



First Front Door *Program Manual*



Contents

Description of Program.....	1
Program Components	2
Retention Requirement	9
Sale, Refinance and Foreclosure Within the First Five Years	10
Document Retention, Reporting and Monitoring.....	11
APPENDIX A: FFD Process Outline	13
APPENDIX B: First Front Door Real Estate Retention Agreement	18

Description of Program

In 1995, the Federal Housing Finance Agency authorized the Federal Home Loan Banks (FHLBanks) to establish set-aside funds from their Affordable Housing Program (AHP) for homeownership programs. One of the major challenges to any potential homeowner is accumulating enough savings for down payment and closing costs. For low- to moderate-income families, this task can seem insurmountable.

The First Front Door (FFD) program was developed by FHLBank Pittsburgh (Bank) to address this funding need for low- to moderate-income homebuyers. Specifically designed for first-time purchasers, FFD provides grant assistance toward down payment and closing costs to families at or below 80 percent of the area median income. To access these funds, participating members* of the Bank register potential homebuyers into the program during an open FFD funding round, while also working with the homebuyer to obtain first-mortgage financing.

Through FFD, the Bank will match the homebuyer's contribution 3-to-1. For every \$1 of funding provided by the homebuyer, the Bank will provide \$3 in matching grant assistance, up to \$5,000. To be eligible for funding, homebuyers must complete a mandatory homeownership counseling program of at least four hours, which must include counseling on predatory lending, and meet all other contribution requirements.

The Bank makes funds available for FFD grants during its annual funding round on a first-come, first-served basis for qualified homebuyers. Only Bank members registered to participate in the FFD program may apply for funding on behalf of their homebuyers. Non-member institutions that are affiliated with members (e.g., member-related mortgage brokers) can participate in the program with a cooperation agreement signed by both the enrolled member receiving the FFD funds and the non-member institution. Members enrolled in the program may also contact the Bank for marketing materials that can help promote the program with customers.

In order to take advantage of the FFD program, members must first complete, execute and submit the original Member Enrollment Form and FFD Member Agreement Form. Once their FFD enrollment has been approved, members can begin working with qualified homebuyers.

**Members: FHLBank Pittsburgh members include thrift institutions, commercial banks, credit unions, insurance companies and other financial institutions that maintain a principal place of business in Delaware, Pennsylvania or West Virginia and meet the requirements of Bank membership. A list of current members can be found at www.fhlpgh.com/about-us.*

Program Components

Eligible Homebuyers

Homebuyers eligible for the FFD program are those homebuyers:

- With a household income at or below 80 percent of the area median income for the area in which they currently reside, as determined by household size, and based on the current year's income limits as published by the Department of Housing and Urban Development (HUD). HUD may publish or re-publish, income limits at any point; FHLBank will always use the most recent published guidelines to determine income
- Who are first-time homebuyers, as defined below;
- Who complete the required counseling, as defined below;
- Who adhere to all rules and regulations governing the FFD program, as described in this manual, and any and all guidance relating to the FFD program;
- Who receive permanent first mortgage financing through an enrolled FFD Bank member; and
- Who have an enrolled Bank member submit an FFD reservation on their behalf and have received an FFD approval.

NOTE: Students (full-time or part-time) with no income or only part-time income are not eligible for FFD grants. Part-time income is defined as 30 hours per week or less. Please contact the FFD Program Manager directly to discuss any potential FFD homebuyer who is a student.

NOTE: Reservations are not transferable. Reservations are made to the member financial institution on behalf of the homebuyer. If the homebuyer wishes to use another eligible financial institution, the original reservation must be withdrawn and if funds are available, a new reservation can be submitted with the new participating member.

Processing Time

It takes approximately 10 business days from the submission of a completed application to determine eligibility on a reservation or disbursement request. If a clarification is requested by the FHLBank, the submission is not complete and not in the queue to be reviewed. Once the clarification is submitted it will be reviewed within 10 business days.

Reservations are processed on a first-come, first served basis, and if a clarification is required, that application does not have a reserved place in the queue and is not considered eligible until the clarification request is satisfied.

Reservation clarifications must be completed within 45 days of the information request from the FHLBank. If a response is not submitted through FFD Online to satisfy the Bank request within the 45 days, the reservation will be deemed incomplete and not eligible for an additional review. If the member wishes to move forward with a reservation for that homebuyer, and the funding round is still open, they may submit a new reservation. If the funding round is closed, the reservation is not eligible to be reviewed and no funds can be awarded.

First-Time Homebuyer

A first-time homebuyer is an individual who has not owned a home within the past three years.

This includes:

- If married, at least one person has not owned a home in the previous three years
- If divorced, has not owned a home as a single person in the previous three years
- If owns an investment property, not living there and has not owned a single-family residence in the previous three years

The member is responsible for verifying that the homebuyer is a first-time homebuyer and meets this definition. A credit report is the recommended verification document.

NOTE: In the event that a homebuyer is separated from their spouse but not yet divorced, in addition to the requirements noted above, the homebuyer must provide one of the following to evidence the separation in order to qualify individually as a first-time homebuyer:

- Legal separation agreement
- Court papers filed for divorce
- Utility bills demonstrating two separate households for homebuyer and separated spouse

Separation must be disclosed at the time of reservation.

Homebuyer Contribution

The homebuyer contribution amount is the amount paid by the homebuyer, which is eligible for a 3-to-1 match by the Bank, up to a maximum of \$5,000, to assist with down payment and closing costs. This includes the deposit on sales contract, funds due at settlement and may include items paid outside of closing in conjunction with the mortgage, indicated as Paid Outside of Closing by the Borrower (POCB) on Closing Disclosure (as applicable under the TILA-RESPA rule defined below). Please refer to the Eligible Uses of FFD Funds section below for further information on eligible items. Pre-paid items for home repairs will not be considered as part of the homebuyer contribution.

Gifts in the form of cash, given to the homebuyer for use in home purchase, will require appropriate documentation, such as an intent letter and a bank statement reflecting the gift deposit.

Gifts of equity/sellers assist cannot be counted towards the homebuyer contribution.

The homebuyer contribution cannot take the form of a grant, forgivable loan or other loan. Once the homebuyer contribution amount is approved by the Bank as part of the homebuyer registration process, it cannot be adjusted to a higher amount. The maximum grant amount, as provided on the applicant's approval is final.

Please note that funds paid to the homebuyer at closing will reduce the homebuyer contribution amount and could affect the eligible matched amount.

Eligible Properties

Eligible properties are single-family, owner-occupied units that are intended as the primary residence of the homebuyer at the time of program eligibility. Eligible structures are single-household units, townhouses, condominiums and modular homes. Units that are manufactured and transported to a specific location may

be considered as an eligible property if the home is permanently affixed to a site. Mobile homes, such as campers and those established as transportation vehicles, are not eligible for FFD funding.

NOTE: Duplexes (half owner-occupied and half renter-occupied) or any other type of investment properties are not eligible for FFD assistance.

Eligible Program Area

The FFD program can only be used when a Bank member is providing the first mortgage; however, the program is **not restricted** to properties in Delaware, Pennsylvania or West Virginia.

Household Income

In order to determine income eligibility for FFD homebuyers, the member must obtain verification of all income sources for all adult (age 18 and older) household members, as well as benefits paid on behalf of minors in the household. In addition, income from non-inhabiting co-signers must also be included in the income calculation for the homebuyer.

A household's income determination must be documented by third-party verification (pay stubs, social security documentation, etc.) for all income. Please see Appendix B for complete explanation of income guidelines.

Income Limits

FFD homebuyers must have household income at or below 80 percent of the area median income level, as determined by household size, and based on the current year's income limits as published by HUD. To determine the income limits for a specific market area, please visit the following HUD webpage: www.huduser.org/portal/datasets/il.html and select the most recent published income limit.

Applicable income limits are based on the applicants' current location, not the purchase property site.

FFD allows the use of HUD County or HUD State Income Limits when making eligibility determinations for total household income.

Homeownership Counseling

All homeownership counseling must:

- Provide participants with a reasonable counseling curriculum that prepares them for homeownership, including the mandatory topic of predatory lending;
- Provide a minimum of four counseling hours;
- Provide accredited counseling from one of the sources described below via individual or group formats; and
- Be completed by at least one adult (age 18 and older) resident homebuyer.

An approved homeownership counseling entity is one of 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: www.homeownershipstandards.org/home/consumers.aspx
- A sponsoring member providing an “in-house” homeownership counseling program that has prior approval from FFD Manager.
 - The PHFA Online Homebuyer Education Course – a free course for homebuyers obtaining a loan with a FICO score of 680 or above: www.phfatraining.org. Please note that while PHFA has a credit score recommendation, FHLBank will accept this course for any homebuyer regardless of FICO score.
 - The eHome America online homebuyer education and certification program –The homebuyer must use the code given at end of the online program to print out a certificate, and then give the certificate to the sponsoring member as evidence of completion. This is a fee based offering. For additional information, please refer to www.ehomeamerica.org/eha.
 - The HPN Frameworks online homebuyer education and certification program. This is a fee based offering. For additional information, please refer to www.frameworkhomeownership.org.
 - Any other organization approved by the FFD Program Manager. Members can submit organizations for approval by completing the Counseling Agency Approval Form.

Homeownership counseling provided to homebuyers prior to participation into the FFD program may qualify if the counseling was completed not longer than 18 months prior to FFD enrollment.

Members are responsible for certification of the above homeownership counseling requirements. As evidence of completion, members should request that homebuyers provide a completed Counseling Certification Form or letter/certificate with the appropriate information. Evidence of completion should be maintained in the homebuyer’s mortgage file.

Member Concessions

Member concessions are some form of a tangible, measurable financial contribution(s) towards the homebuyer’s mortgage to reduce the homebuyer’s financial outlay.

Acceptable concession(s) may include, but are not limited to:

- Waived or reduced fees
- Waived or reduced points
- Reduced interest rates
- Reduction or elimination of other items that lower the homebuyer’s financial outlay
- Application and underwriting fees that, when combined, are equal to or less than \$550
- Other concessions as approved by the Bank

At least one concession must be awarded to each homebuyer at or prior to settlement. If the agreed upon concession(s) is not awarded to a specific homebuyer, the Bank reserves the right to determine whether any alternative concessions are equivalent to the agreed upon concession(s) and whether the FFD grant will be reimbursed. Failure to provide the concession(s) may result in a loss of reimbursement of the FFD grant for that homebuyer.

In order for members to respond to market demand and changing economic conditions, and to ensure delivery of quality products and services, concessions may be adjusted during the calendar year. A request for adjustments must be sent to the Bank and must include a detailed explanation of the intended change. Adjustments or changes cannot be implemented until approval is received from the Bank. Any reimbursement request received before concession adjustments have been approved will be reviewed using the current concessions.

Retention Period

All FFD homebuyers are subject to a five-year retention period. Please see the Retention Requirement section of this manual for more information. The member is responsible for releasing the lien after the five year retention period.

Mortgage PITI (Principal, Interest, Taxes, Insurance)

If the mortgage's PITI exceeds 35 percent of the FFD program calculated monthly household income, the Bank will request additional information to explain the ability of the homebuyer to maintain the home as a principal residence.

The member will be required to certify that a PITI over 35 percent meets the underwriting standards of their financial institution.

Real Estate Settlement Procedures Act (RESPA)

It is the responsibility of the member to comply with the RESPA rules and regulations for all FFD transactions. More information can be obtained from www.consumerfinance.gov.

Home Ownership and Equity Protection Act (HOEPA)

It is the responsibility of the member to disclose any HOEPA loan, defined as a high-rate, high-fee home loan. This information must be reported in the Funds Distribution that members are required to complete to receive reimbursement of the FFD grant. More information can be obtained from www.consumer.ftc.gov/articles/0246-high-rate-high-fee-home-loans or www.cfpb.gov.

Integrated Mortgage Disclosures Under Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z) (78 FR 7973, Dec. 31, 2013) (TILA-RESPA rule)

It is the responsibility of the member to comply with the TILA-RESPA rules and regulations issued by the Consumer Financial Protection Bureau for all FFD transactions. The TILA-RESPA rule became effective on Oct. 3, 2015. More information can be obtained from www.consumerfinance.gov.

Eligible Uses of FFD Funds

FFD reimbursement is solely based on the documented homebuyer paid expenses from the Closing Disclosure. The homebuyer contribution is calculated by Earnest Money + Gifts of Cash + Items Paid Outside of Closing (POC) + Cash to Close From Homebuyer (Minus Cash to Close To Borrower if applicable) = Homebuyer Total Contribution. The homebuyer Total Contribution will then be matched on a 3:1 ratio up to a maximum of \$5,000.

The following items are eligible uses of FFD Funds:

- Earnest funds (deposit/down payment/or other similar notation) for eligible property, noted on the Closing Disclosure (as applicable under the TILA-RESPA rule).
- Homeownership counseling fees if such fees are incurred in connection with the counseling of homebuyers who purchase an Affordable Housing Program/First Front Door-assisted unit and such fees have not been paid for, or reimbursed by, another funding source, including the member. In addition, the cost must be substantiated on the Closing Disclosure (as applicable under the TILA-RESPA rule) as POCB, or by copy of a check, credit card statement or receipt verifying the charge and name of counseling entity.
- Certain closing/settlement costs indicated below and are noted on Closing Disclosure (as applicable under the TILA-RESPA rule) by itemized line item as a POCB:

Items Connected with the Loan

Appraisal fees
Assumption fee
Credit report
Lender inspection fee
Loan discount
Loan origination fee
Mortgage insurance application fee
Advanced payment items
Hazard insurance premium
Interest
Mortgage insurance premium

Reserves

Annual assessments
City property taxes
County property taxes
Hazard insurance
Mortgage insurance
School tax

Title Charges

Abstract or title search
Attorney's fees
Deed preparation
Document preparation
Endorsement
Notary fees
Settlement or closing fee
Title insurance
Title examination
Title insurance binder

Government Recording/Transfer Charges

City/county transfer charges
State transfer charges
Recording fees

Additional Settlement Charges

- Environmental inspection (lead, radon, etc.)
- Flood certificate
- Home inspection
- Mortgage survey
- Pest inspection
- Pest treatment
- Survey cost
- Home warranty

If items are not listed on the Closing Disclosure (as applicable under the TILA and RESPA regulation) as POCB, documentation will be requested, such as a copy of invoice, to substantiate they are homebuyer funds.

If an overpayment of the POCB is listed on the Closing Disclosure (as applicable under the TILA and RESPA regulation), that will reduce the POCB unless documentation is provided, such as a copy of the homebuyer payment, to substantiate they are homebuyer funds.

Ineligible Uses of FFD Funds

FFD funds cannot be used for repairs to a property.

Mortgage Settlement Costs

The FFD program requires that the rate of interest, points, fees and other charges for all loans made in connection with the FFD program shall not exceed a reasonable market rate of interest, points, fees and other charges for loans of similar maturing, terms and risk. The member is responsible for certifying this information in the disbursement request.

Cash Back at Closing

A homebuyer may not receive more than \$250 back at loan closing. If there are unintended leftover funds, any additional funds above \$250 must be used to reduce the principal amount of the mortgage, or be applied as a credit toward the household's monthly mortgage loan payments, and must be evidenced by appropriate documentation.

Please note that any funds paid to the homebuyer at closing will reduce the homebuyer's contribution. Members should verify that sufficient funds are secured for the member's 3-to-1 match before the homebuyer receives any funds back at closing.

Grant Expiration Period

FFD requires that the reimbursement of the advanced funds occur prior to the grant expiration date. It is the participating members' responsibility to monitor the 180-day time period and communicate with the Bank if there are any issues with submitting for reimbursement by the grant expiration date.

If settlement is delayed, and a valid sales agreement is in place, a member may request a reservation extension at the discretion of the Bank.

Cooperative Agreements for FFD Participation

A member can participate in FFD even though the mortgage is being made by an affiliate (e.g., member-related mortgage brokers) if the entity affiliated with the member (e.g., subsidiary, parent or sister company) and the member execute a Cooperation Agreement. The Cooperation Agreement is submitted through the enrollment process or submitted by the member prior to homebuyer enrollment. The member receives the set-aside funds and may, in turn, distribute them to the non-member institution with which they have entered into an approved Cooperation Agreement.

Mortgage Partnership Finance® Program and FFD Usage

The FFD program can be used in conjunction with the Bank's MPF® Program. The maximum total-loan-to-total-value (first mortgage plus the grant and any subordinate financing, if applicable) ratio for FFD loans is 105 percent.

FFD Use with Other Programs

FFD is eligible to be combined with other programs/products as long as the requirements of the other funding sources do not violate the guidelines set forth in this manual.

FHLBank Pittsburgh EIN Number: 25-6001324

HUD ID Number: 90109

Retention Requirement

Each homebuyer is required to meet a five-year retention period requirement. Under this requirement, if the homebuyer sells the dwelling purchased with FFD funds before the retention period has expired, the homebuyer may be required to repay all or a prorated portion of the FFD grant to the Bank from any net gain realized upon the sale of the home after deduction of sales. The obligation to repay the grant terminates upon foreclosure or deed in lieu of foreclosure.

The FFD-assisted unit is subject to deed restriction or other legally enforceable retention agreement or mechanism meeting the requirements of Section 1291.9 of the AHP regulations (12 C.F.R. Part 1291). The First Front Door Real Estate Retention Agreement is to be executed by the member and borrower, and then recorded, for each FFD recipient. There is no note required for the Real Estate Retention Agreement. Please see Appendix B. for a copy of the agreement. A fillable PDF version is available on the FFD product page www.fhlp-pgh.com/ffd.

After 5 years, it is the member's responsibility to satisfy the retention agreement. Only the member can satisfy the retention agreement.

Expiration of Five-Year Retention Period

After the five-year retention period expires, the member is responsible for satisfying the retention agreement.

Denial of Funds Distribution

If a reservation for an FFD grant cannot be reimbursed due to a lack of compliance with FFD program rules and regulations, it is the responsibility of the member to satisfy the FFD retention agreement that was executed by the homebuyer, as it no longer applies to the transaction. The homebuyer is not bound to a five-year retention period because the transaction is not eligible under the program guidelines, and the FFD retention agreement must immediately be satisfied.

Sale, Refinance and Foreclosure Within the First Five Years

If during the five years following the FFD homebuyer closing date the property is sold, the title is transferred, the mortgage is refinanced, or a foreclosure or deed in lieu of foreclosure occurs, the Bank must be notified of such occurrence.

Refinancing a Property with an FFD Grant

If the mortgage on a property with an FFD grant is refinanced, the FFD retention agreement will remain in place. Repayment is not required in a refinance.

In the event that a homeowner requests that the FFD retention agreement be satisfied prior to the five year period, the homeowner must provide a written statement to the member confirming that they understand that no payment is due and documenting the reason for desired repayment.

Drafting and executing documents relating to satisfaction requests are the responsibility of the member.

Sale of a Home with an FFD Grant

If a home purchased with FFD grant funds is sold, repayment will be due from any net gain on the transaction unless the home is being sold to a household at or below 80 percent of HUD area median.

Foreclosure or Deed in Lieu of Foreclosure of a Home with an FFD Grant

The homebuyer's obligation to repay the FFD grant terminates after any foreclosure or deed in lieu of foreclosure occurs related to the home within the five-year retention period.

Evidence of the foreclosure is required for both foreclosures and deeds in lieu of foreclosure.

The Bank's FFD Program Manager is to be notified of any pending foreclosures or deeds in lieu of foreclosure.

The FFD Repayment Calculation

For transactions requiring FFD grant repayment, the following will apply. Please note that all calculations are performed by the Bank.

- The member will submit to the Bank the FFD Repayment Form and any other required documents noted on the Form.
- The Bank will review the Repayment Form and the Closing Disclosure (as applicable under the TILA-RESPA rule) from the original closing, as compared to the Closing Disclosure (as applicable under the TILA-RESPA rule) for the current transaction, in order to determine if there is a net gain to the borrower on the transaction.
- The net gain calculation takes into account the difference between the original purchase price and the current sales price.
- Repayments of all FFD grants made to the member must be returned to the Bank.
- Net gain scenarios:
 - If the net gain on sale exceeds the unforgiven grant amount, the unforgiven grant amount must be repaid unless the property is sold to an income-eligible homebuyer.
 - If the net gain on sale is less than the unforgiven grant amount, only the net gain amount must be repaid.
 - If there is no net gain on the sale or a net loss on the sale of the property, the grant amount does not need to be repaid.

Document Retention, Reporting and Monitoring

Document Retention

The following documents are required to be maintained by the member for the duration of the homebuyer's retention period:

- Recorded FFD Retention Mechanism
- Final settlement statements
- Income documentation for entire homebuyer household and co-signer, if applicable
- First-time homebuyer documentation (credit report)
- Homebuyer counseling verification (form, letter, certificate) demonstrating the FFD counseling requirements have been satisfied

Reporting Requirements for Members

In general, no additional reporting is required of members, except in the following situations:

- The Bank must be notified in the event of a refinancing, sale, foreclosure or deed in lieu of foreclosure of the FFD-assisted home during the five-year retention period.
- The Bank must be notified in writing in the event of any material misstatement, misrepresentation or omission in connection with the award of any FFD grant that the member becomes aware of through its underwriting and monitoring practices.

- Upon request, members must provide the Bank with all information, documentation and/or other assistance reasonably requested by the Bank in such circumstances, such as copies of first-mortgage documentation, income documentation and first-time homebuyer documentation.

Monitoring

On an annual basis, the Bank will review a five percent sample of FFD-funded transactions per member (maximum of 15 and minimum of two or, in cases of only one submission, one). The Bank will collect the recorded retention agreement, but may request other documentation if it is deemed necessary to perform the monitoring review.

APPENDIX A: FFD Income Guidelines

1. Income Guidelines

The Bank will use the following income guidelines to verify household income and subsequently determine the eligibility of homebuyers to participate in FFD.

- a. Annual household income, as defined within HUD's 80 percent area median income regulations in the Code of Federal Regulations, adjusted for family size for the county or state in which the homebuyer currently resides. **Asset Income is not included in the calculation of income.**
- b. For purposes of tax reporting to the Internal Revenue Service using Form 1040 or 1040A, federal income tax returns are accepted only in the first three calendar months of the year and must be accompanied by all W-2s used to complete the tax return. The highest amount reported on a W-2 will be used to calculate income.

2. Income Timeframe

Income is determined at the time the household is qualified for participation in the program. Household income is based on income at time of review by the Bank and projected over a 12-month period.

3. Income Verification

In order to determine income eligibility, the member must obtain verification of all income sources for all adult (age 18 and older) household members, as well as benefits paid on behalf of minors in the household.

A household's income determination cannot occur until third-party verification of all income has been obtained. For FFD purposes, a household is defined as everyone who lives in the unit except live-in aides, foster children and foster adults.

A person 18 and older residing in the household without income must complete a Zero-Income Certification Form.

4. Income Calculation

For all FFD household income calculations, the FFD Income Calculation Workbook must be utilized and supported by third-party income documents. The calculation of income must be completed in accordance with the FFD Income Guidelines and must be clearly documented so that the calculation can be easily recalculated and confirmed by the Bank.

5. Income Limits

HUD publishes median income information for the United States. These limits are published by HUD on an annual basis and will be used by the FFD program to determine whether a household's income is at or below 80 percent of area median income: www.huduser.org/portal/datasets/il.html. County or state income limits can be used.

6. Annual Income Inclusions

The following sources are to be included when calculating a household's annual income:

- a. The gross amount (before any payroll deductions) of wages and salaries, overtime pay, commissions, fees, tips, bonuses and other compensation for personal services of all adults in the household, except that of full-time students in excess of \$480 (annually). (See section below for details on calculating overtime pay, commissions, fees, tips and bonuses.) **Note: If using pay statements to calculate income, there must be, at a minimum, three consecutive pay statements.**
- b. Income/salaries received from a household-owned business. This is to be calculated by the average net income for the most recent two years, as substantiated by tax returns that include the business profit and loss statement.
- c. Net income, salaries and other amounts distributed from a business. If this is a source of income, the two most recent years of federal income tax returns must be provided.
- d. The gross amount (before deductions for Medicare, etc.) of periodic Social Security payments. This includes payments received by adults on behalf of minors or by minors for their own support.
 - If Social Security is reducing a household's benefits to adjust for a prior overpayment, use the amount remaining after the adjustment. This is usually the "gross" amount reported on the Social Security verification form.
 - FFD does not "gross-up" social security benefits.
- e. Annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts.
- f. Lump-sum payments received because of delays in processing unemployment, welfare or other benefits. This does not apply to a lump-sum payment for the delayed start of Social Security payments.
- g. Payments in lieu of earnings, such as unemployment and disability compensation; workers' compensation; and severance pay. Any payments that will begin during the next 12 months must be included.
- h. Welfare assistance:
 - If the payment includes an amount specifically designated for shelter and utilities, and the welfare agency adjusts that amount based upon what the household is currently paying for shelter and utilities, special calculations are required.
 - If the welfare agency is reducing the household benefits to adjust for a prior overpayment, use the amount remaining after the adjustment. This is usually the "gross" amount reported on the welfare agency verification form.
- i. Alimony and child support. The court-ordered amount will be used to calculate income. In some

circumstances, documentation showing six months of actual payments may be requested to determine actual support received.

- j. All regular pay, special pay and allowances (except hazardous duty pay) paid to a member of the Armed Forces who is a household member or who is the spouse or head of household (whether or not living in the dwelling).
- k. Lottery winnings paid in periodic payments.
- l. Recurring monetary contributions or gifts regularly received from persons not living in the unit (including rent or utility payments regularly paid on behalf of the household).
- m. Relocation expenses and yearly bonuses are included in calculating income.

7. Annual Income Exclusions

The following sources are to be excluded when calculating a household's annual income:

- a. Employment income of children (including foster and adoption subsidies) younger than 19 and employment income of full-time students 18 and older (except head of household and spouse) in excess of \$480 annually.
- b. Food stamps, meals on wheels or other programs that provide food assistance; groceries provided by persons not living in the household.
- c. Checking accounts and savings accounts.
- d. Interest, dividends and other income from net household assets.
- e. Grants received specifically for:
 - An auxiliary apparatus for a person with a handicap or disability
 - Expenses for attendant care provided by someone other than a household member who is living in the household
 - Medical expenses
 - A set-aside for use under a Plan to Attain Self Sufficiency (PASS) and excluded for purposes of Supplemental Security Income (SSI) eligibility
 - Out-of-pocket expenses for participation in publicly assisted programs. These expenses include special equipment, clothing, transportation, childcare, etc.
- f. Income associated with persons that live in the unit but are not household members. This includes:
 - Payments received for care of foster children and foster adults
 - Income of live-in attendants
- g. All amounts for student financial assistance (this includes tuition reimbursement by an employer).
- h. Hazardous duty pay to a household member in the military.
- i. Lump-sum additions to household assets, such as inheritances, cash from sale of assets, one-time lottery winnings, insurance settlements under health and accident insurance and workers' compensation, including:
 - Relocation payments received under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970

- Allotment value of coupons made under the Food Stamp Act of 1977
 - Payments received under the Domestic Volunteer Service Act of 1973 (e.g., employment through VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives and senior companions)
 - Payments, rebates or credits received under the federal Low Income Home Energy Assistance Program (including any winter differentials given to the elderly)
 - Payments received under programs funded in whole or in part under the Job Training Partnership Act (e.g., employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs, career intern programs)
 - Student loans (regardless of how they are actually spent)
 - Scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal Work-Study Program or under the Bureau of Indian Affairs student assistance programs or veterans benefits, which are made available to cover the costs of tuition, fees, books, equipment, materials, supplies, transportation and miscellaneous personal expenses. Examples include Pell Grants, Supplemental Opportunity Grants, State Student Incentive Grants, College-Work Study and Byrd Scholarships
- j. Amounts received by a person with a handicap or disability that are set aside for use under a Plan to Attain Self-Sufficiency (PASS)
 - k. Resident services stipends of \$200 per month or less received for performing services for the project owner that enhance the quality of life in an assisted housing development, such as lawn maintenance, coordination of project activities, etc.
 - l. Adoption assistance payments in excess of \$480 annually per adopted child
 - m. State homecare payments to families that have developmentally disabled children or an adult household member living at home
 - n. Compensation received under a state or local employment-training program or from a program to train residents as management staff. This exclusion only covers compensation received while the resident participates in the training program, and the duration of training must be for a limited period determined in advance

8. Calculating Overtime Pay, Commissions, Fees, Tips and Bonuses

In the case of overtime pay, commissions, fees, tips and bonuses, it is important to clarify whether such types of income are sporadic or a predictable component of an employee's income. If it is determined that an FFD homebuyer has earned predictable income payments and will continue to earn overtime pay, commissions, fees, tips and bonuses on a regular basis, the member must calculate the expected annual amount for such sources of income.

Predictable: Regular and recurring payments of overtime pay, commissions, fees, tips and bonuses, as verified by a person's employer. Payments are received in a consistent and steady manner.

Sporadic: Irregular payments for overtime pay, commissions, fees, tips and bonuses, as verified by a person's employer. Payments are received in an erratic and unbalanced manner, such as seasonal overtime.

To calculate the projected amount for these types of income, the member can use pay statements or a verification of employment (VOE). If using pay statements, the member should use the average amount of

overtime pay, commissions, fees, tips and bonuses earned by the homebuyer over the previous three months from the applicant's qualification date. If using a VOE, the amount reported by the employee within the VOE should be used.

The average amount from the pay statements, or the amount within the VOE, is then projected over the next 12 months to determine the annual amount expected.

9. Income Verification Documents

All items that affect a household's income eligibility must be verified. Examples of acceptable documentation are:

- Verification of employment
- U.S. Federal income tax return. Note: Income tax returns are accepted as documentation only in the first three calendar months of the year with all year-end wage and tax statements (e.g., IRS W-2 forms) included.
- At least three consecutive pay statements
- Brokerage statement
- Alimony/child support court orders or deposit amount verification from the State managed website, savings or checking account records if requested
- Social Security statement/letter
- Pension statement/letter
- VA letter/distribution form
- Welfare letter
- State or local housing agency's verification of income

Other forms of verification may be acceptable provided that the information is supplied and signed by a third party.

APPENDIX B: First Front Door Real Estate Retention Agreement

First Front Door Real Estate Retention Agreement Federal Home Loan Bank of Pittsburgh

This Real Estate Retention Agreement (this "Agreement") is made as of _____ day of _____, _____, by _____ (the "Borrower(s)"), in favor of _____ (the First Mortgage Lender ("Member/Lender")) with the Member/Lender's office located at _____ (Member/Lender's address).

For and in consideration of receiving direct subsidy funds under the First Front Door program in the amount of \$ _____ (the "FFD Grant") of the Federal Home Loan Bank of Pittsburgh ("FHLBank Pittsburgh") through the Member/Lender, for downpayment assistance for the purchase of certain real property located at _____ (street address), in _____ (city/town), _____ County, _____ (state), _____ (zip), (the "Property"), as more fully described in Exhibit A attached hereto and made a part hereof:

Borrower(s) hereby agree(s) that they shall maintain ownership and residence in the Property as their primary residence for a period of not less than five (5) years (the "Retention Period") from _____ the date of the closing, and further agree(s) with the Member/Lender that:

1. FHLBank Pittsburgh, whose mailing address is 601 Grant Street, Pittsburgh, PA 15219, Attention: Community Investment Department, and the Member/Lender are to be given immediate written notice of any sale or refinancing of the Property occurring prior to the end of the Retention Period;
2. In the case of a sale of this Property prior to the end of the Retention Period, an amount equal to a pro rata share of the FFD Grant reduced for every year the Borrower(s) owned the Property, will be repaid to FHLBank Pittsburgh from any net gain realized upon the sale of this Property, after deduction for sales expenses, unless the Property is sold to a very low-, low-, or moderate-income household;
3. In the case of a refinancing of the Property prior to the end of the Retention Period, an amount equal to a pro rata share of the FFD Grant, reduced for every year the Borrower(s) has/have owned this Property, will be repaid to FHLBank Pittsburgh from any net gain realized upon the refinancing, unless the Property continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism which incorporates the requirements of paragraphs 1 through 4 of this Agreement (1); and
4. In the case of a foreclosure, deed-in-lieu, or assignment of the first mortgage on the Property to the Secretary of HUD (assuming the FFD Grant is used in conjunction with FHA financing), the obligation to repay the FFD Grant to FHLBank Pittsburgh shall terminate upon final settlement or disposition, once such action is completed. Otherwise, the covenants contained in this Agreement shall continue until release by the Member/Lender in writing or the expiration of the Retention Period, whichever should first occur.
5. Upon the death of the Borrower, or all Borrowers (if more than one), this Agreement terminates and there is no obligation to repay the FFD Grant.

Borrower(s) and Member/Lender acknowledge that the Bank may request additional documentation to assist with finalizing any property disposition that occurs during the Retention Period.

IN WITNESS WHEREOF, the Borrower(s) and the Member/Lender, by its duly authorized representative, have executed this Agreement as of this ____ day of _____, _____.

By: _____
Borrower Signature

By: _____
Borrower Signature

Printed Homebuyer Name

Printed Homebuyer Name

STATE/Commonwealth of _____) ss.

County of _____)

The foregoing instrument was acknowledged before me on this ____ day of _____, 20__ by _____
_____ (name(s) of individual(s)).

Signature (notary public)

Typed or Printed Name

My Commission Expires: _____



601 Grant Street
Pittsburgh, Pennsylvania 15219-4455
firstfrontdoor@fhlpgh.com

1-800-288-3400
(412) 288-2826
Fax: (412) 288-4578

www.fhlpgh.com