

Resolution No.: 96-75  
Date: October 30, 1996

Approval of Set-Aside by the Federal Home Loan Bank of Topeka  
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);

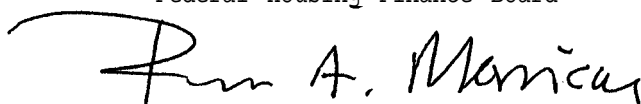
WHEREAS, section 960.5(g)(2) of the Finance Board's AHP regulation authorizes each FHLBank, subject to prior Finance Board approval, to set aside a portion of its annual required AHP contribution to implement a homeownership program that satisfies the requirements of the statutory provisions governing 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 12 C.F.R. § 9605(g)(2); and

WHEREAS, pursuant to section 960.5(g)(2) of the AHP regulation, the FHLBank of Topeka has requested Finance Board approval to set aside \$250,000 of its required AHP contribution for 1997 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; and

WHEREAS, the FHLBank of Topeka's proposed set-aside of \$250,000 of AHP funds, 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, among other things: providing subsidies to reduce downpayments and mortgage costs; providing mortgage credit for rural areas; and assisting in the rehabilitation of rural housing; 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);

NOW, THEREFORE RESOLVED, that the FHLBank of Topeka's 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

Affordable Housing Program First Time Homebuyer Set-Aside  
Federal Home Loan Bank of Topeka

The Federal Home Loan Bank (FHLBank) of Topeka will set aside a maximum of \$250,000 in AHP funds of its required 1997 Affordable Housing Program (AHP) contribution to implement a program that provides funds for downpayment, closing cost and rehabilitation assistance to first-time homebuyer households with incomes at or below 80% of the area median income. The program must meet the following requirements:

- ◆ Require 3% downpayment
- ◆ FHLBank subsidy will fill the gap up to \$2,500
- ◆ Cannot combine FHLBank subsidy with non FHLBank subsidy
- ◆ CIP advance could be used to lower loan rates
- ◆ AHP subsidy can be used for down payment, closing costs, and rehabilitation
- ◆ \$250,000 set-aside for 1997 allocation
- Targeted communities shall be any area that is outside a Community Development Block Grant entitlement area
- Assisted properties will have a soft second mortgage
- ◆ Amount of subsidy that can be recaptured - declines 1/5th each year for five years and then is forgiven
- In the event the property is sold and another qualified buyer does not assume the mortgage, recapture of the remaining AHP subsidy will occur
- Buyer investment will be a minimum equity \$500 cash
- Members must make AHP funds available only to homebuyers with an annual income at or below 80% of area median income
- Each homebuyer must complete a homebuyer counseling program and will be required to give evidence of completion of an effective homeownership counseling program

- The FHLBank will notify its members of the amount of annual funds available under the Homebuyer Program initiative, During the initial 30-day reservation period, each eligible Bank member may reserve a minimum of \$2,500 and a maximum of \$12,500 of the Homebuyer Program funds to be used to assist eligible households in purchasing properties in rural and small city areas. Members are required to disburse reserved funds to eligible households within two-years after the close of the initial reservation period. If any portion of the member's reserved funds remain undisbursed at the end of the two years, the **funds** will be reallocated to another eligible member. 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 amount is fully reserved.
- If the total amount of **funds** reserved during the initial reservation period is less than the amount set aside, a second 30-day reservation period will be announced, but the requirement that the Homebuyer Program **funds** be used in rural areas and small cities would no longer apply. Members at this point will be permitted to apply for a minimum of \$2,500 to a maximum of the total amount of **funds** remaining available. Again, if the total amount of funds requested in the second 30-day reservation period exceeds the remaining set-aside funds available, applications will be randomly selected by lottery until all funds are reserved. Any funds remaining unreserved after the second period will be allocated to the AHP competitive **fund**.
- ◆ A member has nine months from the date a homebuyer has minimum equity to disburse **funds** to that homebuyer. If **funds** are not disbursed to that homebuyer, with the approval of the FHLBank, the member may reallocate the funds to the next eligible homebuyer. If all reserved **funds** are not disbursed by a member within two years of the date of reservation, they will be disbursed on a non-reserved basis through members to eligible households. Each member will request funds as loans to eligible households are closed. Any undisbursed funds that remain at year-end will be added to the required AHP contribution for the following year.