



## **FIRST HOME CLUB<sup>sm</sup>** **PROGRAM GUIDELINES**

The Federal Home Loan Bank of New York's ("FHLBNY") First Home Club<sup>sm</sup> ("FHC") is a special set-aside of the Affordable Housing Program ("AHP") that is designed to assist moderate-, low-, and very low-income first-time home buyers in the purchase of a home. This assistance is provided in the form of matching funds based on the home buyer's systematic savings within a dedicated savings account. The FHLBNY's matching funds may be used toward the down payment and/or closing costs for the purchase of a home. A second AHP set-aside program provides funding to defray the costs of a non-profit housing agency providing FHC approved home ownership and credit counseling courses to FHC households which actually close on a FHC grant assisted home.

### ***First Time Home Buyer***

A first-time home buyer is defined as an individual or an individual and his or her spouse or partner who have not owned a home during the 3-year period prior to the purchase of a home with AHP assistance, except that a) any individual who is a displaced homemaker may not be excluded because that individual, while a homemaker, owned a home with his or her spouse or partner, and b) any individual, who is a single parent may not be excluded because that individual, while married, owned a home with his or her spouse. For further clarification please refer to the definition of "first-time home buyer" contained in the Cranston-Gonzalez National Affordable Housing Act of 1990.

### ***Annual Set-Aside***

The amount of AHP funds set-aside each year for the First Home Club<sup>sm</sup> may be up to 35% of the Federal Home Loan Bank of New York's ("FHLBNY") annual AHP subsidy contribution. The AHP set-aside funds will be made available on a first-come, first-served basis. The FHLBNY may also set aside additional funds from the next year's AHP subsidy contribution if demand for funds exceeds the current year's initial set-aside.

### ***Approval of First Home Club Participants***

Any FHLBNY stockholder institution ("Member") in good standing is eligible to participate in the program. Members that do not originate home mortgages may originate mortgages through a wholly owned subsidiary. Members may become approved First Home Club<sup>sm</sup> participants by completing a Lender's Application. Institutions with pending applications for membership with the FHLBNY are also eligible to apply. Approval will be based on compliance with program guidelines and submission of appropriate exhibits. A Member's approval may be revoked at any time, at the sole discretion of the FHLBNY, if the Member has not submitted any households for enrollment for a period of three years, or if the Member is no longer in good standing with the FHLBNY.

### ***Eligibility Requirements for First Home Club<sup>sm</sup> Participants***

In order to become a First Home Club<sup>sm</sup> Participant, the Member must include the following information in the Lender's Application submitted to the FHLBNY:

- A first-time homebuyer policy statement;
- A description of the proposed homeownership counseling program;
- Description of the features of the dedicated savings account;
- Underwriting guidelines for first-time homebuyers under the First Home Club<sup>sm</sup>;
- A schedule of estimated closing costs and closing requirements;
- Description of special incentives to the households (provide financial or other incentives in connection with the mortgage financing such as reduced points, below market interest rate, reduced fees, and any other charges by the Member must not exceed a reasonable market rate of interest, points, fees, and other charges for a loan of similar maturity, terms, and risk); and
- Marketing materials.

**Eligibility Requirements for First Home Club<sup>sm</sup> Households**

In order to be approved as a qualified household, the household must:

- Be a first-time homebuyer;
- Household must be a resident of the district of the FHLBNY at time of enrollment. The FHLBNY's district is limited to New York, New Jersey, Puerto Rico, and the U.S. Virgin Islands.
- Have, at the time of initial enrollment into the program, a household income of 80% or less of the area median income for their current place of residence, adjusted for family size, as determined by one of the following standards: (a) the median income for the area, as published annually by the U.S. Dept Housing and Urban Development, or (b) the applicable median family income, as determined under 26 U.S.C. 143(f) (Mortgage Revenue Bonds) and published by a State agency and instrumentality, or (c) the median income for the area as published by the U.S. Department of Agriculture;
- Open a dedicated savings account with an approved Member and agree to systematically save on a monthly basis a portion of its income in the dedicated account over a specified period of time, for a minimum of 10 months and a maximum of 24 months, to achieve a specific amount of savings ("Equity Goal"). The deposited funds must remain in the dedicated savings account until used as needed for closing and downpayment costs associated with the purchase of the household's primary residence;
- Meet the requirements of the Member's first-time homebuyer policy;
- Agree to complete a FHLBNY approved homebuyer counseling program offered by the Member;
- Agree to obtain mortgage financing from the Member, or a wholly owned subsidiary of the Member, for the purchase of a home within the FHLBNY's district area (New York, New Jersey, Puerto Rico and the US Virgin Islands); and
- Agree to execute a legal recordable retention mechanism to ensure affordability for a minimum of five (5) years.

**Enrollment of First Home Club<sup>sm</sup> Households**

The FHLBNY will announce the opening of enrollment reporting periods, from time to time, during which approved Member participants may submit a list of enrolled qualified households to the FHLBNY through an *Enrollment Period Report* ([FHC-101](#)). At this time, the FHLBNY will also require the Member to execute a *First Home Club Member Certification* ("Certification") ([FHC-103](#)) which formally attests to the information provided on each household in the *Enrollment Period Report*. The FHLBNY will, in turn, review the information furnished in the *Enrollment Period Report* and enter the data for each enrolled First Home Club household in the First Home Club System. The FHLBNY reserves the right not to enroll all or any portion of the households listed in the *Enrollment Period Report*.

Qualified households may open their First Home Club dedicated savings accounts and begin making systematic deposits anytime prior to an enrollment reporting period in order to achieve the Equity Goal. The household should open the dedicated savings account within 2 months of qualification and execution of the *First Home Club Enrollment Terms and Conditions Agreement* ("ETC") ([FHC-104](#)). Failure to do so may result in a request to provide updated income documentation. The required homebuyer's counseling should be completed within the 10 or more months duration of the agreed upon systematic savings program as detailed in the executed ETC. The household must officially remain enrolled in the program with the FHLBNY for a minimum of three (3) months, (the "Qualifying Period") and save as agreed to in the ETC for a minimum of 10 months and a maximum of 24 months.

**Extension of Enrollment**

Members with households enrolled with the FHLBNY who are not able to purchase a home within the maximum 24 month time period are permitted to request an extension of their enrollment. The FHLBNY will consider enrollment extension requests on a household-by-household basis. Such requests can be up to a 12 month extension, whereby the maximum time of enrollment will not exceed 36 months. The FHLBNY reserves the right to deny an enrollment extension upon review of the supporting *FHC Enrollment Status Report* ([FHC-102](#)), thereby withdrawing the household from the First Home Club program. Any household with an

enrollment period in excess of 36 months has expired and the status should be “withdrawn”. Members should notify such households of this status. The following is required for an enrollment extension request:

Prior to a household’s current enrollment expiration, an *FHC Enrollment Status Report* will be emailed to the Member detailing the FHC system status of the FHC households. The Member will enter the following information and certifications for an extension request on the *FHC Enrollment Status Report*:

- The Member’s request to extend a specific household, up to an additional 12 months but not to exceed 36 months of enrollment;
- The Member’s certification that a certificate confirming completion of FHC homeownership counseling has been received and is on file in the Member’s FHC files;
- The Member’s certification that the savings history provides the current account balance, provides evidence that savings deposits in the amount and at the time interval agreed to in the ETC were made, and that any variance from the agreed upon savings program has been explained in writing by the household to the Member. The household must maintain their equity goal until documented use is made of the savings for the purchase of a home.

The completed *FHC Enrollment Status Report* shall be returned to the FHLBNY via email or CD with a cover letter from one of the Member’s authorized FHC contacts certifying that the information provided is true and accurate.

### ***Requirements for Enrollment Report***

In addition to the names of each potential household, the *Enrollment Period Report* must also include the following information regarding each household:

- Current physical address, current county, MSA, Census Tract, ZIP+4, etc.;
- Current household size;
- Total household income (including any income reportable on the IRS Return);
- Income guideline standard used to verify that the total household income is 80% or less of the area median income for their current place of residence;
- The minimum monthly savings amount (as determined by the Member based on income and debt);
- The total number of months in the savings period; and
- The Equity Goal (the total amount to be saved in the savings period).

The *Enrollment Period Report* must be submitted on a CD or via email in the format provided by the FHLBNY. Members will be required to complete the Certification attesting that the information included in the *Enrollment Period Report* is true and accurate to the best of their knowledge; that the household’s income does not exceed 80% of the family median income, adjusted for household size, for their current place of residence; that the household(s) are first time homebuyers; that the Member has received a disclosure (*Enrollment Terms and Conditions* provided by the FHLBNY) from each household to certify that the information provided to the Member is true and accurate; that files for each household have been established at the Member’s location and contain the documents used to verify income eligibility, at the time of enrollment, and that said documents conform with those specified by the FHLBNY (i.e., 2 years most recent IRS tax returns with applicable W-2’s, 1099’s along with other income source documentation and schedules, one (1) month of pay stubs from within two (2) months of the date of enrollment (the date of opening the dedicated savings account), and other third party documentation of other sources of household income); and that they will be delivered to the FHLBNY at the time of drawdown; that by the time of drawdown, the household will have successfully completed an approved homeownership counseling program. The FHLBNY reserves the right not to enroll all or any portion of the households listed in the *Enrollment Period Report*. Failure to provide complete and computer readable information on each household and/or failure to provide the appropriate certifications may result in a portion or all of a Member’s *Enrollment Period Report* to be rejected.

***Progress Reporting***

Members are required to notify the FHLBNY of any households who have ceased to participate in, or no longer qualify for the First Home Club matching funds. The FHLBNY, from time to time, will request the submittal of an Enrollment Status Report by Members which will certify the progress of enrolled households. This form provides the opportunity for Members to withdraw households, request extensions, and otherwise reconcile their records to those of the FHLBNY.

***Matching Funds Determination***

Prior to enrollment, the 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. At that time, the Member should also assist each household in establishing a realistic schedule of systematic savings.

During enrollment, the households should establish a pattern of systematic savings in the dedicated account and actively be involved in home buyer counseling seminars. Each household's pattern of savings must be consistent with an agreed upon schedule in the Enrollment Terms and Conditions Agreement that would enable the household to accumulate sufficient funds to reach their Equity Goal. The amount of funds to be drawdown, if approved, will be determined by the FHLBNY and will be based on the established Equity Goal of each approved household.

***Matched Savings Ratio***

The FHLBNY will utilize a ratio of up to 4:1 in matching a household's savings. For every \$1 saved and deposited into the dedicated account with the Member under a systematic schedule of savings, 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. The household must adhere to the systematic schedule of savings for a minimum period of 10 months to a maximum of 24 months from the date of enrollment.

***Matched Funds Uses***

The matching funds ("Subsidy Amount") will be used toward the down payment and/or closing costs for the purchase of the household's principle residence. The eligible types of uses are one to four-family homes, condominiums, cooperatives, or manufactured homes that are permanently affixed to the foundation that are located within the FHLBNY's district area (New York, New Jersey, Puerto Rico and the US Virgin Islands). First Home Club funds may also be used in conjunction with other grant programs, including the FHLBNY's competitive Affordable Housing Program, but the combined First Home Club and AHP subsidy may not exceed \$20,000 per household. The matching funds may not be used for home ownership counseling costs and expenses. A second AHP set-aside program provides funding to defray the costs of a non-profit housing agency providing FHC approved home ownership and credit counseling courses to FHC households which actually close on a FHC grant assisted home.

### ***Funding of Matching Funds***

Once a first mortgage commitment has been issued to the household, the Member may submit a request to the FHLBNY for approval of matching funds. In order to approve the disbursement of funds in the name of each household, the Member must submit a *First Home Club Funding Certification* (“*Funding Certification*”) as a means of attesting that the information provided to the FHLBNY is true and accurate. The Member is also required to certify that a special incentive is being provided directly to the household in connection with the mortgage financing. The following information is also required to approve the request:

- **Income documentation** which reflects the total household income at the time of enrollment in the program (income documentation should reflect household income within 2 months of enrollment) along with evidence of how the Member calculated the household’s income;
- **Evidence of systematic savings deposits** that have been accumulated over a minimum period of ten months in a dedicated savings account;
- **Evidence of completion of an approved homeownership counseling program** by each qualified mortgagee;
- **A copy of the Enrollment Terms and Conditions Agreement** executed at the time of enrollment;
- **A copy of the Member’s mortgage commitment**; and
- Any other documents that may be required in the discretion of the FHLBNY to disburse the matching funds.

The Member may submit a funding request for matching funds anytime after the Member has executed their first mortgage commitment but generally **at least 10 business days prior to the scheduled date of closing**. At the time of the funding request, the Member will be obligated to explain any deviations in the schedule of systematic savings and provide some indication as to a corrective action. The FHLBNY will evaluate the deviations on a case by case basis. When the *Funding Certification* is approved, the FHLBNY will issue the First Home Club closing documents, specifically a *Promissory Note and First Home Club Subordinate Mortgage* or UCC-1, and a *Recording Certification*.

### ***Closing Requirements***

At time of closing, the Member and household will be required to execute a legally enforceable and recordable Affordability Retention Mechanism, specifically a Promissory Note and Subordinate Mortgage or UCC-1, to be provided by the FHLBNY.

After the closing, the Member will also be required to submit a copy of the executed First Home Club Promissory Note and Subordinate Mortgage for the First Home Club funds, a copy of the Recording Certification which certifies that the Subordinate Mortgage or UCC-1 was sent for public recording, a copy of the executed Final Truth in Lending Disclosure Statement, a copy of HUD-1 Settlement Statement executed at the closing which indicates the disbursement of First Home Club funds for closing and downpayment assistance, and (if applicable) for the defrayal of costs of a non-profit housing agency providing home ownership counseling, under line items “Amounts Paid by or in Behalf of Borrower” and which indicates a recording fee for the FHC Subordinate Mortgage or UCC-1 under line items, “Government Recording and Transfer Charges”, and (if applicable) the costs associated with home ownership counseling should be entered at Additional Settlement Charges. The HUD-1 must indicate no cash back to borrower in excess of the sum of those items noted on the HUD-1 as “paid out of closing” (poc) and the de minimis amount of up to \$250.00. Funds back to the borrower in excess of the above constitute an event of non-compliance and will require remediation.

### ***Monitoring Requirements***

The FHLBNY may periodically request household files on a sample basis, post closing, to confirm continued compliance with program requirements. Members should maintain, within each household’s file, all pertinent documentation including, but not limited to, income verification (at the time of enrollment), underwriting worksheets, savings plan, counseling certification, HUD-1 forms, and other closing documentation evidencing the purchase of a home. During the term of the First Home Club mortgage, the Member and household agree

that the subsidy amount will only be used for the purposes approved under the First Home Club Program, i.e. downpayment and closing costs for the purchase of a home. During the Recapture Period, the FHLBNY is entitled to recapture a *pro rata* portion of the Subsidy Amount, with 1/60<sup>th</sup> of the Subsidy Amount forgiven each month. Recapture of funds will occur if the HUD-1 indicates cash back to borrower in excess of the amount detailed above. Recapture of funds will occur if property is sold to an ineligible homebuyer whose income exceeds 80% of the area median income where the property is located (adjusted for family size), as defined under the FHC Program. In such cases, the Member is entitled to recapture a *pro rata* portion of the Subsidy Amount from the Borrower and return it to the FHLBNY. The balance of the Subsidy Amount not recaptured will continue to remain a Recapture Obligation for the duration of Recapture Period. In the case of a refinancing or execution of home equity loans this recapture requirement will be waived if the property continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism pursuant to the Affordable Housing Program regulations.

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