



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 like the Equity Builder Program.

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

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III. Administration:

- A. Roles and Responsibilities
 - a. Administrator: Homeownership Set-Aside Programs Manager
 - b. Authorized Approver: HCI Operations Manager
 - c. Compliance Owner: Deputy Director
- B. Governance
 - a. Approval frequency: Annually
 - b. Review frequency: Annually
- C. Exception Management/Procedure Interpretations: HCI Operations Manager

IV. Compliance Monitoring

V. **Applicable Laws and Regulations:**

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

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

VI. **Related Policies:**

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

VII. **Related Desktop Procedures:**

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

VIII. **Glossary/Definitions:**

AHP: Affordable Housing Program

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

AHP Regulation: The Federal Housing Finance Agency's regulation governing the AHP and EBP is in the Code of Federal Regulations [12 CFR Part 1291](#), which be found on the Bank's website. This does not apply to the HOW program.

AHP subsidy: EBP/HOW grant

AMI: Area Median Income

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

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

EBP: Equity Builder Program, a component of the AHP serving 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 under the [HCI department](#)

HOW: Housing Our Workforce, serving households with incomes greater than 80% and up to 120% of AMI. Please refer to Homeownership Assistance Programs for EBP and HOW comparisons on FHLBank Boston’s website

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 occurs when FHLBank Boston releases the file back to the member because of missing pertinent/required documentation.

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

IX. Procedures History Log:

Date	Purpose	Author	Approved by
04/13/2012	Creation/Initial Adoption	HCI Staff	Mary Ellen Jutras
05/04/2012	Update	Susan Younis	Mary Ellen Jutras
03/25/2013	Annual update	Susan Younis	Mary Ellen Jutras
03/10/2014	Annual update	Susan Younis	Mary Ellen Jutras
03/01/2015	Annual Update	Susan Younis	Mary Ellen Jutras
03/09/2016	Annual Update	Susan Younis	Mary Ellen Jutras
03/15/2017	Annual Update	Susan Younis	Mary Ellen Jutras
03/28/2018	Annual Update	Michelle Chisholm	Mary Ellen Jutras
05/02/2018	Update	Kaitlyn Mulhern	Mary Ellen Jutras
01/02/2019	Annual Update	Kaitlyn Mulhern	Mary Ellen Jutras
02/13/2019	Update	Kaitlyn Mulhern	Mary Ellen Jutras
02/28/2019	Update	Kaitlyn Mulhern	Mary Ellen Jutras
01/02/2020	Annual Update	Kaitlyn Mulhern	Mary Ellen Jutras
1/04/2021	Annual Updated	Kaitlyn Mulhern	Livia Bourque

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% of the Area Median Income (AMI) funding for down-payment, closing costs (pages 2 and 3 of Closing Disclosure (CD) paid at closing), homebuyer counseling, and rehabilitation assistance. Housing Our Workforce (HOW) offers one-to-one matching grants to households earning more than 80% and up to 120% of the AMI for down-payment assistance only. The programs are procedurally similar except for a few minor areas that are highlighted further in these procedures. Both programs are designed to assist homebuyers who are purchasing owner-occupied primary residences. For information that highlights both homeownership program similarities and differences, please refer to our Homeownership Assistance Program Comparison. 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.

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 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, and Board of Directors.

Updates affecting the EBP will be included in the notice related to AHP Regulation and AHP Implementation Plan. It will also include information about the application process and instructions, the enrollment period, definitions, eligibility requirements, and all applicable dates. The AHP Regulation and AHP Implementation Plan 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 applications 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. 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 system](#). Additional information on the EBP and HOW application can be found in the AHP Implementation Plan on FHLBank Boston's website. At the time an application is submitted, it will be assigned an EBP and/or HOW application number.

Members will be required to identify which homeownership education/counseling agencies from FHLBank Boston's provided list their first-time homebuyers will utilize. Members may submit a new agency, not listed, with the appropriate homeownership education/counseling and upload the curriculum. 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. **For both EBP and HOW grant recipients, the homebuyer education and counseling requirement will only apply to first-time homebuyers.**

The use of online education/counseling through either Framework 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 Framework 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 Framework and eHome America. For examples of what certificate is acceptable, please refer to the EBP/HOW training webinars.

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 the EBP and/or HOW Agreement signature page.

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, FHLBank Boston's

regulator, the [Federal Housing Finance Agency](#), will review the membership biennially. 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.

Following approval of the EBP and HOW Applications, it is required that at least one person/staff member is required to attend the live or pre-recorded enrollment and disbursement training on behalf of the member. The staff member who attends the training is required to train all personnel involved in EBP and HOW transactions or ensure that all appropriate personnel have taken the recorded trainings. In the EBP and HOW agreement, members will be certifying that at least one staff member participated and attended.

B. EBP and HOW Agreements

Members approved for EBP and/or HOW grant funds are required to execute the 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 initiate under the Advance Entitlements listed in Online Banking. Please note that this authorized user may not be the member’s EBP and/or HOW main point of contact. Electronic signatures will be permitted with the use of the member’s electronic software.

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.

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 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 and/or HOW enrollments of homebuyers are completed in FHLBank Boston’s [online system](#) and in accordance with the Federal Home Loan Bank of Boston’s AHP Implementation Plan, Attachment D - Homeownership Set-Aside Program or the HOW Policy. In addition to the requirements detailed in the current AHP Implementation Plan (EBP only), HCI will review the following:

- a.) Household Income:
EBP: At or below 80% of the HUD AMI. Should the household income exceed the 80% of HUD AMI limit for the property location, the enrollment will be denied. (AMIs available at <https://www.huduser.gov/portal/datasets/il.html>). The member will be contacted in advance of the denial.
- HOW:** Greater than 80% and up to 120% of the HUD AMI. Should the household income exceed the 120% of HUD AMI limit for the property location, the enrollment will be denied. (AMIs available at <https://www.huduser.gov/portal/datasets/il.html>. Effective 2020, please refer to the 50% HUD AMI limit multiplied by 2 and then multiplied by 1.2). The member will be contacted in advance of the denial.
- 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 for **HOW only:** The HOW grant program is a one-to-one match of down payments made at time of purchase by eligible homebuyers. For example, if a homebuyer makes a \$10,000 down payment, FHLBank Boston will provide a \$10,000 match. Members approved to participate in the program may make enrollment requests of up to \$10,000 per homebuyer from the pool of funds to assist income-eligible households on a first-come, first-served, homebuyer-by-homebuyer basis. Members cannot request a grant amount that exceeds the difference between the purchase price minus the first mortgage loan amount. For example, if the purchase price is \$275,000 with a first mortgage loan amount of \$265,000 the total down payment is \$10,000. The homebuyer must contribute their down payment at time of purchase and sales agreement OR **prior** to closing with a fully executed addendum to P&S. **HOW grant cannot be matched with the homebuyer's cash to close.**
- 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 2021 the program will utilize Rev. Proc. 2020-18: <https://www.irs.gov/pub/irs-drop/rp-20-18.pdf> There is no purchase price limit for EBP.
- e.) Front-end Ratio: If the monthly housing payment is more than **37%** of the household's gross monthly income, the member will be asked to confirm the household's ability to support the mortgage and associated housing costs. HCI reserves the right to request more information pertaining to adequate income, or to deny the enrollment. If the homebuyer's housing ratio exceeds FHLBank Boston's maximum, reasonable compensating factors will be required. 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. The member is responsible for reviewing each enrollment/household based on their first mortgage underwriting. QM and Non-QM mortgage(s) are eligible for the EBP/HOW.

- f.) First-time Homebuyer Education/Counseling: Education and counseling must be 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 first-time homebuyers only.**
- 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 CD. In addition, HCI will verify that the mortgage product was a conventional fixed-rate, conventional adjustable-rate, or Federal Housing Administration (FHA) product. Should the mortgage product or lender change, and no longer comply, HCI may deny the disbursement.
- h.) Member Concession for **EBP only**: The member must provide a description of the member concession being provided in connection with the grant. The Member only needs to provide one concession to each homebuyer. The member concession can deviate from the original concession listed at time of application. HCI will confirm that the member has provided a concession/special incentive to the buyer prior to disbursement. This does not apply to HOW. The following concessions will be acceptable:
- (a) *Reduced or waived fees*
 - (b) *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.*
- i.) 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.
- j.) Conflicts of Interest and Related-Party Transactions: Bank employees and their immediate family are prohibited from applying for any of the Bank's HCI programs with the following exceptions: an immediate family member of a Bank employee who is financially independent of the employee may apply provided the Bank employee is not providing financial support to the family member by co-signing on the mortgage, assisting in down payment, or providing any other financial assistance. In no way can the Bank employee benefit directly or indirectly from the family member's participation in the HCI programs. If, to a Bank employee's knowledge, an EBP or HOW enrollment has been submitted by the employee's family member (immediate or other relative affiliated person defined by the Bank's Code of Ethics and Business Conduct), the employee will promptly notify the SVP/Director of HCI and the Bank's Ethics Officer. The Bank employee will also need to disclose the relationship to the member when formally applying to either program. Homebuyers are required to disclose related-party transactions between buyer and seller when they involve the transfer of title on the subject property. In addition, the member is required to disclose when a relationship exists between the member and the household. Additional

documentation will be requested, pertaining to the defined related-party relationship. 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.

k.) 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 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. Please note FHLBank Boston cannot accept any old templates from prior program years. The member must use the current respective documents for either EBP or HOW as they reference program specifics.

l.) Enrollment Expirations: The member will be notified by email 90 days from the time of enrollment. Extensions are available should there be extenuating circumstances. All HOW transactions must be closed and disbursed prior to the current year-end. **HOW email notification will be sent 60 days from time of enrollment because the funds must be disbursed before December 31 and cannot extend into following year.**

E. Home Income Calculations, Enrollment Review and Denial 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 [online system](#). Members will reserve EBP/HOW grant funds by completing the homebuyer enrollment process, which includes an income calculation and documentation review section. Access to this enrollment system requires that the member have a username and password. First-time users of the system may request a username and password in this section of the online system. Approval and receipt of a username and password may take up to 24 hours.

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

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

As of 2021, electronic signatures will be permitted with the member's electronic signature software.

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

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

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

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

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

If any documentation evidences a change in the total household, the homebuyer/household must provide a signed/dated letter of explanation in addition to the member's explanation through the online enrollment submission.

Tax Returns/IRS Transcripts:

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

Income Calculation

The member will be required to complete the Income Calculation section first. Please see FHLBank Boston's Homeownership Programs Income Calculation Guidelines for details on how FHLBank Boston requires income to be calculated.

In the Income Calculation section of the online system, the member must enter information for each household member. Only adults, defined as 18 years and older, residing in the household must have income identified or provide an executed Zero Income Certification.

An executed purchase and sales agreement for the specified property with a current closing date is required. The closing date must allow at least **15 business days** upon enrollment submission.

When the required information has been entered for an individual in the household, the member will be asked to identify the type of third-party income verification being used. The member will enter data from the verification(s) and upload the verification(s) into the system. The member

should verify the data prior to completion and submission of the enrollment. Once the data has been reviewed, and the household's information and income 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 W2 wage income documentation.

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

Enrollment

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 adequate 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 for 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 AHP Implementation Plan, Attachment D - Homeownership Set-Aside Program, EBP/HOW Desktop Procedures and FHLBank Boston's guidelines titled Red Flags for Housing and Community Investment Department. FHLBank Boston will review the enrollment for any potentially fraudulent or subprime/predatory characteristics.

The 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.

Denial

The member will receive an email and/or a phone 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. HCI staff will follow the EBP/HOW Desktop Procedures to ensure all the appropriate steps have been covered prior to the denial and releasing of the EBP or HOW funds into their respective funding pools. If a homebuyer is over income for EBP but qualifies for HOW, the member will need to re-submit the homebuyer into the online system if monies are available.

F. 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. 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 Homeownership Set-Aside Programs 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 year-end. The member will be notified via email or phone once the decision has been made. If any extension is denied, the member will be notified prior to an enrollment being withdrawn. If the 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 since 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 adequate 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.

G. Grant Disbursement Requests, Requirements and Review

Disbursement Request

Members must request the funds using FHLBank Boston’s [online system](#). Members can request a disbursement through the “Manage My Approved Homebuyer Income Calculations/Enrollments” screen.

HCI is notified electronically when a member submits a request to disburse EBP/HOW funds for an enrolled homebuyer. **Please note that all HOW transactions must be closed and disbursed prior to the current year-end.**

Review:

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

- Boston's website to the closing attorney(s). Each program has their own note and mortgage templates as they reference program specifics, including income limits. **The most current version should be used and executed because it refers to the current program year.**
- b.) When the EBP/HOW programs are being offered to a homebuyer that will receive an FHA loan product, a deed restriction document for execution and recording that is available on FHLBank Boston's website should be used. **The most current version should be used and executed because it refers to the current program year.**
 - c.) If the member's first mortgage financing includes non-borrowing spouse(s) or person(s) on the 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. A separate CD is not required for either EBP or HOW and can be reflected on page 3 of the CD as a grant. Please note that neither grant programs should be reflected as a loan on the CD because there is no monthly principal and interest.
 - e.) **No cash back in excess of \$250 to the homebuyer is allowed.** The member shall make every attempt to ensure that the EBP/HOW funds are used at the time of closing to directly benefit the homebuyer coverage of eligible costs. If a household is expected to receive more than \$250 cash back at closing, the first option would be to reduce the EBP/HOW grant amount. In the second option, the member will apply any amount above \$250 as a credit to reduce the principal of the mortgage loan or as a credit to the household's monthly payments on the mortgage loan. If the member needs to take the second option, FHLBank Boston must be notified in advance of the closing and/or as soon as possible. The member must submit evidence to FHLBank Boston documenting the resolution no later than 15 days after the disbursement request. If evidence is not submitted by the deadline, FHLBank Boston may opt to disburse the EBP/HOW funds, less the amount of unexplained cash back exceeding \$250. FHLBank Boston reserves the right to extend this deadline on a case-by-case basis when documentation is provided showing progress towards resolving the oversight.
 - f.) A copy of the signed CD and FHLBank Boston-provided EBP/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 purchase with a rehabilitation component, the member will be required to provide additional documentation.

- 100% of the work must be completed in a satisfactory manner.
- CD must evidence the escrowed funds retained by the member for the completion of the repairs.
- Documentation must be submitted to support the work was paid for and the escrowed funds were spent prior to disbursement of EBP funds.
- Use of the escrow balance must be documented adequately prior to disbursement to include copies of checks provided to contractors for work completed, paid invoices detailing the scope of the work required, and a household or member certification that the work performed has been completed in a satisfactory manner.
- If a balance remains in the escrow, the entire balance must be applied to the principal of the first mortgage or as a credit towards the household's monthly payment on the mortgage.

Closing Attorney's Responsibility

- a.) To ensure that the CD is signed and dated by all parties and evidences the entire EBP/HOW assistance, total contribution of funds by the homebuyer/borrower, and any payments made outside of closing.
- b.) To ensure that the current FHLBank Boston-provided EBP/HOW standard mortgage or deed restriction for FHA loan products and note is executed, recorded, and returned to the member financial institution with the recording information (stamped by the recording office).

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 and/or 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 Homeownership Set-Aside Programs Manager or EBP/HOW staff member reviews the member's Homebuyer Enrollment/Disbursement in accordance with the Policy, the EBP/HOW Desktop Procedures and FHLBank Boston's guidelines titled Red Flags for Housing and Community Investment Department.

- 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%** requires additional explanation and compensating factors. Examples are referenced on page 7 under 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 Homeownership Set-Aside Programs 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.

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

If the property is sold, the title is transferred, the title or deed is assigned,, the mortgage refinanced, or a foreclosure occurs during the first five years of the EBP/HOW retention periods, the member must notify FHLBank Boston, and in its discretion any designee of the Bank when the new transaction is originated. FHLBank Boston will perform a subsidy recapture calculation.

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

Discharges

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

Recapture Notification and Process

Once the member has notified FHLBank Boston, the Homeownership Set-Aside Programs Manager will request a copy of the draft Seller's CD (with a firm closing date) for the sale or refinance.

The households will be given a reasonable amount of time, as specified by the Bank in the procedures, to provide the documentation to the Bank or its designee in the event of a sale or refinancing.

FHLBank Boston staff will review and calculate the Net Proceeds/pro-rated subsidy 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.

Definitions

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

Household Investment is defined to mean reasonable and customary transaction costs paid in connection with the purchase of the unit, down payment, cost of capital improvements made, and any mortgage principal repaid since the purchase of the unit until the time of sale or refinancing

during the AHP five-year retention period where the household documents these costs to the Bank of its designee. For example, a household could produce documentation of its expenditures associated with the installation of a new roof. The homebuyers are instructed to retain records of invoices and receipts throughout the five-year retention period.

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

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

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

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

The recapture calculation uses the Net Proceeds and Household Investment definitions in the section above. The FHLBank Boston will do all calculations. Repayments of all EBP/HOW grant funds made to the member must be returned to FHLBank Boston.

The calculation is as follows:

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

Actual Calculation:

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

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

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

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

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

- 1) The subsequent purchaser, transferee, or assignee is a low- or moderate-income household, as defined by the FHFA AHP Regulation, will be waived. This is determined by using the HUD Home Investment Partnership Program (HOME) and the Housing Trust Fund (HTF) value limits of the subject property's location. The limits are posted annually on the HUD website and will be available on the FHFA website. HCI will confirm the subject property address against the HOME and HTF value limits prior to the sale, determining whether the recapture process will need to be fully executed. This does NOT apply to HOW.
- 2) As noted above, the recapture calculation results in an amount \$2,500 or less.

FHLBank Boston Internal Process

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 or closing attorney will be instructed to send recaptured funds to FHLBank Boston;
- c.) The Homeownership Set-Aside Programs 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 de-obligated 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.

Refinancing of an EBP/HOW-Assisted Home

- a.) The EBP/HOW standard mortgage or deed restriction for FHA loan products may remain in place and can be subordinated to the new mortgage loan.
 - If subordinated, repayment calculations will not apply.
 - FHLBank Boston has a subordination template that will be made available to the member upon request.

- Drafting and executing subordination requests are the responsibility of the member but reviewed in advance of recording by FHLBank Boston.
- b.) If the standard mortgage or deed restriction for FHA loan products is not going to remain in place or be subordinated, the repayment calculation may apply.

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

Foreclosure of an EBP/HOW-Assisted Home

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

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

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

I. Reporting and Document Retention

Reporting

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

Document Retention

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

Reporting intentional or unintentional fraud

Members are required to report in writing any instances of fraud or 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 through AHP and is currently under the five-year AHP retention period.

FHLBank Boston has established policies and is committed to implementing and maintaining processes and controls to discover fraud. The member is expected to support FHLBank Boston's efforts in addressing fraud by immediately providing written notification of any suspected fraudulent activity in relation to their dealings with FHLBank Boston. Should the member discover or suspect an instance of fraud related to a FHLBank Boston business transaction, which may include any material misstatement, misrepresentation, or omission, the member 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 the information, and act appropriately per the AHP Regulation and FHLBank Boston's policies and procedures.

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

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