Member should perform comprehensive employment verification and income analysis of each Household in order to determine their income eligibility as well as their potential to qualify for permanent financing based on the Member's underwriting standards.

Although it is not the intention of the FHLBNY to dictate loan underwriting policies, the FHC Member is responsible for ensuring that each Household who is selected to purchase and occupy a FHC subsidized unit meets the eligibility criteria set forth in the AHP Regulation. The FHLBNY uses the following parameters in determining Household income eligibility:

- ❖ Income eligibility is based on the household's projected annual income at the time of enrollment.
- ❖ The time of approved participation in the FHC is the date that the Household is registered with FHLBNY, after having been reviewed for eligibility by the FHC Member and having opened and started systematically saving in a dedicated account.
- ❖ Household income is determined at the opening of the systematic savings account. Any change in a Household's income following enrollment will not adversely impact eligibility. Only in the event of a change to the Household size prior to the closing date, will the Household income be re-evaluated retroactively to the opening of the systematic savings account.
- ❖ An eligible Household seeking to enroll in the FHC should demonstrate a two-year history of receiving a consistent and reliable stream of income derived through full-time employment, a pension, disability award, Social Security, Individual Retirement Accounts, or other recurring sources. (The FHLBNY will include in its review of household income all sources of earnings, including income derived from overtime, bonuses, commissions, or special allowances.)
- ❖ The net income from the operation of a business or profession averaged over a two (2) year period as determined by the 1040 and if applicable appropriate business Federal Tax Return(s). Depreciation, depletion, and amortization of business income will be included in the income analysis and any negative income will count as zero. A year-to-date P&L Statement prepared by the household. The P&L must state that these numbers are true and accurate and must be signed by the applicable household(s).
- ❖ As a general rule, FHLBNY underwriting standards are as follows:
 - Maximum original Loan to Value ("LTV") is 97.0%
 - Maximum original Loan to Value ("LTV") is 100% for a VA-Guaranteed Loan.



- LTV is calculated using the base mortgage amount.
- Maximum purchase price of \$500,000.
- Maximum Debt to Income (“DTI”) ratio is 55%
 - For DTI \geq 45% and $<$ 50%, at least one (1) mitigating factor required
 - For DTI \geq 50% and = 55%, at least two (2) mitigating factors required
- Examples of mitigating factors are:
 - High credit score and/or good credit history
 - Reserve assets
 - Probability for increased income
 - DTI includes installment accounts with less than 10 payments remaining
 - Low LTV
- ❖ Any income earned by individuals eighteen and over that will be living in the subject property must be verified and included in Household income calculations regardless of their inclusion on a loan application, Deed, Mortgage Agreement or Promissory Note.
- ❖ FHLBNY does not recognize income from a co-signor or loan guarantor.
- ❖ Year-end tax return and/or income documentation from the year of enrollment cannot be utilized to support the Area Median Income limit is \leq 80%.

Income Documentation Requirements

Acceptable forms of income source documents at time of enrollment may include the following:

- ❖ Two (2) years most recent signed 1040 Federal Income Tax Returns and any associated schedules, with applicable W-2 Wage Statements and other income statements such as 1099s. Note: 1099’s \leq \$100 are not required. If a household has 25% or more ownership interest in a business the applicable business tax returns are required.
- ❖ One (1) month of paychecks with accompanying earnings/deductions statements from within two (2) months of the date of enrollment/account opening. In accordance with industry standards, the pay period end date, not the check date, will be utilized in calculating income.
- ❖ Completed and properly executed Fannie Mae Request for Verification of Employment (Form 1005) reflecting income as of the enrollment date.
- ❖ Social Security Supplemental Income notices reflecting income within the year of enrollment/account opening



- ❖ Retirement, disability, and/or unemployment benefit statements.
- ❖ Notice of Decision of Public Assistance Benefit.
- ❖ Section 8 Homeownership Voucher Program approval letter.
- ❖ Court orders verifying alimony awards and/or child support payments.
- ❖ Individuals working under contractual agreements (i.e. teachers) must also provide most recent contract in effect within the year of enrollment/account opening. The contracted salary and any additional income listed above salary will be included in the income analysis.

Submission of First Home Club Household Information

The Gramm-Leach-Bliley Safeguard Rule, the Identity Theft Act, Privacy State Laws and FACTA are some of the legislation enacted to protect consumers from identity theft. To protect borrower information that may be utilized to develop a 'credit profile' if intercepted by an unauthorized third party, the FHLBNY requires that all FHC Household information be submitted through a FHC Member's secure file transfer service or through encrypted email.

Homeownership Counseling

Members must ensure completion of homeownership counseling by the household prior to purchase of a home. Household applicant(s) executing the Enrollment Terms and Conditions form are required to complete homeownership counseling. The homeownership counseling program should be provided by an organization recognized as experienced in homebuyer or homeownership courses and in general, provide a minimum of six hours of either face-to-face or online counseling along with receipt of a completion certificate. While the curriculum may vary amongst agencies, the counseling program should address the following topics:

- ❖ **Requirements of FHC**
Review of topics such as systematic savings process, homeownership counseling and use of the FHC dedicated savings account.
- ❖ **Mortgage Payment versus Rent**
How to assess the issues that should be considered in choosing between renting and owning a home.
- ❖ **Financial Planning for a Home**
How to estimate the mortgage a Household can or should consider affordable. Provide a guide to credit enhancement and maintenance. Assist each Household in establishing a schedule of systematic savings.
- ❖ **Choosing an Affordable Home**
Discuss the procedures in searching, negotiating, and making the offer to purchase.



❖ **Creating a Monthly Budget**

Develop budgeting skills in order to manage money in all aspects of the Household's life. Describe the payments (principal, interest, taxes, and insurance or "PITI") and costs of maintaining a home.

❖ **Contract of Sale**

Explain the signing of the contract and the professional home inspection.

❖ **Mortgage Loan Application**

Assist and explain the application and approval process. Explain verification of income, grants, gift letters, and underwriting procedures.

❖ **Down Payment and Closing Costs**

Explain down payment requirement and the fees paid at closing.

❖ **Closing Documents**

Explain the information provided in the various documents executed at closing and the obligations incurred as a borrower.

❖ **Closing**

Explain the closing day process from scheduling to final preparations and the roles of the parties at the closing table.

❖ **Life as a Homeowner**

Understanding homeownership issues such as the following: payment due dates; late payment penalties; tax benefits of home improvements; how to maintain and improve the home; refinancing choices; importance of keeping good documentation on capital improvements.

❖ **Predatory Lending**

Recognizing and avoiding predatory lending practices before and after purchasing a home. Recognizing traps, scams and costly fees such as private transfer fees (sometimes known as "flip fees").

❖ **Other Topics**

As determined by the FHC Member and/or counseling provider.

Through the FHC, the FHLBNY may provide to the FHC Member, up to \$500 for each household at time of closing, to assist in defraying the cost of the non-profit housing agency counseling depending upon actual cost as confirmed by the FHC Member.



Member Enrollment of First Home Club Eligible Households with FHLBNY

Households are enrolled with FHLBNY on a monthly basis by approved FHC Members through the *Enrollment Period Report*. Reports are due by the tenth of each month and must include Households approved with systematic savings accounts opened in the prior month by the Member.

Retro-enrollments are not eligible for the FHC Program.

The report includes a Certification indicating the FHC Member is confirming the following:

- ❖ The information included in the *Enrollment Period Report* as being true and accurate to the best of their knowledge.
- ❖ The Household's income does not exceed 80% of the family median income, adjusted for Household size, for their current place of residence.
- ❖ The Household(s) are first time homebuyers.
- ❖ The FHC Member has received the FHLBNY *Enrollment Terms and Conditions* ("ETC") form (http://www.fhlbny.com/forms/fhc_104.pdf) from each Household to certify that the information provided to the Member is true and accurate.
- ❖ Files for each Household have been established at the FHC Member's location and contain the documents used to verify income eligibility at time of enrollment.
- ❖ Prior to closing, the Household will have successfully completed a homeownership counseling program.

The FHLBNY reserves the right not to enroll all or any portion of the Households listed in the *Enrollment Period Report*. Retroactive enrollments are not permitted. If extenuating circumstances exist, a FHC Member may contact the FHC at FHC@fhlbny.com.

Enrollment Extension Options

For Households enrolled in 2015 and beyond, extensions are at the sole discretion of FHLBNY. Enrollment extensions are calculated based upon the receipt of the enrollment report and timeframe FHLBNY enrolls the household into the program. Current guidelines for extensions are as follows:

- ❖ For Households enrolled in 2015 and beyond, the maximum timeframe to close and fund is within 24 months. No extension options.



- ❖ For Households enrolled in 2014 only, the maximum timeframe to close and fund is 24 months; however, there is an option for a one-time six month extension upon the FHC Member's request.
- ❖ For Households enrolled in 2013, the maximum timeframe to close and fund is 24 months; however, there is an option for a one-time twelve month extension upon the FHC Member's request.

A Household that has been withdrawn from the program can be considered again; however, that Household must be submitted under a new enrollment period and evidence satisfaction of all program requirements.

First Home Club Dedicated Savings Accounts

The FHC Member will assist each Household in establishing a realistic schedule of systematic savings. The dedicated savings account must evidence continuous and consistent monthly deposits as agreed upon in the *First Home Club ETC Agreement*.

Achieving the equity goal cannot be accelerated by making additional and/or lump-sum deposits. In addition, a pattern of missed and/or lump sum deposits could result in the household being ineligible for the program. The minimum timeframe to meet the equity goal is 10 months.

Any withdrawals from the dedicated savings account must be evidenced by supporting documentation (i.e. copy of check, invoice, or Loan Estimate), verifying the withdrawal is directly related to the purchase of the home under the FHC Program.

Matching Funds

FHLBNY will determine the matching funds based on a 4:1 ratio. For every \$1 deposited into a dedicated account with the FHC Member, under a systematic schedule of savings agreed to by the Member and the Household, the FHLBNY will match with \$4, not to exceed \$7,500 in matching funds per Household.

The FHLBNY will not match funds deposited in other savings accounts including accounts with other institutions. Automatic direct deposits from checking accounts and direct deposits into the dedicated savings account from payroll deductions are acceptable. Funds deposited into the dedicated account that are not the result of systematic savings, will not be included in determining the matching funds.

Use of Matching Funds

The matching funds will be used toward the down payment and/or closing costs for the purchase of a Household's principal residence. FHC funds may also be used in conjunction with other grant programs, including the FHLBNY's competitive Affordable Housing Program. The combined FHC and AHP subsidy may not exceed \$30,000 per Household.

Matching funds may not be used for home ownership counseling costs and expenses.



Depending upon actual cost incurred as confirmed by the Member, additional funds to a maximum of \$500 may be provided to the FHC Member to defray the costs of a non-profit housing agency providing home ownership counseling to FHC households that successfully close on a FHC grant assisted home.

Progress Reporting

FHC Members are required to notify the FHLBNY of any Households who have ceased to participate in, or no longer qualify for, the FHC Program. A *Member Pipeline Status Report* is issued, at minimum on a semiannual basis by FHLBNY. Upon receipt of the report, Members are requested to review the status report and update FHLBNY regarding any changes to the Household statuses and to ensure that the Member's records align with the records of FHLBNY.

Statuses to be updated are as follows:

- ❖ **Extend:** For households approaching their 24-month expiration, refer to *Enrollment Extension Options* section for applicable extension options. Extensions should only be requested for households that are making progress towards the equity goal and are actively looking for a home to purchase.
- ❖ **Withdraw:** No longer active with FHC. Upon reaching the 24th month, FHLBNY will automatically withdraw any household from program unless the Member has requested otherwise.

Household Transfers Between Members

Transfer of Households from an enrolling FHC Member to another participating FHC Member is permissible whenever the enrolling Member is unable to accommodate the first mortgage financing. The acquiring Member must provide their consent to accept the household through completion of the Transfer Notification Form which is located on the website at: http://www.fhlbny.com/forms/fhc_115.pdf. A pre-approval from FHLBNY is not required. The executed Transfer Notification Form should be submitted with the Funding Certification package.

Member Submission of 'Funding Certification Package' to FHLBNY

Within five (5) business days of the issuance of the first mortgage commitment, the FHC Member must submit the First Home Club Funding Certification ("Funding Certification") http://www.fhlbny.com/forms/fhc_105.pdf and accompanying documentation, as outlined below, to the FHC mailbox (FHC@fhlbny.com).

The Funding Certification is a means of attesting that the information provided to FHLBNY is true and accurate. Along with the Funding Certification, the following information must be submitted:

- ❖ **Income Documentation**

Documentation reflecting household income should be submitted as referenced under, "Income Documentation for First Home Club Households."



- ❖ **Fully completed FHLBNY Income Calculation Worksheet**
- ❖ **Fully completed and executed FHLBNY Child Support Statement**
- ❖ **Fully completed and executed FHLBNY Employment Statement**
- ❖ **Copies of FNMA Forms 1003 and 1008**
Copies of FNMA Uniform Residential Loan Application and applicable Uniform Underwriting and Transmittal Summary.
- ❖ **Evidence of Completion of Homeownership Counseling Program**
Copies of completion certificates for homeownership counseling for each Household member executing the FHLBNY Promissory Note is required. Completion certificates cannot be dated older than 2 years at the time the Member submits the Funding Certification Package to FHLBNY.
- ❖ **Copy of Executed *Enrollment Terms and Conditions Agreement***
Agreement must evidence execution at the time of enrollment.
- ❖ **Copy of FHC Member's Mortgage Commitment**
- ❖ **Other documents required at the discretion of the FHLBNY**
At the sole discretion of FHLBNY additional documentation may be requested.

Failure to submit the Funding Certification and accompanying documentation to the FHLBNY within five (5) business days of the issuance of the first mortgage commitment will result in processing delays.

Upon completion of the review and approval of the Funding Certification Package, FHLBNY will issue an email to the Member confirming its commitment of FHC funds.

Completion and Execution of Closing Documentation

The following documents, available on our [website](#), must be executed at the closing between the FHC Member and the Household:

- ❖ **FHC Promissory Note (applicable to Puerto Rico and US Virgin Islands only)**
- ❖ **FHC Subordinate Mortgage**
- ❖ **FHC Declaration of Restrictive Deed Covenant (if applicable)**
- ❖ **FHC Certification of Intent to Record**



Please complete the documents with the applicable information and note the following:

- ❖ Other than the completion of the necessary fields, no alterations may be made to the FHC Subordinate Mortgage or FHC Declaration of Restrictive Deed Covenant.
- ❖ FHC Subordinate Mortgage or if applicable FHC Declaration of Restrictive Deed Covenant must be signed by all individuals listed on title to the subject property.
- ❖ If a household receives subordinate financing provide, loan amount, APR and mortgage term.
- ❖ Required Disclosures based upon mortgage application date, as follows:

For mortgage applications **prior to** October 3, 2015 (*no change*):

- a) Fully executed *HUD-1 Settlement Statement*:

The disbursement of the FHC funds *must be* reflected on the HUD-1 Settlement Statement. The total FHC Grant of Eight Thousand Dollars (\$8,000.00) must be reflected in section 200, "**Amounts Paid by or In Behalf of Borrower**" itemized as FHC Grant. If counseling agency cost defrayal funds are included, the HUD-1 must reflect the total counseling defrayment charges paid to the applicable not-for-profit counseling agency (sum not to exceed \$500 in FHC funds).

- b) Fully executed *Truth In Lending Disclosure*

For mortgage applications **on or after** October 3, 2015:

- a) Fully executed *Closing Disclosure*:

If full FHC amount is not listed on *Closing Disclosure* provide applicable Disclosure(s) reflecting full grant amount itemized as "FHC Grant" and not -for-profit counseling agency fee, if applicable.

- ❖ In accordance with §1291.6(c)(9) of the AHP Regulation, the FHC Member may provide cash back to a Household at closing in an amount not exceeding \$250 above the sum of the items reflected on either the *Closing Disclosure* or *HUD-1 Settlement Statement* as "Borrower Paid Out of Closing" (POCB) or "Borrower Paid
- ❖ Before Closing" listed on the Closing Disclosure in order to partially reimburse the household for any pre-closing expenses directly related to the acquisition of their dwelling, i.e., mortgage application fees, credit report fees, appraisal fees, property inspection fees, or down payment costs.
- ❖ FHC Members must use any FHC grant funds that exceed what is needed at time of closing to cover closing costs and down payment as a credit to reduce the outstanding principal of the first mortgage or as a credit toward the household's monthly payments on the mortgage loan.



Closing Documentation Required by FHLBNY ('Closing Package')

- ❖ Fully executed copies of the following closing documents must be returned to the FHLBNY within 15 days of closing:
 - i. **FHC Promissory Note (applicable to Puerto Rico and US Virgin Islands only)**
 - ii. **FHC Subordinate Mortgage with property legal description as Exhibit A (If a Cooperative provide copy of UCC-1)**
 - iii. **FHC Declaration of Restrictive Deed Covenant , if applicable**
 - iv. **FHC Certification of Intention to Record**
 - v. **Closing Disclosure or HUD-1 Settlement Statement**
 - vi. **Final Truth in Lending Disclosure Statement, if applicable**
 - vii. **Proof of the cost of homeownership counseling is required in the form of a check and/or invoice (if applicable)**

- ❖ Copies received must be legible and deemed acceptable to the FHLBNY, in its sole discretion. The documents must be consistent and accurate as to the Household closing, including but not limited to: borrower name, property address, maturity dates and terms, etc. Re-recording of the subordinate mortgage will be required if the following errors occur:
 - Borrower Name:
 - The Member and borrower name should be generally correct. If the borrower's name is entirely inaccurate (e.g. John Smith vs. John Jones) a revised Subordinate Mortgage needs to be executed and recorded.
 - Typographical errors where the borrowers name can be approximately surmised is acceptable.
 - Property Address:
 - Aside from capitalization errors, the property address on the subordinate mortgage or deed restriction must be precise. The street address, zip code and state must be exactly precise to ensure the retention agreement is encumbering the correct subject property in the correct city and state. If the street address, zip code, and/or state is not correct the member will be required to record a revised retention document.
 - Acceptable errors include:
 - If the town name is incorrect but the zip code is correct
 - If the block and section numbers in the legal description are incorrect, but the street address is correct

- ❖ Failure to submit the closing documentation to FHLBNY within the noted timeframe may affect the Member's participation status in the FHLBNY FHC Program.

- ❖ FHLBNY reserves the right not to fund a Members' Demand Deposit Account ("DDA") if the required complete closing documentation is not received within 45 days of closing.



- ❖ For 2017 the FHC Subordinate Mortgage has been modified to have written notice provided to the Member and the FHLBNY for any sale or refinancing of the subject property prior to the end of the five (5) year Retention Period.

Funding Method

The FHC Program funds subsidy to the Member on a post-closing basis. Within fifteen days of the Household closing on the subject property, a fully executed Closing Package, as detailed above, must be submitted to the FHC Mailbox (FHC@fhlbny.com). After a Member's DDA Account has been credited, an email notification confirming the transfer of funds will be issued to the Member.

FHLBNY reserves a minimum timeframe of fifteen (15) days from date of receipt to review the executed closing package and fund or request additional information.

Retention Period

All FHC-assisted households must continue to comply with the requirements of AHP Regulation for a minimal period of time, known as the "Retention Period." The Retention Period for FHC households shall be five (5) years from the date of closing.

Record Retention Requirements

All loan documents shall be maintained by the Member during the five (5) year retention period, plus the current year of maturity and two (2) additional years.

Monitoring Practices

Transfers of title for owner-occupied properties are effectively monitored through legally enforceable FHC Retention Agreements. On an annual basis the FHC will require its participating Members certify households within the five year retention period have not had an event of non-compliance. The Member is responsible for subordination requests during the retention period. In addition releasing the FHC Subordinate Mortgage lien after the five year retention period regardless if the first mortgage has been sold to another lender.

Recapture and Events of Non-Compliance

FHLBNY may determine by receiving notification from a Member that FHC subsidy will not be, or is no longer being used for purposes that conform to AHP Regulation. Such a situation would constitute an event of non-compliance which may result in the recapture of FHC subsidy.



Members notifying FHLBNY need to complete the *Recapture Form* (<http://www.fhlbny.com/community/housing-programs/fhc/member-forms-and-guidelines.aspx>) and submit the documentation to FHC@fhlbny.com for processing of the recapture. The recaptured funds will be withdrawn from the Member's DDA account.

Recapture

a) Direct Subsidy Held by the Member Not Disbursed to Household

A Member which has been funded FHC subsidy is required to notify FHLBNY immediately upon receiving information that the subsidy will not be or is no longer being used for the intended purchase of the home by the household approved for subsidy.

If the Member does not reimburse FHLBNY, the Member's DDA or any other deposits, credits or moneys of the Member then in the possession of the FHLBNY may be debited at the sole discretion of FHLBNY.

If the subsidy subject to recapture remains in the possession of the Member for more than 30 days, the FHLBNY may, in its sole discretion, assess the Member a per diem rate of interest.

b) Direct Subsidy Disbursed to Household

If a household fails to correct an event of non-compliance, the Member is accountable for recovering all FHC subsidy from a household on a "pro rata" basis as determined by FHLBNY. If the Member does not reimburse FHLBNY, the Member's DDA or any other deposits, credits or moneys of the Member then in the possession of the FHLBNY may be debited at the sole discretion of FHLBNY.

c) Sale, Transfer, or Refinancing Prior to Conclusion of Retention Period

If an owner-occupant decides to sell or refinance his or her FHC-assisted unit during the recapture period, a pro rata portion of the FHC grant may need to be repaid to the FHLBNY from any *net gain* realized upon the sale or refinancing, unless:

- i. The sale by the household to a low-or moderate income household, defined as having an AMI $\leq 80\%$, the household has fulfilled the conditions of the retention agreement, which terminates the agreement. The new purchaser is not subject to the FHC Subordinate Mortgage and does not have any FHC subsidy repayment obligations.; or
- ii. The FHC Subordinate Mortgage terminates at the time of the first refinancing by the FHC assisted household, in the absence of a net gain. (e.g. rate and term refinance); or
- iii. Inheritance of a FHC assisted home by the heirs of an FHC assisted owner(s) of the home does not constitute a "sale" or "refinancing" of the home. Upon the death of the FHC assisted owner, the FHC Subordinate Mortgage terminates and there is no obligation to repay.

d) Foreclosure

A foreclosure or deed-in-lieu of foreclosure terminates the household's obligation to repay the subsidy. In addition, when a FHC assisted home is financed with an FHA-insured first mortgage, an assignment of the mortgage to the Secretary of HUD terminates the household's obligation to repay.



- i. If authorized by the FHLBNY, in its discretion, the households are relocated, due to the exercise of eminent domain, or for expansion of housing or services, to another property that is made subject to a deed restriction or other legally enforceable FHC Subordinate Mortgage or mechanism incorporating the income-eligibility and affordability restrictions committed to in the approved FHC application for the remainder of the retention period.

Events of Non-Compliance

A FHC-assisted property may experience an Event of Non-Compliance when it fails to attain a level of performance which was specified and approved at time of enrollment. Examples of Events of Non-Compliance may include, but are not limited to:

- a) Evidence of fraud or willful noncompliance by a Household, FHC Member or counseling agency;
- b) The homeowner refinances or obtains additional subordinate debt (including a home equity loan) prior to the expiration of the five-year Retention Period unless the property continues to be subject to a legally enforceable FHC Subordinate Mortgage.

Suspension and Debarment Policy

If, in the judgment of either the FHLBNY or the FHFA, the FHC Member or counseling agency shows a pattern of noncompliance, or engages in a single instance of flagrant noncompliance with the terms of the AHP regulation, the FHLBNY, either in its sole discretion or under the regulatory direction of the FHFA, may suspend or debar the Member or counseling agency from participation in the FHC.

Conflict of Interest

FHLBNY's Board of Directors has adopted a written policy regarding the Code of Business Conduct and Ethics. Pursuant to this policy, conflicts of interests or attempts to influence any action that would affect the funding of a household are not permitted by the following parties: 1) Members of the Affordable Housing Advisory Council; 2) Members of the Board of Directors; and 3) Bank staff and management.