

Resolution No. : 96-13
Date: January 23, 1996

Approval of Set-Aside by the Federal Home Loan Bank of Des Moines
Under its Affordable Housing Program

WHEREAS, section 10(j) of the Federal Home Loan Bank Act (Bank Act) requires each Federal Home Loan Bank (FHLBank) to establish an Affordable Housing Program (AHP) pursuant to regulations of the Federal Housing Finance Board (Finance Board), see 12 U.S.C. § 1430(j)(1);

WHEREAS, section 10(j)(5) of the Bank Act requires each FHLBank annually to contribute a statutorily prescribed portion of its annual net earnings to fund its AHP, see id. § 1430(j)(5);

WHEREAS, section 9605(g)(2) of the Finance Board's AHP regulation authorizes each FHLBank, subject to prior Finance Board approval, to set aside a portion of its annual required AHP contribution to implement a homeownership program that satisfies the requirements of the statutory provisions governing the AHP and that meets those goals of the National Homeownership Strategy that, in the Finance Board's determination, are consistent with the goals of the AHP, see 60 Fed. Reg. 49331 (Sept. 25, 1995) (to be codified at 12 C.F.R. § 950.5(g)(2)); and

WHEREAS, pursuant to section 960.5(g)(2) of the AHP regulation, the FHLBank of Des Moines has requested Finance Board approval to set aside up to \$1 million per year of its required annual AHP contribution to fund downpayment, closing cost, and rehabilitation assistance to low- and moderate-income homebuyers, according to the terms and conditions set forth in the attached Program Description, see Attachment 1;

WHEREAS, the FHLBank of Des Moines' proposed set-aside of up to \$1 million of AHP funds per year, according to the terms and conditions set forth in the attached Program Description, will help in meeting the goal of the National Homeownership Strategy to generate up to 8 million additional homeowners by the year 2000, through: providing subsidies to reduce downpayment and mortgage costs; providing mortgage credit in rural areas; and providing home rehabilitation financing; and these activities are consistent with the goal of the AHP to finance homeownership for low- and moderate-income households, see 12 U.S.C. § 1430(j)(2)(A); and

NOW, THEREFORE RESOLVED, that the FHLBank of Des Moines' proposed set-aside of AHP funds according to the terms and conditions set forth in the attached Program Description is hereby approved.

By the Board of Directors of the
Federal Housing Finance Board



Bruce A. Morrison, Chairman

Program Description of the Des Moines FHLBank First-time Homebuyer
Set-Aside Program

1. Uses

Each year, a maximum of \$1 million in Affordable Housing Program funds will be set aside to be used for downpayment, closing cost, or rehabilitation assistance for eligible households that are purchasing one-to-four family, owner-occupied properties. Each household may be eligible for up to \$5,000 in AHP funds.

2. Initial Reservation Period for Rural Areas

The Bank will notify its members of the amount of annual funds available under the homeownership set-aside initiative during the first quarter of each year.

During an initial 30-day reservation period, each Des Moines FHLBank member may be eligible to apply for a minimum of \$5,000 to a maximum of \$25,000 of set-aside funds to assist eligible households purchase properties in rural areas. Members will have to disburse funds to eligible households within nine months after the close of the initial reservation period. If the total amount of funds requested in the reservation applications exceeds the amount set aside, applications will be randomly selected by lottery until the set-aside amount is fully reserved.

3. Second Reservation Period for Rural and Non-Rural Areas

If the amount of funds requested in the applications is less than the amount set aside, a second 30-day reservation period will be announced but the requirement that the set-aside funds be used in rural areas would no longer apply. Any member may submit a reservation application for a minimum of \$5,000 to a maximum of the total amount of funds remaining available for reservation to be used in connection with rural or non-rural properties. If the total amount of funds requested in the applications received during the second 30-day reservation period exceeds the set-aside, applications will be randomly selected by lottery until all funds are reserved. Any funds remaining unreserved after the second set-aside period will be allocated to the AHP competitive fund for 1996.

4. Treatment of Undisbursed Funds

If reserved funds are not disbursed within nine months of the date of reservation, they will be disbursed on a non-reserved basis through members to eligible households. During this period, reservations of funds will not be allowed; each member will be required to request funds as loans to eligible households are closed. Further, the amount of funds available to any one member will not be limited. Any undisbursed funds that remain at year-end will be added to the required AHP contribution for the following year.

5. Reservation Fee

A fee of two percent of the reserved amount will be charged each member/applicant at the time of reservation and will be refunded only if all reserved funds are disbursed by the member by the end of a nine month disbursement period.

6. Income Eligibility

Eligible homebuyers must have incomes at or below 80 percent of area median income adjusted by family size as determined and published by the Department of Housing and Urban Development.

7. First-time Homebuyer

The initiative will serve first-time homebuyers as defined in the final AHP homeownership set-aside rule and will also include households that are recovering victims of catastrophic loss (e.g., death of principal wage earner, loss of employment due to factory shut-down, or an employer's reduction in force).

8. Homebuyer Counseling

Prior to closing, members will certify that the homebuyer has completed counseling similar to that required under FNMA's borrower assistance for Fannie 97 and Community Home Buyer's Start-up Mortgages. All counseling efforts will be required to comply with the requirements of applicable federal and state laws including the Equal Credit Opportunity Act, the Fair Debt Collection Procedures Act, and the Fair Credit Reporting Act.

9. Member Authorized Nonprofit Financing

Homebuyers assisted under this initiative must agree to obtain the mortgage through the member except in instances where the member works in conjunction with self-help housing programs such as Habitat for Humanity, Neighborhood Housing Services or the Minnesota Chippewa Tribal Housing Corporation. When homebuyers obtain a mortgage through such self-help housing programs, members must maintain copies of all legal documents determined necessary by the FHLBank in order to monitor for compliance. The interest rate on the mortgage loan provided to the household may not exceed the market rate for a loan of similar maturity and terms.

10. Rural Area

A rural area is an area that meets the definition of rural area that is included in section 960.1(1) of the AHP regulation.

11. Long-term Requirement

Properties purchased under this initiative must be purchased subject to a deed restriction, “soft” second mortgage, or other legally enforceable mechanism. These documents must require that, if the home is sold prior to the end of a period of not less than five years from the date of purchase by the initial household, members be given notice of the sale. If the sale of a property occurs within five years, the seller is required to repay a pro-rata portion of AHP funds reduced for each year the seller owned the home. Repayment of de minimus amounts, as determined by the FHLBank, will not be required. The FHLBank may waive the repayment requirement if its enforcement would cause undue hardship to the seller.

12. Monitoring

Monitoring site visits to members will be performed randomly and members will be required to maintain the following information: third party documentation verifying homebuyer’s income; executed retention agreements; disbursement certification forms; and copies of documents verifying the amount of funds used for rehabilitation.