FIRST HOME CLUB[sm]
GUIDELINES FOR DETERMINING INCOME ELIGIBILITY

In accordance with the final rule of the amended regulation that governs the Affordable Housing Program set-aside program, the First Home Club[sm] ("FHC"), as promulgated by the Federal Housing Finance Agency ("AHP Regulation") and published in the Federal Register under 12 CFR Part 1291, the Federal Home Loan Bank of New York ("FHLB-NY") is responsible for verifying sources of annual income for households approved to participate in the FHC and qualify for FHC grants.

The FHLB-NY will request and review current and verifiable income source documents from applicant stockholder institutions ("Members"). The FHLB-NY will implement the following guidelines in order to confirm the annual earnings and eligibility of households who have been approved to participate in and purchase a home with FHC grant assistance.

1. What constitutes "income?"

According to the Occupancy Handbook that the U. S. Department of Housing and Urban Development ("HUD") has issued, annual income shall include, but is not necessarily limited to:

a) Anticipated total income from all sources received by the household head and spouse/partner (even if temporarily absent) and by each additional member of the household over the age of 18 years;

b) The full amount (before any payroll deductions) of all wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

c) The net income derived from operation of a business or profession;

d) Interest, dividends, and other net income of any kind from real or personal property;

e) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of period receipts, including a lump sum payment for the delayed start of a periodic payment;

f) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay;

g) Welfare Assistance;

h) Alimony and child support payments;

i) All regular pay, special pay and allowances of a member of the Armed Forces.

2. What does *not* constitute "income?"

According to the HUD Occupancy Handbook, annual income does *not* include the following:

- Income from the employment of children (including foster children) under the age of 18 years;
- Payments received for the care of foster children;
- Lump sum additions to household assets (e.g., inheritances, capital gains, insurance policy death benefit payments, settlement for personal/property losses, medical expense reimbursements);
- Income of a live-in aide;
- 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, etc. As indicated above in 1.b, overtime pay, commissions, fees, tips and bonuses do not constitute unreliable and non-recurring income as defined here.) ;
- 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; and
- 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.

3. Criteria for determining household eligibility

Although it is not the intention of the FHLB-NY to dictate loan underwriting policies to its Members or project sponsors, the FHLB-NY 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 FHLB-NY shall implement the following parameters in determining household eligibility:

- The time of approved participation in the FHC is the date that the household, after having been reviewed for eligibility by the Member, opens and begins to save systematically in a dedicated account.
- Any income earned by a spouse or co-habitating partner must also be verified and included in household income calculations regardless of their inclusion on a loan application, deed, mortgage agreement or promissory note.
- A household who wishes to enroll in the FHC must be creditworthy and 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 source(s).
- If the Member determines that a co-signor or loan guarantor is needed to help the enrolled household qualify for a mortgage loan, and the co-signor(s) will neither reside at nor have an ownership interest in the FHC-assisted property, their income will not be included in determining the eligibility of the enrolled household.

- A co-borrower is *not* a co-signor. Whether or not the co-borrower(s) intend to reside at the FHC-assisted property, if their name(s) will appear on the mortgage and deed, their earnings will be verified and considered part of total household income. If the combined earnings of the co-borrower(s) and the enrolled household exceed 80% of the area median, adjusted for family size, shall be determined ineligible for FHC assistance.

- Regardless of the current venue of their primary residence, an enrolled 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 ineligible for FHC assistance), particularly if that household has claimed tax deductions for mortgage interest and property taxes in connection with that property.

4. Income Source Documents

Acceptable forms of income source documents may include the following:

- Completed and signed 1040 Federal Income Tax Return forms with accompanying W-2 Wage Statements and other income statements such as 1099s.

  Annual income shall include the highest gross amount (prior to any payroll deductions or flex plans) of all reported wages and earnings set forth in W-2 Wage Statement(s) and the 1040 federal form(s).

- The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.

- Paychecks with accompanying earnings/deductions statements
- Completed and properly executed verification of employment letters
- Social Security Supplemental Income notices
- Retirement, disability, and/or unemployment benefit statements
- Financial statements verifying payments received from annuities, pensions, insurance policies, etc.
- Financial statements verifying stock portfolio earnings, dividends, and other interest income
- Letters or case management forms from public assistance agencies
- Approved HUD Section 8 certificates
- State housing agency certifications of income eligibility
- Court orders verifying alimony awards and child support payments

5. Other income

True household income should be an annualized forecast of current year-to-date earnings. The FHLB-NY will include in its review of household income all sources of earnings, including income derived from overtime, bonuses, commissions, or special allowances. The FHLB-NY may, in its sole discretion and on a case-by-case basis, consider a household's continued eligibility under the FHC if said household's documented base income is indeed 80% or less of area median at time of approval and the forecasted value of any overtime or other augmented income are neither historically recurring nor reliable.