



FIRST HOME CLUBsm COMPLIANCE MONITORING GUIDELINES

The Federal Home Loan Bank of New York (“FHLB-NY”) annually sets aside subsidy under its Affordable Housing Program (“AHP”) in order to fund the First Home Club. The First Home Club is a program that provides down payment and closing cost assistance to income-eligible, first-time homebuyers who purchase and occupy coops, condominiums, and one-to-four-family dwellings located within the FHLB-NY’s District (i.e., New York, New Jersey, Puerto Rico, and the U.S. Virgin Islands).

According to § 1291.7(b) of the AHP Regulation, the FHLB-NY shall monitor compliance with the requirements of the First Home Club prior to, and within a reasonable period of time after, the funding of each household in order to determine, at a minimum, whether:

- (i) The First Home Club subsidy was provided to an eligible household who met the following eligibility requirements:
 - a) Earned 80% or less of the median income for the area at the time that the household opened a dedicated savings account and was accepted for enrollment into the First Home Club by the Member. (Please refer to the *FHC Guidelines for Determining Income Eligibility* ([FHC-112](#)) in order to ascertain the methodology that the FHLB-NY utilizes in establishing the potential sources of household income as well as the types of source documents that FHLB-NY staff customarily evaluates in confirming the eligibility of First Home Club-assisted households;
 - b) Systematically saved funds in a dedicated account with the Member;
 - c) Completed a formal homebuyer education and/or credit counseling program offered by an organization approved by the FHLB-NY;
 - d) Satisfied the definition of a first-time homebuyer, as specified the *AHP Implementation Plan* ([AHP-100](#));
 - e) Qualified for mortgage financing with the Member; and
- (ii) The First Home Club-assisted unit remains subject to a standard FHLB-NY retention mechanism for a period of five-years.

1. The First Home Club Retention Period

First Home Club-assisted properties must continue to comply with the requirements of the AHP Regulation for a minimal period of time, known as the “Retention Period.” According to §1291.1 of the AHP Regulation, the Retention Period shall be five (5) years from the date of closing.

2. Monitoring the progress of households enrolled in the First Home Club

Effective January 1, 2007, Members may enroll eligible households in First Home Club for a period of time not to exceed twenty-four months. In the event that an enrolled household satisfactorily completes the programmatic requirements of the First Home Club within that twenty-four month period and requires additional time to execute a contract of sale, qualify for mortgage financing, and close on a home, the FHLB-NY may, in its sole discretion, approve an extension not to exceed one year, subject to receipt of a certification from the Member that formally confirms the following:

- a) That the household has saved in a systematic fashion and has satisfactorily attained their “equity goal” (i.e., the specific amount of money to be saved over a specific period of time, for a minimum of ten months); and
- b) That the household’s eligible homebuyers (i.e., whose names will ultimately appear on the deed) have successfully completed a formal homebuyer education and/or credit counseling program offered by an organization approved by the FHLB-NY.

Prior to 2007, Members could enroll eligible households in First Home Club for a period of time not to exceed thirty months, with the opportunity to request multiple extensions for qualified households. The FHLB-NY will continue to enforce the time periods of existing enrollments and subsequent extensions that were previously approved for all households who were enrolled in the First Home Club prior to 2007. However, as these existing time periods expire on a household-by-household basis, the FHLB-NY will restrict all households to a three-year maximum enrollment period in the First Home Club.

3. First Home Club monitoring requirements during the funding requisition process

The FHLB-NY customarily requests submission of the following types of back-up and source documents as a prerequisite to processing a pending AHP subsidy funding requisition:

- a) Copies income source documents that the Member used to determine the household's eligibility in the First Home Club at time of enrollment;
- b) Copies of a household's savings history as evidence that they saved systematically and satisfactorily attained their equity goal;
- c) A copy of a certificate or third-party acknowledgement that evidences that each member of the household successfully completed a formal homebuyer education and/or credit counseling program offered by an organization approved by the FHLB-NY; and
- d) A copy of a mortgage financing commitment letter issued by the Member to the household.

4. First Home Club monitoring requirements following the funding requisition process

Within three months of the closing date and corresponding disbursement of First Home Club funds, the FHLB-NY customarily requests submission of the following types of back-up and source documents as evidence that the household received the direct benefit of the First Home Club AHP subsidy:

- a) A copy of a transmittal summary or HUD-1 Settlement Statement;
- b) Copies of the executed First Home Club retention agreements; and
- c) Confirmation that the First Home Club retention agreement was duly sent for recording with the appropriate municipal clerk.

In accordance with §1291.6(c)(9), the Member may provide cash back to a household at closing on the mortgage loan in an amount not exceeding \$250 above the sum of the items reflected on a HUD-1 Settlement Statement or transmittal summary as "Paid Out of Closing," in order to partially reimburse the household for any pre-closing expenses directly related to the acquisition of their dwelling, such as mortgage application fees, credit report fees, appraisal fees, or property inspection fees. Conversely, the Member must use any First Home Club subsidy that exceeds \$250 and is beyond what is needed at time of closing to cover closing costs and the approved mortgage amount as a credit in order to reduce the outstanding principal of the first mortgage or as a credit toward the household's monthly payments on the mortgage loan. The FHLB-NY shall evaluate the HUD-1 Settlement Statement or transmittal summary in order to effectively monitor this situation.

Events of Non-Compliance

The following situations will constitute Events of Non-Compliance which may result in a recapture of First Home Club subsidy or suspension of future participation in the First Home Club as detailed in the FHLB-NY's *AHP Compliance Monitoring Late Receipt Policy* ([AHP-104](#)) and *AHP Recapture Guidelines* ([AHP-105](#)):

- a) A household's failure to meet the minimum eligibility requirements as set forth in §1291.6(c) of the AHP Regulation;
- b) A household's failure to own and occupy their First Home Club-assisted dwelling throughout the Retention Period; or
- c) Failure on the part of the Member to provide the FHLB-NY with updated progress reports, monitoring reports, or supplemental documentation as requested in a timely fashion.