



Federal Home Loan Bank  
NEW YORK

# Homebuyer Dream Program<sup>®</sup>

## Guidelines:

Homebuyer Dream Program<sup>®</sup>

Homebuyer Dream Program<sup>®</sup> Plus

Homebuyer Dream Program<sup>®</sup> Wealth Builder

— 2025 —

# Table of Contents

**TABLE OF CONTENTS..... 1**

**INTRODUCTION ..... 2**

**PROGRAM OVERVIEW ..... 5**

    Program Offering .....5

    Member Participation .....6

    FHLBNY File Transfer System.....6

    Submission of a New Household Reservation Request.....6

    Commitment of Funds.....8

    Submission of a Funding Request.....8

    Funding of the HDP Grant.....9

    Submission of Other Documentation.....9

    Status Reporting.....10

**PROGRAM REQUIREMENTS ..... 11**

    Household Income .....14

*Eligible and Ineligible Income Sources.....14*

*Household Income Calculation and Documentation Requirements.....16*

    Homeownership Counseling .....20

    Household Equity Contribution.....21

    Use of the HDP Grant .....22

*Eligible Uses of the Grant .....22*

    Closing Requirements.....22

*Execution of HDP Retention Documentation .....22*

*Execution of Closing Disclosure.....22*

    Retention Period.....22

**RETENTION MONITORING PRACTICES.....23**

**EVENTS OF NON-COMPLIANCE AND RECAPTURE .....23**

    Events of Non-Compliance.....23

    Foreclosure .....24

    Inheritance .....24

    Processing of a Recapture.....24

**SUSPENSION AND DEBARMENT POLICY.....26**

**CONFLICT OF INTEREST .....26**

**RECORD RETENTION REQUIREMENTS.....26**

# Introduction

The mission of the Federal Home Loan Bank of New York (“FHLBNY”) is to provide members with reliable liquidity in support of housing and local community development. The FHLBNY meets our mission by providing our members with access to economical wholesale credit and assistance through our credit products, mortgage finance program, housing and community lending programs, and correspondent services.

The FHLBNY offers three first-home homebuyer programs:

## **Homebuyer Dream Program® (“HDP®”)**

The Homebuyer Dream Program® (“HDP®”) is a federally regulated first-time Homeownership Set-Aside Program, offered under the FHLBNY’s Affordable Housing Program (“AHP”) and managed within regulatory requirements established by the Federal Housing Finance Agency (“FHFA”) 12 C.F.R. Part 1291, as may be amended from time to time (“AHP Regulation”). HDP provides funds in the form of a grant to be used towards down payment and closing cost assistance to first-time homebuyers earning at or below 80% of the Area Median Income (“AMI”).

The maximum grant that a household may receive is up to \$30,000, as determined by the member, and submitted to the FHLBNY.

## **Homebuyer Dream Program® Plus (“HDP® Plus”)**

Homebuyer Dream Program® Plus (“HDP® Plus”) is voluntary program that gives members the opportunity to provide grant funds to households earning greater than 80% of the Area Median Income (AMI). The maximum grant amount of up to \$30,000 will be utilized towards down payment and closing cost assistance.

Participating members may offer HDP Plus to households that meet the following income thresholds:

- New York and New Jersey: Earning over 80% AMI, but not to exceed 120% AMI
- Puerto Rico and U.S. Virgin Islands: Earning over 80% AMI, but not to exceed 150% AMI

HDP Plus may only be administered within the FHLBNY District.

## **Homebuyer Dream Program® Wealth Builder (“HDP® Wealth Builder”)**

Homebuyer Dream Program® Wealth Builder (“HDP® Wealth Builder”) is a Special Purpose Credit Program (SPCP) designed to address the wealth gap by providing grants to individuals and families who have historically experienced challenges accessing the credit or housing markets. Grant recipients must currently reside within, and purchase an eligible property type within, the FHLBNY District.

The maximum grant amount of up to \$30,000 must be utilized towards down payment and closing cost assistance and participating members may offer HDP Wealth Builder to households that meet the following income thresholds:

- New York and New Jersey: Earning income equal to or less than 120% of the AMI
- Puerto Rico and U.S. Virgin Islands: Earning income equal to or less than 150% of the AMI

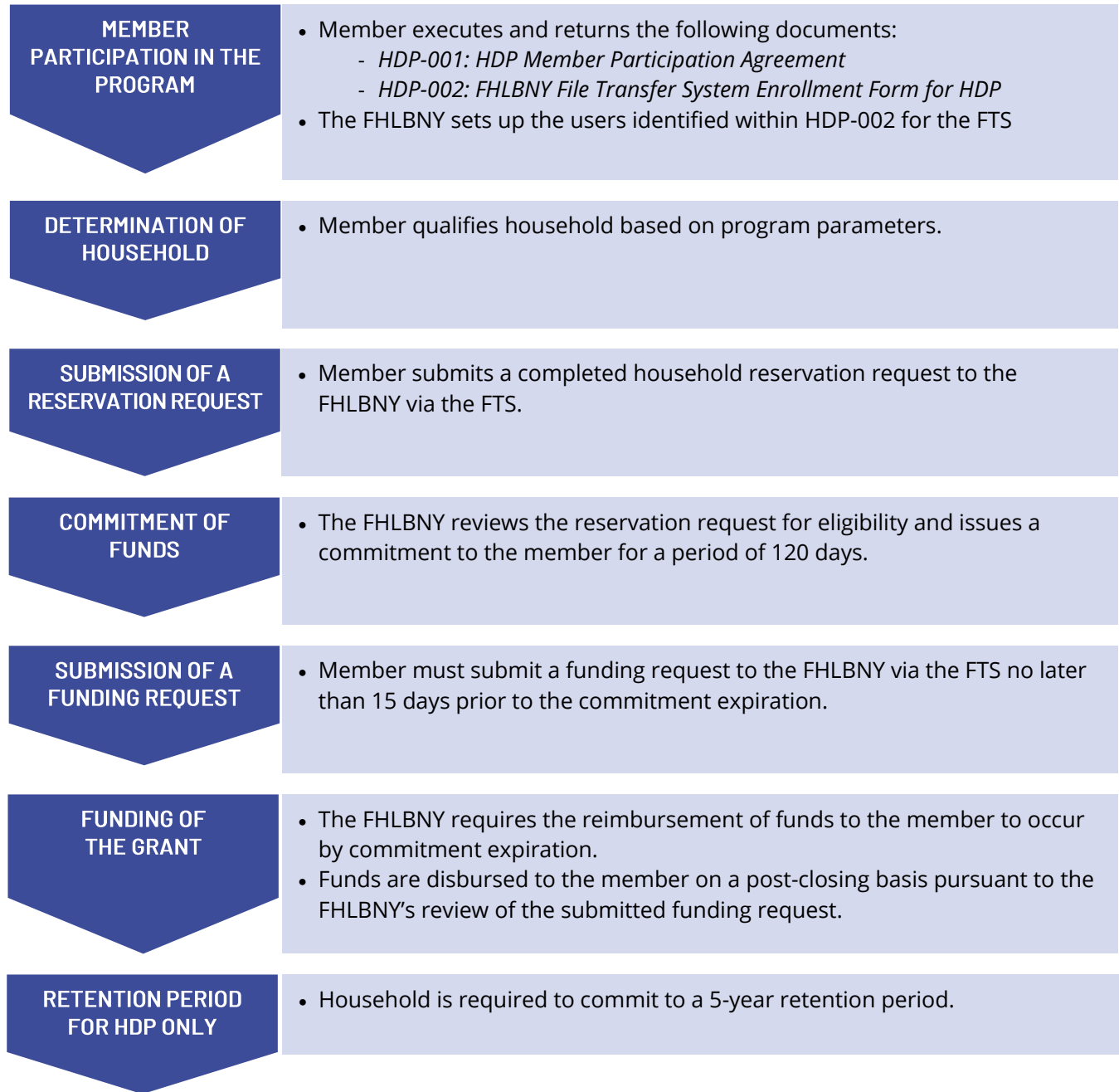
Eligible households must also meet one of the following eligibility criteria:

- Reside within a majority-minority census tract or
- Qualify as first-generation homebuyers

The Homebuyer Dream Program Guidelines (“Program Guidelines”) will assist you as you work along with the homebuyer, and counseling agency to ensure HDP grants are executed and funded in a timely manner and in compliance with the AHP Regulation, the FHLBNY AHP Implementation Plan (“Implementation Plan”) and these Program Guidelines, where applicable. These Program Guidelines are intended to be illustrative, not exhaustive, as not all possible scenarios can be addressed herein.

These Program Guidelines serve as a reference to all three first-time homebuyer programs and the programs may be referred to collectively as ‘Homebuyer Dream Program’ or ‘HDP’; unless specified, it should be assumed that a guideline is applicable to all three programs.

The diagram below outlines the program life cycle beginning with member participation.



# Program Overview

## Program Offering

Subject to the availability of HDP funds, the FHLBNY shall provide an annual allotment of HDP funds to be administered through its qualified participating members. In this endeavor, the FHLBNY needs to ensure that all interested members can equitably participate in the HDP and ensure commitments remain within the constraints of available annual funding. Member's may elect to participate in the 2025 HDP Round (the "Round") by executing an updated HDP Member Participation Agreement submitted via email to [HDP@fhlbny.com](mailto:HDP@fhlbny.com) no later than January 10, 2025. Members that do not comply with this deadline will not be eligible to participate in the Round.

A notification of initial allotments will be distributed within approximately thirty (30) days of the start date of the Round (scheduled to commence on or around February 10, 2025). It is the member's responsibility to monitor their assigned allotment.

The initial allotment will be based upon a three-year weighted average of commitments issued for the applicable program. Qualified participating new members and members with low historical commitments will be allotted a floor, which is the minimum amount of funds allotted to any one participating member. Qualified participating members with high historical commitment volume may be impacted by a ceiling, which is the maximum limit of allotted funds given to any one member. The floor and ceiling take the following factors into consideration: 1) total allocation of the Round, 2) number of participants for the Round and 3) the maximum grant amount.

Qualified participating members will have until August 29, 2025, to fully reserve their initial allotment. All unreserved allotments across the participating members remaining as of 5:00 p.m. ET on August 29, 2025, will be removed from each member and combined for the purpose of redistribution during the reallocation. The collective funds will be distributed in rank order to members who exhausted their initial allotments, with exhaustion of funds being defined as \$30,000 or less from the initial allotment remaining unreserved. Multiple reallocations can occur dependent upon funds available. The first reallocation will occur on or around September 8, 2025. There is no guarantee that additional funds will become available nor that participating members with exhausted allotments will receive additional funds.

Once the Round opens, participating members may begin submitting reservation requests for eligible households. The maximum grant amount that a household may receive is up to \$30,000, as determined by the participating member and submitted to the FHLBNY. Funds may be used toward the down-payment and/or closing costs for the purchase of a home by a qualified household. The Round will end on November 28, 2025, as of 5:00 p.m. ET or whenever funds are exhausted, whichever comes first.

## Member Participation

Members who are in good standing with the FHLBNY may apply to participate in the Homebuyer Dream Program rounds by completing the *HDP Member Participation Agreement (HDP-001)*. By executing this agreement, the member agrees that it has received notification of and will comply with all the requirements established by the AHP Regulation, the FHLBNY AHP Implementation Plan, and the FHLBNY Homebuyer Dream Program Guidelines, which govern the Homebuyer Dream Programs as applicable, whether now existing or hereafter amended or implemented. The member also agrees that it will pass on the full amount of the grant to the household and the grant will be used in accordance with the terms of the *HDP Member Participation Agreement* and the requirements of the AHP Regulations, Program Guidelines and the AHP Implementation Plan, as applicable.

Participation in the suite of Homebuyer Dream Programs may be restricted at any time at the sole discretion of the FHLBNY.

## FHLBNY File Transfer System

Pursuant to applicable Federal and State laws, to protect household information that may be utilized to develop a credit profile if intercepted by an unauthorized third party, the FHLBNY requires that relevant documentation be submitted through FHLBNY's File Transfer System ("FTS").

The FHLBNY must receive a fully executed *FHLBNY File Transfer System Enrollment Form (HDP-002)* identifying member representatives authorized to submit HDP documentation to the FHLBNY. Member representatives listed in the *FHLBNY File Transfer System Enrollment Form* for HDP must have both a User ID and password established for the FTS. It is the member's responsibility to advise the FHLBNY of any changes in member representatives by submitting an updated *FHLBNY File Transfer System Enrollment Form (HDP-002)*.

All files submitted through the FTS must be done as one Zip file per household and must contain a completed and accurate *Homebuyer Dream Program Round Request Form (HDP-005)* in MS Excel format, containing the .xlsx file extension and all supporting documentation in PDF format. Submissions received by the FHLBNY via e-mail or methods other than the FTS will not be accepted. A successful upload through the FTS does not constitute a reservation or commitment of funds.

## Submission of a New Household Reservation Request

To submit a new household reservation request, the member must complete the *Homebuyer Dream Program Round Request Form (HDP-005)* selecting appropriate Homebuyer Dream Program and the New Household Reservation Request option.



## Homebuyer Dream Program® Request Form - 2025 Round

Which program are you submitting a request for?

Homebuyer Dream Program

Which type of Homebuyer Dream Program request would you like to submit?

New Household Reservation Request

Initiate New Household Reservation Request

*Note that once you've started the request form, you will not be able to change the form type; please ensure the correct type is selected before proceeding.*

The *Homebuyer Dream Program Round Request Form* (in MS Excel format, containing the .xlsx file extension) along with the following required documentation (in PDF format) must be submitted to the FHLBNY via the FTS as one Zip file per household:

- Income documentation for all sources of income for each income-earning adult in the household.
- Fully executed *HDP Homebuyer Certification* dated within 60 days of the reservation date.
- Fully executed homeownership counseling certificate.
- Fully executed *HDP Zero Income Certification (AHP/HDP-001)* form(s) for each member of the household, 18 years and older, with zero income.
- Fully executed legal separation agreement or divorce decree (if applicable).

Prior to the submission of the *HDP Round Request Form*, ensure the required fields section (located on the top right of the form) reflects 100% completion.



The submission of a new household reservation request through the FTS does not constitute a reservation or commitment of funds. In the event the FHLBNY receives an incomplete *Homebuyer Dream Program Round Request Form* and/or missing supporting documentation, the FHLBNY reserves the right to deny the household reservation request, and the member will be required to submit a new household reservation request. If the



household reservation request is conditioned for additional documentation/information, the member will have 2 business days to respond to the request. If not received after 2 business days, the reservation request will be denied, and the member will be required to submit a new household reservation request.

If the household is applying for grants under multiple first-time homebuyer programs, a separate request form is required for each program.

## Commitment of Funds

The FHLBNY, in its sole discretion, will determine whether each household has met the eligibility requirements, prior to commitment of a HDP, HDP Plus or HDP Wealth Builder grant.

Upon the FHLBNY's approval of the reservation request, the commitment of grant will be issued via email to the member confirming commitment of the grant for a 120-day period.

Once a commitment has been issued, changes to the grant amount will not be permitted. If a request for a grant amount change occurs, it must be done prior to the issuance of the commitment. The homebuyer and property address on the commitment must match the homebuyer and property address identified on the retention documentation (where applicable) and Closing Disclosure. Commitments may not be transferred to another member, property or homebuyer(s). Commitments that are withdrawn will not be credited back to the member's allotment.

The FHLBNY requires reimbursement of funds to the member to occur by the commitment expiration date. It is the members' responsibility to monitor the commitment period and communicate with the FHLBNY if there are any issues with submitting the funding request no later than fifteen (15) days prior to commitment expiration. If a member requests a commitment extension, it will be evaluated on a case-by-case basis. At the time of commitment expiration, the household will be withdrawn from the program.

## Submission of a Funding Request

Funding requests must be submitted by the member to the FHLBNY upon receipt of closing documentation and no later than fifteen (15) days prior to commitment expiration. The member must submit a *Homebuyer Dream Program Round Request Form* (in MS Excel format, containing the .xlsx file extension) selecting the Funding Request option. Prior to the submission of the *HDP Round Request Form*, ensure the required fields section (located on the top right of the form) reflects 100% completion.

The *Homebuyer Dream Program Round Request Form (HDP-005)* (in MS Excel format, containing the .xlsx file extension), along with the required documentation (in PDF format), must be submitted to the FHLBNY via the FTS as one Zip file per household. Program documentation requirements are as follows:

- *Homebuyer Dream Program*
  - Closing Disclosure
  - Subordinate Mortgage Retention Documents (HDP-006) including Exhibit A and Certification of Intent to Record
  - UCC-1 Filing (applicable to cooperative housing)

- 'Secured Party's Name' section must list the member
- 'Optional Filer Reference Data' section should list HDP grant with the amount
- Co-op Intention to Record (HDP-006COOP)
  - Declaration of Restrictive Covenant FHA Retention Documents (HDP-006FHA) (applicable to FHA financing), including Exhibit A and Certification of Intent to Record
  - Promissory Note (HDP-006PR or HDP-006FHAPR) (applicable to Puerto Rico only)
- *Homebuyer Dream Program Plus*
  - Closing Disclosure
- *Homebuyer Dream Program Wealth Builder*
  - Closing Disclosure

It is the member's responsibility to review the closing documentation to ensure completeness and adherence to the guidelines prior to the submission for reimbursement of subsidy. Failure to submit the required *Homebuyer Dream Program Round Request Form* and all supporting documentation to the FHLBNY within the required timeframe may affect the member's participation status in the Homebuyer Dream Program. The FHLBNY reserves the right, in its sole discretion, not to fund the request if the required *Homebuyer Dream Program Round Request Form* and all supporting documentation are not received and/or deemed unacceptable to the FHLBNY.

The FHLBNY will disburse subsidies only to institutions that are members of the FHLBNY at the time they request a draw-down of the subsidies. If a member with an approved Funding Request for grant subsidy loses its membership in the FHLBNY, the FHLBNY may disburse grant subsidies through another Federal Home Loan Bank to a member that has assumed the former member's obligations.

## Funding of the HDP Grant

Upon review and approval by the FHLBNY of the *Homebuyer Dream Program Round Request Form* and all supporting documentation, the grant will be disbursed to the member's Overnight Investment Account ("OIA") on a post-closing basis. An email notification confirming the transfer will be issued to the member.

If the member's funding request is denied, the member will be required to record a release of the *Subordinate Mortgage* or the *Declaration of Restrictive Covenant*, if applicable

## Submission of Other Documentation

If additional documentation is requested by the FHLBNY, the member must submit a *Homebuyer Dream Program Round Request Form* (in MS Excel format, containing the .xlsx file extension) selecting the Other Documentation category. The *Homebuyer Dream Program Round Request Form* along with the requested documentation (in PDF format) must be submitted via the FTS as one Zip file per household.

## Status Reporting

Members are required to notify the FHLBNY of any household that ceases to participate in, or no longer qualifies for, HDP, HDP Plus or HDP Wealth Builder. On a monthly basis, a *HDP Member Pipeline Status Report* will be issued to the member via the FTS. Upon receipt of the report, members must review the status report and update the FHLBNY regarding any changes to the household's status to ensure that the member's records align with the records of the FHLBNY.

Reports provided to the member will remain available within the FTS until the end of a quarter, at which time reports dated ninety (90) days or older are automatically deleted. The member is solely responsible for downloading the *HDP Member Pipeline Status Report*.

# Program Requirements

Determining household eligibility is the responsibility of the member and is based upon the reservation request date, defined as the date a new household reservation request is submitted to the FHLBNY via the FTS. The member must ensure the following Homebuyer Dream Program eligibility requirements are met:

- Meet the definition of a “first-time homebuyer” which, based on the definition by the U.S. Department of Housing and Urban Development (“HUD”), is defined as an individual who meets any of the following criteria:
  - An individual who has had no ownership in a principal residence during the 3-year period ending on the date of the purchase of the property. This includes a spouse (if meets the above test, they are considered first-time homebuyers).
  - A single parent who has only owned a principal residence with a former spouse while married.
  - An individual who is a displaced homemaker and has only owned a principal residence with a spouse.
  - An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
  - An individual who has only owned a property that was not in compliance with state, local or model building codes and could not be brought into compliance for less than the cost of constructing a permanent structure.
- Household must meet the program’s income requirements of the Area Median Income (“AMI”) for the county in which the household is purchasing, adjusted for household size, as determined under 26 U.S.C. 143(f), Mortgage Revenue Bonds, as published by a State agency or instrumentality for New York, New Jersey and Puerto Rico. For all other states and U.S. territories, including the U.S. Virgin Islands, the area median income, as published annually by HUD, is used. The income requirements for each program are as follows:
  - Homebuyer Dream Program
    - 80% AMI or less
  - Homebuyer Dream Program Plus
    - New York and New Jersey: earning over 80% AMI, but not to exceed 120% AMI
    - Puerto Rico and U.S. Virgin Islands: earning over 80% AMI, but not to exceed 150% AMI
  - Homebuyer Dream Program Wealth Builder
    - New York and New Jersey: 120% AMI or less
    - Puerto Rico and U.S. Virgin Islands: 150% AMI or less

- Household size is based upon the number of people who will reside in the home being purchased.
- Divorced or separated homebuyer(s) who have joint custody of their children should include the children in their household count, regardless of the amount of custody time.
- Non-occupying co-signers, non-occupying co-borrowers, or guarantors are not to be included in household size.
- Household must adhere to the income and underwriting standards of the FHLBNY as described in the Household Income section within this document.
- Household must purchase an eligible property type in the geographic area specified by the program:
  - Homebuyer Dream Program
    - Any US state or Territory
  - Homebuyer Dream Program Plus
    - FHLBNY District: New York, New Jersey, Puerto Rico, and U.S. Virgin Islands
  - Homebuyer Dream Program Wealth Builder
    - FHLBNY District: New York, New Jersey, Puerto Rico, and U.S. Virgin Islands
    - Eligible properties include 1-4 family dwellings, townhouses, condominiums, cooperative housing units or manufactured housing (must be affixed to a permanent foundation) to be used as the household's primary residence.
    - In the case of new construction, construction must be completed prior to closing, and member must ensure issuance of a Certificate of Occupancy.
    - Ineligible properties include investment properties, vacation homes, and vacant land.
- Homebuyer(s) current residency must align with the requirements of the applicable program:
  - Homebuyer Dream Program
    - Any US state or Territory
  - Homebuyer Dream Program Plus
    - Any US state or Territory
  - Homebuyer Dream Program Wealth Builder
    - FHLBNY District: New York, New Jersey, Puerto Rico, and U.S. Virgin Islands
- Homebuyer(s) must have a fully executed Purchase and Sales Contract dated prior to the reservation request date.
- Homebuyer(s) must complete a homeownership counseling program as further defined in the Homeownership Counseling section.
- Homebuyer(s) must provide a minimum equity contribution of \$1,000 toward the purchase of the home as described in the Household Equity Contribution section within this document.

- *For HDP only*, homebuyer(s) must agree to sign, at time of closing, a 5-year deed restriction or other legally enforceable retention agreement or mechanism (“Retention Agreement”), with the member in the amount of the total HDP grant, which requires (i) notice to the FHLBNY, and in its discretion any designee of the FHLBNY, notice of any sale, transfer, assignment of title or deed, or refinancing of the unit by the household occurring during the AHP five (5) year retention period; and (ii) repayment of a portion of the subsidy unless the transfer is subject to repayment exception of the AHP Regulations.
- Household closing and reimbursement of funds to the member must occur within the 120-day commitment period. Households that have closed before the issuance of a commitment are not acceptable.
- Obtain mortgage financing from the participating member, or a wholly owned subsidiary, or the federal government, or an instrumentality thereof, for the purchase of a primary residence.
- Member’s first mortgage financing does not exceed the annual percentage rate, points and fees, or prepayment penalty thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulation (Federal Board Regulation Z), and that the first mortgage loan does not violate any Anti-Predatory Lending Laws.
- The member must comply with the underwriting standards of the FHLBNY, including but not limited to:
  - Maximum original Loan to Value (“LTV”) of 97% for conventional financing and mortgages insured by the Federal Housing Administration (“FHA”).
  - Loans guaranteed by the Veterans Administration (“VA”) are limited to 100% and LTV is calculated using the base mortgage amount.
  - Loans guaranteed by the United States Department of Agriculture (“USDA”) 502 Direct and Guaranteed Loan Programs are limited to 100% LTV.
  - Total Debt to Income Ratio greater than 45% requires the member provide an explanation of household affordability on the *Homebuyer Dream Program Round Request Form*.
  - The term of the first mortgage financing cannot be less than 5 years.

Note: Loan to Value (LTV) is defined as the original loan amount divided by the property value. The property value is the lower of the sales price or the current appraised value.

- For Homebuyer Dream Program Wealth Builder, at least one of the homebuyers must meet the following eligibility criteria:
  - The homebuyer currently resides in a majority minority census tract; or
  - The homebuyer is a first-generation homebuyer as defined by one of the following
    - the homebuyer aged out of foster care; or
    - the homebuyer’s parents do not currently own or have ever owned property in the United States.

## Household Income

The member is responsible for verifying all sources of income for all individuals, 18 years and older, who will reside in the home. The income of non-occupying co-signers, co-borrowers, or guarantors must also be included in the calculation for determining income eligibility.

The homebuyer(s) must demonstrate a reliable stream of income; examples include full time employment (defined as  $\geq 32$  hours a week), pension, disability award, Social Security, Individual Retirement Accounts, or other recurring sources.

Household members, 18 years and older, who do not receive income must execute a *HDP Zero-Income Certification* form (AHP/HDP-001) located on the FHLBNY's website and be identified under Section G of the *Income Calculation Worksheet*. If an individual is separated from his/her spouse, then the individual must also provide evidence of such separation with a legal separation agreement, legal documents filed with a court seeking a divorce or a divorce decree.

## Eligible and Ineligible Income Sources

The following lists identify what does and does not constitute annual income.

### What constitutes "income"?

- Total annual anticipated income from all sources (including part-time jobs), at the time of reservation, received by the household, (even if a member is temporarily absent), prior to any payroll deductions of wages and salaries, overtime pay, commissions, fees, tips and bonuses and other compensation of personal services. (See *Note* below.)
- Income derived from pension, disability award, Social Security, Individual Retirement Accounts, annuities, insurance policies, death benefits or similar types of periodic receipts.
- Reported net income derived from operation of a business or profession over a one (1) year period.
- Income consistently derived from stock portfolio earnings, dividends, and other interest income.
- Net income of any kind of real or personal property.
- Payment in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay. (See *Note* below.)
- Automobile allowance.
- Payments from waiving insurance benefits.
- Alimony, child support, or separate maintenance.
- Welfare assistance, Supplemental Security Income, and other non-earned income paid to children.
- All regular pay, special pay, and allowances of a household member in the Armed Forces.

*75% of the total annualized anticipated rental income, if purchasing a 2-4 family unit property. Note: Household members on temporary leave, such as paternity/maternity leave or sabbatical, will have their income calculated as if they were not on leave. A letter from the household and employer confirming the leave date and anticipated return date as well as a Written Verification of Employment will be required.*

*Note: Unemployment is an acceptable form of income provided there is a consistent pattern of receipt in conjunction with a reliable stream of income.*

Examples of acceptable unemployment income:

- A household whose income is seasonal and receives unemployment during the off season as a supplement until they return to work (e.g., Landscaper, roof repair, union employee)

Example of unacceptable unemployment income:

- A household previously employed and receiving income, has lost their sole source of income and is currently receiving unemployment. There is no return-to-work date as they will need to search for new employment.

What does not constitute "income?"

- Employment derived from individuals (including foster children) under the age of 18 years.
- Payments received for the care of foster children or foster adults.
- Non-recurring additions to household assets (e.g., inheritances, capital gains, insurance policy death benefit payments, settlement for personal/property losses).
- Amounts received by the household that are specifically for, or in reimbursement of, the cost of medical expenses for any household member.
- Income of a live-in aide.
- Mileage reimbursement or other reimbursements of expenses related to employment (i.e. parking, travel, supplies, etc.).
- 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).
- The value of food stamp allotments.
- 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 drawdowns.
- 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.
- 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.



## Household Income Calculation and Documentation Requirements

The reservation request date must be used to determine the applicable MRB or HUD income guidelines and the age of each household member.

Household income must be calculated using the *Income Calculation Worksheet* embedded within the *Homebuyer Dream Program Round Request Form*. Income for all household members over the age of 18 must be documented within the *Income Calculation Worksheet*. Supporting income documentation used to calculate household income must accompany the fully completed *Homebuyer Dream Program Round Request Form* at the time of submission of the reservation request to the FHLBNY.

In addition to being clear and legible, all supporting income documentation must indicate the household member's name, as well as the date and source of the document.

At the sole discretion of the FHLBNY, additional documentation may be requested. Income calculation and documentation standards are outlined below.

### Employment Income

Employment income from payroll for each member of the household should be captured in **Section A** of the *Income Calculation Worksheet*. Employment income, which includes gross pay and any other income that is recurring and consistent (i.e. salary, commissions, overtime, etc.), should be supported by the following income documentation:

- One (1) month of consecutive paychecks with accompanying earnings/deductions statements dated within 60 days of the reservation date. The check date must be dated within 60 days of the reservation date. The pay period end date, not the check date, must be utilized in calculating income; or
- Fully completed and properly executed Fannie Mae Request for Verification of Employment (Form 1005) dated within 60 days of the reservation date.
  - Note:
    - *To properly calculate Section A of the Income Calculation Worksheet, weekly pay requires 4 paystubs and bi-weekly/ semi-monthly requires 2 paystubs.*
    - *The income documentation utilized to qualify the household must provide the necessary information to perform the annualized forecast of current year-to-date **and** the average of one month of consecutive paystubs on the Income Calculation Worksheet.*
    - *Employment ending or starting within the year of the reservation request will require a third-party verification of employment verifying both dates.*

The *Income Calculation Worksheet* will perform two calculations and use the higher figure as the annual income. The two calculations are as follows:

- The annualized forecast of current year-to-date ("YTD") earnings, and
- The annualized forecast based on the average of one month of consecutive paystubs.

Individuals working under contractual agreements (i.e., teachers) must also provide the most recent contract in effect within the year of the reservation date. The contracted salary and any additional income listed above salary must be included in the income analysis.

Section A - Employment Income									
Applicant Name	Employer	Start Date	End of Pay Period	Paystubs / Year	30-Day Avg. Pay	YTD Gross Income	YTD Paystubs	YTD Pay Rate	Annual Income
30-Day Paystub History:					Paystub #1	Paystub #2	Paystub #3	Paystub #4	
Gross Pay Amount:									

Applicant Name	Employer	Start Date	End of Pay Period	Paystubs / Year	30-Day Avg. Pay	YTD Gross Income	YTD Paystubs	YTD Pay Rate	Annual Income
30-Day Paystub History:					Paystub #1	Paystub #2	Paystub #3	Paystub #4	
Gross Pay Amount:									

Consistent Income (Employment Letter/Contract/VOE)			
Applicant Name	Employer	Letter Date	Annual Income
Section A, Total Consistent Income (Employment Letter)			\$ -

Variable/Bonus income is meant to include bonus income, commissions, profit sharing and any other income that may vary in amount or frequency of pay. Such non-reoccurring income should be removed from the household's year to date gross earnings and captured in the **Variable/Bonus Income** section of the *Income Calculation Worksheet*.

The member will be required to certify within the Homebuyer Dream Program Request Form that the household has confirmed the income itemized in this section is a one-time payment.

Variable/Bonus Income - Instructions / Documentation			
Applicant Name	Employer	End of Pay Period	Amount
Section A, Total Variable/Bonus Income			\$ -

Social Security, Pension, Public Assistance and Disability Income:

Social Security, Pension, Public Assistance and Disability Income should be captured in **Section B** of the *Income Calculation Worksheet*. Acceptable third-party documentation includes the following:

- Social Security Supplemental Income award letter reflecting income within the year of reservation date.
- Social Security award letter or 1099.
- Retirement, pension and/or disability benefit statements.
- Letters or case management forms from public assistance agencies.

- Section 8 Homeownership Voucher Program approval letter.
- Other third-party documentation evidencing the amount and frequency of the benefit being received.

The gross benefit amount should be entered in the *Income Calculation Worksheet*. The worksheet will calculate an annualized income amount.

Section B - Social Security, Pension, Public Assistance and Disability Income				Back to Top ^
Applicant Name	Source	Payment Frequency	Payment Amount	Annual Income
Section B, Total Income				\$ -

### Self-Employment Income

Self-Employment income should be captured in **Section C** of the *Income Calculation Worksheet*. Household members that report their annual earnings to the IRS through a Schedule C, 1099 statement, own a C or S Corporation, or an ownership interest in a partnership, are self-employed. Acceptable documentation includes:

- Most recent year completed copies of U.S. Individual Income Tax Returns (i.e., IRS 1040 Forms) and supporting schedules,
  - In lieu of U.S. Individual Income Tax Returns, an IRS form 4506-T (Request for Transcript Tax Return) can be submitted to the IRS, and the member can rely on and submit the transcripts furnished by the IRS.
- A year-to-date Profit and Loss (“P&L”) Statement prepared by the household member must be provided. The P&L must state that these numbers are true and accurate and must be signed by the applicable household member.

If a household member owns 25% or greater of a business, the applicable business tax returns must be provided. If less than 25% ownership in a partnership, S corporation or LLC, the applicable K-1 must be provided.

The household’s net income and duration of self-employment, as covered in the supporting documentation, must be entered in the *Income Calculation Worksheet*. For example, a tax return that reflects one full year of self-employment income should indicate 12 months in Section C of the *Income Calculation Worksheet*, the worksheet will calculate an annualized income amount.

Section C - Self-Employment Income				Back to Top ^
Applicant Name	Business Name	# Months	Net Income	Annual Income
Section C, Total Income				\$ -

## Child Support

Child support should be captured in **Section D** of the *Income Calculation Worksheet* and should be documented via a court order, printouts from the court or agency responsible for enforcing support payments or any other third-party documentation evidencing the amount and frequency of support payments received. If there is a private arrangement, the details of the arrangement along with proof of receipt of two support payments must be provided.

When completing the fields on the worksheet, the following guidelines should be followed:

- Children’s names cannot be entered on the worksheet; the dropdown menu within the worksheet identifies children as Child #1, Child #2, etc.
- Arrear payments should not be included in the income calculation.
- Income payment frequency must be provided so that the worksheet can calculate the annualized income.
- In the case where child support is not received in line with the court order, an average of the year-to-date payments must be calculated and input into the *Income Calculation Worksheet* as the payment amount.

Section D - Child Support				Back to Top ^
Applicant Name	Dependents (select from dropdown)	Payment Frequency	Payment Amount	Annual Income
Section D, Total Income				\$ -

## Seasonal Employment, Unemployment and Miscellaneous Income:

Seasonal employment, unemployment and miscellaneous income should be captured in **Section E** of the *Income Calculation Worksheet*. The acceptable documentation will vary dependent upon income type.

For seasonal employment, the supporting documentation should include a fully completed Verification of Employment Form providing income amount earned over the most recent year, a W2, or other third- party documentation providing this information.

To verify unemployment income, worker’s compensation or severance pay, the benefit notification or award letter should be obtained.

To document miscellaneous income such as interest or dividends, the most recent 1099 or brokerage statements verifying stock portfolio earnings, should be obtained. Other options for documentation include IRS form 4506-T (Request for Transcript Tax Return). Interest and dividend income must be included in the total household income when the annual amount exceeds \$100 per filing year.

For these income types, the *Income Calculation Worksheet* is designed to accept an annual income amount, as reflected below. If the income source documentation provides an income figure that is not an annual amount, it must be annualized prior to completing the worksheet.

Section E - Seasonal Employment, Unemployment, and Miscellaneous Income		Back to Top ^
Applicant Name	Income Source	Annual Income
Section E, Total Income		\$ -

### Rental Income

If the homebuyer(s) is purchasing a 2-4 family property, anticipated rental income must be captured in **Section F** of the *Income Calculation Worksheet*. Rental income must be verified with a Real Estate Market Analysis, or a Small Residential Income Property Appraisal Report (Fannie Mae form 1025) dated within 120 days of the reservation date. In line with program requirements, 75% of the total gross annualized rental income will be calculated within the *Income Calculation Worksheet*.

Section F - Rental Income			Back to Top ^
Applicant Name	Gross Monthly Rental Income	Net Monthly Rental Income	Annual Net Income
Section F, Total Income			\$ -

### Zero Income Earning Adults

All household members over the age of 18 years, who will reside in the property, but do not receive any income from any source, must be listed in **Section G** of the *Income Calculation Worksheet*. A fully executed *HDP Zero-Income Certification* dated within 60 days of the reservation date is required for each household member listed in this section of the *Income Calculation Worksheet*.

Section G - Zero-Income Earning Adults	Back to Top ^
Applicant Name	

### Homeownership Counseling

The member must ensure that one of the homebuyer(s) listed within the *Homebuyer Dream Program Round Request Form* has completed a homeownership counseling program within 18 months prior to the reservation request date, as evidenced by a completion certificate.

Grant funds may be used to pay for the cost of the homeownership counseling, which will be provided on behalf of the homebuyer(s) via the member to the non-profit counseling agency, as long as:

- Such costs were incurred in connection with a qualified homebuyer(s) who has attended and successfully completed a formal counseling program and ultimately purchases a property; and
- The cost of such counseling has not been covered by another funding source including the member nor is the cost being reimbursed to the household or other source.

The homeownership counseling program must be provided by an organization recognized as experienced in homebuyer or homeownership courses. While the curriculum may vary amongst the agencies, the topic of predatory lending should be covered. Acceptable counseling entities include the following:

- A counseling agency that is accredited by HUD, a State Government or State Housing Finance Agency (HFA), or the National Industry Standards for Homeownership Education and Counseling. For more information, please refer to the following resources:
  - HUD: <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>
  - State Government or State HFA: please check with your state offices
  - National Industry Standards: [Home \(homeownershipstandards.org\)](http://Home(homeownershipstandards.org))

The use of online homeownership counseling programs through either Framework or eHome America will be permitted. The homebuyer should work directly with recognized education/ counseling agencies to receive guidance and instructions to complete the online education through either via Framework or eHome America. The FHLBNY will not permit other online education/counseling agencies, including but not limited to online education from Fannie Mae, Freddie Mac, or MGIC.

It is the member's responsibility to validate actual counseling agency costs. Copies verifying costs for each counseling agency must be maintained by the member.

## Household Equity Contribution

The homebuyer(s) must have an equity contribution of a minimum of \$1,000 towards the purchase of the property. The equity contribution must be used towards down payment, closing costs, or costs paid before closing as identified on the Closing Disclosure.

- Gift funds from a family member are considered an acceptable source of equity.
- Unacceptable sources of equity are (a) funds received from seller credits, (b) secondary financing, (c) additional grants or credits from a non-profit or other organization, including state and local government agencies.

The equity contribution must be sourced from the Closing Disclosure. It is calculated as the sum of the household deposit, costs paid before closing, and cash to close from the borrower.

- Note: Gifts of equity and cash gifts listed on the closing disclosure should be added to the equity contribution.

Any cash to the borrower at closing will be deducted from the total equity contribution. If the homebuyer(s) fail to meet the \$1,000 equity contribution requirement, the member will forfeit reimbursement of the entire grant.

## Use of the HDP Grant

### Eligible Uses of the Grant

The HDP grant must be used toward the down payment and/or closing costs for the purchase of a household's principal residence. Acceptable closing costs include but are not limited to:

- Loan origination and/or discount fee
- Rate buy down
- Appraisal and/or application fee
- Credit report
- Flood certification
- Closing fee
- Document preparation
- Attorney fees
- Title insurance and title fees
- Abstracting fees
- Housing counseling fee
- Recording fees and tax stamps
- Survey fees
- Prepaid interest
- Escrow of property taxes, homeowner's insurance, mortgage insurance, and flood insurance
- Mortgage Insurance (including upfront premium)
- Property inspection fees
- Realtor commissions

The HDP grant may be used in conjunction with other grant programs, including other grant programs offered by the FHLBNY. The combined FHLBNY grant amounts are limited to a maximum of \$60,000 per household and property.

## Closing Requirements

### Execution of HDP Retention Documentation

The member is responsible for ensuring the following retention documentation, located on the FHLBNY website, is fully executed at the time of closing for HDP only:

- Subordinate Mortgage including Exhibit A
- Certification of Intent to Record
- Promissory Note (applicable to Puerto Rico only)
- Declaration of Restrictive Covenant (applicable to FHA financing)

Other than the completion of the necessary fields, no alterations may be made to these documents.

### Execution of Closing Disclosure

If a homebuyer(s) receives subordinate financing, the loan amount, APR and mortgage term must be reflected on the Closing Disclosure.

- Closing Disclosure must reflect the following details:
  - The full grant amount must be itemized as follows:
    - "Homebuyer Dream Program" or "HDP"

- “Homebuyer Dream Program Plus” or “HDP Plus”
- “Homebuyer Dream Program Wealth Builder” or “HDP Wealth Builder”

If the full HDP grant is not listed on the Closing Disclosure, provide applicable disclosure(s).

- Homebuyer counseling fee should be itemized on the Closing Disclosure regardless if paid at or prior to closing.
- The \$1,000 minimum equity contribution used towards down payment, closing costs or costs paid before closing for the purchase of the property.
  - o *Note: Any cash to the borrower at closing will be deducted from the total equity contribution. If the homebuyer(s) fail to meet the \$1,000 equity contribution requirement, the member will forfeit reimbursement of the entire grant.*
- In accordance with AHP Requirements, the member may provide cash back to a homebuyer(s) at closing in an amount not exceeding \$250. A member shall use any AHP direct subsidy exceeding such amount that is beyond what is needed at closing for closing costs as a credit to reduce the principal of the mortgage loan or as a credit toward the household's monthly payments on the mortgage loan. The Closing Disclosure may not indicate the household has received cash at closing exceeding \$250; the principal reduction or mortgage prepayment must be reflected on the Closing Disclosure. Grant funds cannot be used to reimburse household for earnest deposits, cash down payments, or prepaid closing costs.

***Note: If the homebuyer(s) receive cash back exceeding \$250, the member will forfeit reimbursement of the entire grant.***

All documentation must be legible, consistent, and accurate as to the household closing, including but not limited to: borrower name, property address, terms, etc. Under HDP, re-recording of the *Subordinate Mortgage* or *Declaration of Restrictive Covenant* will be required if the following errors occur:

- Incorrect closing date.
- Member and/or borrower name are inaccurate.
- Errors in the property street address, zip code and/or state.



## Retention Period

Retention policy is applicable only to Homebuyer Dream Program.

Upon closing, all HDP households must continue to comply with the requirements of AHP Regulation for a minimal period of time, known as the "Retention Period." The Retention Period for HDP households is five (5) years from the date of closing. Transfers of title for owner-occupied properties are monitored through legally enforceable HDP deed restrictions or other legally enforceable retention agreements or mechanisms that require notice to the FHLBNY, and in its discretion any designee of the FHLBNY, of any sale, transfer, assignment of title or deed, or refinancing of the unit by the household occurring during the five-year Retention Period.

The member must promptly notify the FHLBNY if an HDP household sells, transfers, or assigns title or deed to the subject property, and the FHLBNY may require members to certify with respect to the retention status of subject properties by HDP households.

The homebuyer(s) must agree to maintain ownership for a period of five years from the closing date or repay a prorated amount of the HDP grant, or any other remedies authorized by the AHP Regulation.

If the homebuyer(s) owns the home for the full five-year term, the grant is forgiven at the end of the retention period.

The member is responsible for educating the household of its obligations during the retention period and the recapture process if an event of non-compliance occurs during the five-year retention period as identified within Events of Non-Compliance and Recapture.

# Retention Monitoring Practices

Only applicable to Homebuyer Dream Program, not HDP Plus or HDP Wealth Builder.

The member is responsible for subordination requests during the Retention Period. In the event the household has multiple funding sources, the HDP grant is not required to be in second lien position. In addition, the member is responsible for recording a release of lien at the end of the five-year Retention Period regardless of whether the first mortgage has been sold to another lender. On an annual basis, members will be provided a Retention Monitoring Report reflecting their portfolio of households within the five-year retention period; members are required to review the report and report to the FHLBNY if there has been an event of non-compliance.

# Events of Non-Compliance and Recapture

FHLBNY may receive notification from a member or through the written notice provision in the retention documentation that the grant will not be or is no longer being used for purposes that conform to the HDP Suite requirements or AHP Regulation. Such a situation would constitute an event of noncompliance which may result in the recapture of a pro rata amount of the grant, or any other remedies authorized by the AHP Regulation.

## Events of Non-Compliance

- Evidence of fraud or willful non-compliance by a household, member or counseling agency.
- Sale, transfer or refinancing prior to conclusion of the retention period.
- Pursuant to the FHLBNY AHP Implementation Plan, policies, procedures, guidelines, and instructions, and the Federal Housing Finance Agency's Affordable Housing Program Regulations (12 CFR Part 1291), as may be amended from time to time (the "AHP Regulations," and collectively, the "AHP Requirements"), if an owner-occupant sells, transfers, assigns the title or deed, or refinances the Property during the Retention Period, a portion of the AHP Subsidy may need to be repaid to the FHLBNY. However, if any one of the following conditions outlined in the AHP Requirements are met, a portion of the Subsidy may not be required to be repaid:
  - a. The property was assisted with a permanent mortgage loan funded by an AHP subsidized advance.
  - b. The subsequent purchaser, transferee, or assignee is a low-or moderate- income household, as determined by the FHLBNY pursuant to the AHP Requirements.

*Note: If a household's income cannot be obtained pursuant to b. above, FHLBNY will use a proxy as a reliable indicator of the subsequent purchaser's income. The sale, transfer, or assignment of an owner-occupied unit by an AHP-assisted household at a price that is at or below the applicable HUD HOME Investment Partnerships Program (HOME) and Housing Trust Fund (HTF) homeownership value limit for existing housing is a reliable indicator. Should the sales price be less than HUD HOME and HTF value limit, no repayment is necessary.*

- c. The portion of the AHP subsidy required to be repaid under the AHP Requirements is \$2,500 or less.
- d. Following a refinancing, the property continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism in compliance with the AHP Requirements.
- e. Following an event of foreclosure, transfer by deed-in-lieu of foreclosure, an assignment of a Federal Housing Administration first mortgage to HUD, or death of the AHP-assisted homeowner.

## Foreclosure

A foreclosure or deed-in-lieu of foreclosure terminates the household's obligation to repay the grant. In addition, when an AHP-assisted home is financed with an FHA-insured first mortgage, an assignment of the mortgage to the Secretary of HUD terminates the household's obligation to repay.

## Inheritance

Inheritance of an AHP-assisted home by the heirs of an AHP-assisted owner(s) of the home does not constitute a "sale" or "refinancing" of the home. Upon the death of the AHP-assisted owner, the Retention Agreement (i.e., Subordinate Mortgage), deed restriction or other legally enforceable mechanism terminates and there is no obligation to repay.

## Processing of a Recapture

In the event that a member determines a recapture may be required, the member must complete and submit the *Affordable Housing Program (AHP) "Recapture Request Form" (AHP-153)* located on the FHLBNY website. The *Recapture Request Form* has fields in which to enter pertinent data regarding the recapture process. It will inform the member if a recapture is required and, if so, at what amount.

The complete technical instructions for completing the *Recapture Request Form* are contained in the form itself and in a two-part tutorial, also available on the FHLBNY website. In general, the form contains three sections:

1. **Qualifying Event:** In this section, the member must provide basic information about the event of non-compliance. There is a drop-down menu with several scenarios that may apply to the transaction. Certain events, by regulation, exempt the household from the recapture process. If the event qualifies as an exception, the member must submit the form to the FHLBNY and retain all applicable supporting documentation.
2. **Proxy:** This section captures the data used to determine if the subsequent purchaser can, by a reliable indicator, be considered to be a low- or moderate-income household. The form makes calculations from data entered regarding the applicable HUD HOME and HTF homeownership value limit.

3. Repayment: This section allows for the calculation of both the “pro rata” and “net proceeds minus household investment” recapture amounts. If the lesser of these two calculations is \$2,500 or less, no recapture is necessary.

In the case of a sale, transfer, or assignment of title or deed, “net proceeds” are determined by the sales price minus reasonable and customary costs paid by the household in connection with the transaction and outstanding debt superior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation. In the case of a refinancing, “net proceeds” are determined by the principal amount of the new mortgage minus reasonable and customary costs paid by the household in connection with the transaction and the principal amount of the refinanced mortgage.

“Household investment” includes reasonable and customary costs paid by the household in connection with the original purchase, down payment for the original purchase, capital improvements, and repayment of senior mortgage principal. Although not an exhaustive list, transaction costs include recording fees, real estate broker’s commission, attorney’s fees, seller credits, and adjustments for items unpaid by seller. An AHP assisted household may produce documentation from its mortgage lender (for example, detailed payoff statement or monthly statements) as evidence of any mortgage principal paid since purchase of the unit. If documentation is unavailable, principal paid can be estimated using the closing statements (the difference between the original mortgage amount and the mortgage loan payoff amount.) Certain other costs are deemed by regulation to be ineligible, such as prepaid expenses, initial escrow payments, and closing costs financed through the mortgage and FHA 203(k) loans. HELOC’s will be handled on a case-by-case basis. Capital improvements may include reconstruction, rehabilitation (can be taken from the Closing Disclosure), addition or other substantive improvements. General maintenance and repairs are not considered substantive capital improvements. Examples of capital improvements include but are not limited to:

- Adding of bath(s) or bedroom(s)
- Installation of air conditioning
- New plumbing or electric wiring
- Finishing a basement
- Exterior painting
- Doors
- Driveways/ Sidewalks
- New roof
- Paving a driveway

The member is responsible for gathering and reviewing all supporting documents (i.e., construction/home improvement invoices and/or receipts, closing disclosures, mortgage servicing statements) utilized when calculating the recapture amount. These documents must be submitted to the FHLBNY along with the completed *Recapture Request Form*.

The member is accountable for recovering the HDP grant from a household as determined by the FHLBNY. If the member does not reimburse the FHLBNY, the member’s Overnight Investment Account or any other deposits, credits or moneys of the member then in the possession of the FHLBNY may be debited at the sole discretion of the FHLBNY. If the grant subject to recapture remains in the possession of the member for more than 30 days, the FHLBNY may, in its sole discretion, assess the member a per diem rate of interest.

## Suspension and Debarment Policy

If, in the judgment of either the FHLBNY or the FHFA, the member or a counseling agency shows a pattern of noncompliance or engages in a single instance of flagrant noncompliance with the terms of the AHP Regulation, the FHLBNY, either in its sole discretion or under the regulatory direction of the FHFA, may suspend or debar the member or counseling agency from participation in the Homebuyer Dream Program Suite.

## Conflict of Interest

The FHLBNY's Board of Directors has adopted a written policy regarding the Code of Business Conduct and Ethics. Pursuant to this policy, conflicts of interests or attempts to influence any action that would affect the funding of a household are not permitted by the following parties:

- Members of the Affordable Housing Advisory Council;
- Members of the Board of Directors; and
- FHLBNY staff and management.

## Record Retention Requirements

All supporting documentation for households shall be maintained by the member for a period of seven (7) years.