



# First Front Door (FFD) Program and First Front Door Keys to Equity fund (Keys)

***2024 Product Manual***

**Contents**

Description of Programs ..... 1

Program Components ..... 2

Process for Members to Request FFD and Keys Reservations,  
Receive FFD and Keys Subsidies, and Ongoing Monitoring..... 11

FFD Retention Requirement..... 12

Sale, Refinance and Foreclosure of FFD Property Within the First Five Years ..... 12

Document Retention, Reporting and Monitoring..... 14

APPENDIX A: AHP, Voluntary Housing Grant Initiative, FFD and  
Keys Income Guidelines ..... 15

APPENDIX B: First Front Door Real Estate Retention Agreement ..... 23

## Description of Program

### First Front Door

In 1995, the Federal Housing Finance Agency (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 the Federal Home Loan Bank of Pittsburgh (FHLBank) to address this funding need by providing a direct subsidy which can be used to help qualified low- to moderate-income homebuyers make down payments and pay closing costs. To access this FFD direct subsidy, a participating member<sup>1</sup> of FHLBank (Member) must register qualified homebuyers into the FFD program during an open funding round, while such Member (or an affiliate<sup>2</sup> of such Member) works with the Homebuyer (as defined herein) to obtain first-mortgage financing (Mortgage). If approved, FFD program funds can help defray certain costs (as specified herein) the Homebuyer will incur in connection with obtaining the Mortgage.

Through FFD, when Homebuyers contribute a minimum of \$1,500 toward down payment and closing costs, they are eligible for a maximum FFD grant of up to \$15,000.

In addition, a Member is required to ensure that a Keys homebuyer's financing terms are at least as favorable as the terms that would apply for similar loan offered to a similarly-situated borrower not participating in the Keys program. Financing terms can include interest rates, points, fees, or any other charges.

### First Front Door Keys to Equity fund

In order to expand access to affordable homeownership opportunities for minority and first-generation first-time homebuyers, the First Front Door Keys to Equity fund (Keys) was established. This new, and separate, grant program also is offered through participating Members that provide first-mortgage financing. The portion of Keys that benefits first-time minority homebuyers is established as a special purpose credit program (SPCP) in accordance with Regulation B (12 CFR Part 1002) of the Equal Credit Opportunity Act (ECOA, 15 U.S.C. § 1691 et seq.).

To be eligible for Keys, Homebuyers must have an annual household income at or below 120% 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 median family income limits as published by the U.S. Department of Housing and Urban Development (HUD) and must identify as either (1) a Minority (as defined herein) first-time Homebuyer, or (2) a First-Generation (as defined herein) first-time Homebuyer. Through Keys, when Homebuyers contribute a minimum of \$1,000 toward down payment and closing costs, they are eligible for a maximum Keys grant of up to \$20,000.

To be eligible for funding, in each case under FFD and Keys, 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.

FHLBank makes funds available for FFD and for Keys direct subsidies during its annual funding round (Funding Round) on a first-come, first-served basis for qualified Homebuyers. Applications for FFD and for Keys will only be accepted in the FFD Online System.

---

<sup>1</sup> 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 <https://www.fhlb-pgh.com/members-list>.

<sup>2</sup> See the section of this Manual entitled "Cooperation Agreements for FFD or Keys Participation" for additional information, criteria, and requirements which must be met when FFD or Keys program funds are used in connection with permanent first-mortgage financing made by an affiliate of a Member.

Only Members registered to participate in the FFD program may apply for FFD funding on behalf of their Homebuyers. To enroll in FFD, Members must complete the FFD Enrollment Form and FFD Member Agreement. Once the enrollment materials are accepted, members can then submit FFD applications during open funding rounds.

To participate in Keys, Members must execute the FFD Enrollment Form, FFD Member Agreement and the Keys Member Participation Agreement. Please email [firstfrontdoor@fhlb-pgh.com](mailto:firstfrontdoor@fhlb-pgh.com) to request the Keys Member Participation Agreement required to participate in Keys. Keys applications may only be submitted by Members that have already executed the Keys Member Participation Agreement.

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 programs may also contact FHLBank for marketing materials that can help promote the programs with customers.

The purpose of this Manual is to provide information on the FFD and Keys program parameters, requirements and process. FHLBank, in its sole discretion, may modify from time to time these program parameters, requirements and processes, including eligibility.

## **Program Components**

### **Eligible FFD Homebuyers**

Homebuyers who meet the below criteria (Homebuyers) are eligible to participate in the FFD program and benefit from the FFD direct subsidy (FFD Funding):

- Have an annual household income at or below 80% 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 median family income limits as published by HUD. HUD may publish or re-publish, income limits at any point; FHLBank will use the most recent published guidelines to determine income;
- Who are first-time Homebuyers;
- Who complete the required counseling, as defined below;
- Who adhere to all rules and regulations governing the FFD program, including, without limitation, those found in the Finance Agency's AHP regulations (at 12 CFR, Part 1291) (FFD Regulations), FHLBank's AHP Implementation Plan then-in effect when the FFD Funding is approved (Implementation Plan), and those described in this Manual, and any and all guidance relating to the FFD program (collectively, FFD Rules and Regulations) and
- Who receive a Mortgage through an enrolled FFD Member (or affiliate<sup>3</sup> of a Member)

### **Eligible Keys Homebuyers**

Homebuyers who meet the below criteria (Homebuyers) are eligible to participate in the Keys program and benefit from the Keys direct subsidy (Keys Funding):

- Have an annual household income at or below 120% 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 median family income limits as published by HUD. HUD may publish or re-publish, income limits at any point; FHLBank will use the most recent published guidelines to determine income;
- Who are first-time Homebuyers, as defined below;
- Who identify as a Minority and/or First-Generation first-time Homebuyer;
- Who complete the required counseling, as defined below;

---

<sup>3</sup> See the section of this Manual entitled "Cooperation Agreements for FFD or Keys Participation" for additional information, criteria and requirements which must be met when FFD or Keys program funds are used in connection with permanent first-mortgage financing made by an affiliate of a Member.

- Who adhere to all the policies, procedures, rules and regulations governing the Keys program, including, without limitation, the Keys written plan, the ECOA, Regulation B, and those described in this Manual, and any and all guidance relating to the Keys program (collectively, Keys Rules and Regulations) and
- Who receive a Mortgage through a participating Keys Member (or affiliate of a Member)

## **Member Requirements**

Only Members registered to participate in the FFD program or in the Keys program may apply for the respective funding to benefit Homebuyers. Members can, in turn, register to participate in the FFD program by submitting an FFD Member Enrollment Form and FFD Member Agreement. Members can, in turn, register to participate in the Keys program by submitting an FFD Member Enrollment Form (if not already executed), an FFD Member Agreement (if not already executed) and a Keys Member Participation Agreement. Non-Member institutions that are affiliated with Members (e.g., Member-related mortgage brokers) can participate in the FFD program or in the Keys program with a cooperation agreement signed by both the enrolled Member respectively receiving the FFD and/or Keys Funding and the non-Member institution.

Each of FFD and Keys Funding is available on a first-come, first-served basis until the respective FFD and Keys program funds each have been fully accounted for/reserved.

The annual Member limit for FFD reservation usage is equal to 15% of the FFD total allocation available for that program year. FFD program usage is continually monitored. If FFD funds still remain four months after the round opening date, the Member limit will be lifted for the rest of the year and funds will be allocated to any participating Member, on a first-come, first-served basis, until all funds are exhausted.

There is no Member limit for Keys reservation usage.

## **First-Time Homebuyer**

For purposes of the FFD and Keys programs, a “first-time Homebuyer” is defined as an individual who has not owned a home within the past three years.

“First-time Homebuyers” include:

- A person who has not owned an eligible property used as a primary residence in the last three years;
- This also includes, if purchasing jointly with other individuals, at least one person has not owned an eligible property used as a primary residence in the last three years;
- This also includes any person who has owned an eligible property jointly with another individual and is now independently purchasing an eligible property; or
- If an investment property is owned, the person is not living there and has not owned an eligible property used as a primary residence in the last 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 required verification document.

## **Minority and First-Generation Homebuyer**

For purposes of the Keys program, a Homebuyer must meet the definition of a first-time Homebuyer and at least one the borrowers meets one of the definitions below. Borrowers will be required to complete a Keys Self-Certification Form which must be provided with the Reservation, to indicate their Minority and/or First-Generation Homebuyer status.



The term “Minority” is defined under the Keys program as:

- American Indian or Alaska Native,
- Asian,
- Black or African American,
- Native Hawaiian or Other Pacific Islander, or
- Hispanic or Latino.

A Member may ask Keys applicants if they are members of a protected class to the extent necessary to determine eligibility for the SPCP portion of Keys (i.e., eligibility as Minority Homebuyers). This means that it is appropriate for the SPCP portion of Keys to ask whether the borrower identifies as a member of a racial minority group. But a Member may not ask if an applicant is a member of a different protected class, e.g., it may not ask questions about the borrower’s religion, and a Member may not second-guess, use mortgage application responses to guess, or question an applicant’s self-identification, e.g., may not ask questions to further interrogate or justify (including based on visual observation or surname) with which minority group or groups the borrower identifies.

Under the Keys program, potential Homebuyers meet the definition of a “First-Generation Homebuyer” if:

- The parents and/or legal guardian of at least one borrower does not currently own a home in the United States and has not previously owned a home in the United States;
- At least one borrower has aged out of foster care; or
- At least one borrower has become emancipated.

Definitions may vary by applicable state law(s), but generally, the emancipation of minors is a legal mechanism by which a minor before attaining the age of majority is freed from control by their parents or guardians, and the parents or guardians are freed from responsibility for their child (in each case, as such terms and conditions are specified by the relevant state).

The Member is responsible for ensuring at least one borrower completes the Keys Self-Certification Form to document the borrower’s Minority Homebuyer status and/or First-Generation Homebuyer status. The completed Keys Self-Certification Form is required to be provided to FHLBank at reservation through the FFD Online System. If the borrower is found to have provided false information, they must return the money (without criminal or civil penalties). FHLBank may require additional information (including without limitation as stated in the Keys Self-Certification Form) and/or submission of additional documentation to validate the borrower’s self-identified First-Generation Homebuyer status.

## **Homebuyer Contribution**

The Homebuyer contribution amount is the amount paid by the Homebuyer toward the purchase transaction. To be eligible for FFD Funding, the Homebuyer must contribute a minimum of \$1,500 from their own funds toward the purchase transaction to be eligible for the up to \$15,000 FFD Funding. To be eligible for Keys Funding, the Homebuyer must contribute a minimum of \$1,000 from their own funds toward the purchase transaction to be eligible for the up to \$20,000 Keys Funding. If a Homebuyer does not meet the minimum contribution requirement, then the Homebuyer is not eligible for the respective FFD or Keys Funding (as applicable), in any amount.

Homebuyer contributions may be in the form of deposits on sales contracts, 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-6 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.

Cash gifts, such as gift funds, given to the Homebuyer for use in home purchase may be included in the Homebuyer contribution, so long as appropriate documentation (e.g., documented on the Closing Disclosure, a gift intent letter and/or a bank statement reflecting the gift deposit) are provided to FHLBank.

When documenting FFD or Keys eligible use types that are not disclosed on the CD, a copy of an invoice and evidence of payment are required to demonstrate the Homebuyer's funds were used.

If an overpayment of the POCB is listed on the Closing Disclosure (as applicable under the TILA-RESPA rule), the POCB will be reduced unless documentation is provided, such as a copy of the Homebuyer payment, to substantiate that they are Homebuyer funds.

The Homebuyer contribution amount is subject to FHLBank's approval and does not include any of the following:

- Seller assist funding (or other seller concessions);
- Gifts of equity;
- Proceeds from grants/subsidies;
- Proceeds from forgivable loans/other loans; or
- Any funding that is similar to any of those described in the preceding bullet points. The Homebuyer contribution amount is specified by the Member at the time the Member requests a Reservation (as defined below) using the FFD Online system and approved by FHLBank as part of the Homebuyer registration process. Once the Homebuyer contribution amount is approved by FHLBank, it cannot be increased.

Please note that funds paid to the Homebuyer at closing will reduce the Homebuyer contribution amount and could therefore affect the total FFD or Keys Funding (as applicable) for which the Homebuyer is eligible.

*Earnest Money +  
Gifts of Cash (if documented as a line item on the CD) +  
Items Paid Outside of Closing (POCB) +  
Cash to Close From Homebuyer -  
Cash to Close To Borrower (if applicable)  
= **Homebuyer Total Contribution***

## 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 to benefit from FFD or Keys Funding.

**NOTE:** Duplexes (half owner-occupied and half renter-occupied) or any other type of investment properties are not eligible for FFD or Keys Funding if the Homebuyer is purchasing the entire property with the intention to rent out another unit as an investment property. Homebuyers may purchase one unit of a duplex or one unit in a multi-unit property.

## Eligible Program Area

Each of the FFD and Keys programs can only be used when a Member is providing the first mortgage; however, the programs are not restricted to properties located in the FHLBank district of Delaware, Pennsylvania or West Virginia.

## Household Income

In order to determine income eligibility for Homebuyers, the Member must obtain verification of all income sources for all adult household members (age 18 years or older), 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 (e.g., pay stubs, social security documentation) for all income. Please see Appendix A for complete explanation of income guidelines.

Income is determined at the point-in-time of a reservation submission. If a household is approved for a Reservation and then has an income change (change in wages, bonus, new job, etc.), FHLBank does not require a new approval of income.

If, however, at Disbursement, a new household member is added to the mortgage (either living in the home or a non-inhabiting co-signer), the FFD or Keys Manager should be contacted, and the income reviewed again.

## Income Limits

Homebuyers must have household income (i) for FFD, at or below 80% of the area median income, and (ii) for Keys, at or below 120% of the area median income, as determined by household size, and based on the current year's median family income limits as published by HUD. To determine the income limits for a specific market area, please visit the HUD webpage at [www.huduser.org/portal/datasets/il.html](http://www.huduser.org/portal/datasets/il.html) and select the most recent published income limit.

Applicable income limits are based on the applicants' current residence, not the purchase property site. FFD and Keys allow the use of HUD County or HUD State Income for qualification.

## 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 hours of homeownership counseling;
- 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](http://www.homeownershipstandards.org/home/consumers.aspx)
- A sponsoring Member providing an "in-house" homeownership counseling program that has prior approval from the FFD or Keys 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](http://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](http://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](http://www.frameworkhomeownership.org).
- The FreddieMac CreditSmart online homebuyer education course – This is a free online course offered in multiple languages, including Spanish, Korean, Chinese and Vietnamese. For additional information, please refer to <https://creditsmart.freddie.mac.com/>.
- 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 in the FFD program or the Keys program may qualify if the counseling was completed not longer than 18 months prior to the Homebuyer's FFD or Keys (as applicable) application.

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) toward 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 or are less than \$550
- Other concessions as approved by FHLBank

At least one concession must be awarded to each FFD or Keys Homebuyer at or prior to settlement. If agreed-upon concession(s) is not awarded to a specific Homebuyer, FHLBank reserves the right to determine whether any alternative concessions are equivalent to the agreed-upon concession(s) and whether the Member receives reimbursement (in the form of FFD or Keys Funding) for funds advanced to the Homebuyer.

Failure to provide the concession(s) may result in the Member not receiving reimbursement (in the form of FFD or Keys Funding) for funds advanced to the 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 FHLBank and must include a detailed explanation of the intended change. Adjustments or changes cannot be implemented until approval is received from FHLBank.

## **FFD Retention Period**

All FFD Homebuyers must execute the First Front Door Real Estate Retention Agreement (“FFD Retention Agreement”; specified in the “FFD Retention Requirement” section of this Manual). The FFD Retention Agreement must be recorded/indexed against the property benefitted by the FFD Funding (FFD Property) and imposes certain restrictions on the use of the FFD Property (as required by the FFD Rules and Regulations) for a period of five years from the date of the closing/settlement of the FFD Property (the FFD Retention Period).

Should the Member be required to complete a “certificate of residence” for recording, FHLBank has no legal objection. In this regard, the “certificate of residence” can be added to the end of the Retention Agreement.

Please see the FFD Retention Requirement section of this Manual for more information, including a copy of the First Front Door Real Estate Retention Agreement.

Keys Homebuyers will not be required to execute the FFD Real Estate Retention Agreement or any real estate retention agreement.

## **Mortgage PITI (Principal, Interest, Taxes, Insurance)**

If the FFD or Keys Homebuyer’s PITI exceeds 35% of the relevant program calculated monthly household income, FHLBank 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% meets the underwriting standards of their financial institution.

## **Real Estate Settlement Procedures Act (RESPA)**

It is the responsibility of the Member to comply with all applicable laws, rules and regulations, including the RESPA rules and regulations for all FFD and/or Keys transactions. More information can be obtained from [www.consumerfinance.gov](http://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 in the form of an FFD Funding or a Keys Funding. More information can be obtained from [www.consumer.ftc.gov/articles/0246-high-rate-high-fee-home-loans](http://www.consumer.ftc.gov/articles/0246-high-rate-high-fee-home-loans) or [www.cfpb.gov](http://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 all applicable laws, rules and regulations, including the TILA-RESPA rule issued by the Consumer Financial Protection Bureau for all FFD and/or Keys transactions. The TILA-RESPA rule became effective on Oct. 3, 2015. More information is available at [www.consumerfinance.gov](http://www.consumerfinance.gov).

## **Eligible Uses of FFD Funding or Keys Funding**

FFD Funding or Keys Funding may be used to benefit Homebuyers in the following ways:

- For down payment or principal reduction on an eligible property.
- For Homeownership counseling fees, if such fees are incurred in connection with the counseling of Homebuyers who purchase a First Front Door-assisted or Keys-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 CD (as applicable under the TILA-RESPA rule) as PO CB, or by copy of a check, credit card statement or receipt verifying the charge and name of counseling entity.

- For the following closing/settlement costs:

**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

## Ineligible Uses of FFD Or Keys Funding

Neither FFD Funding nor Keys Funding can be used to (i) make repairs to a property; (ii) in any manner which would result in the Homebuyer receiving cash back at closing/settlement in excess of \$250; or (iii) in any way that violates the FFD Rules and Regulations and/or Keys Rules and Regulations (as applicable).

## Mortgage Settlement Costs and Keys Financing Terms

Each of the FFD and Keys programs requires that the rate of interest, points, fees and other charges for all loans made in connection with the FFD program or the Keys program/FFD Funding or Keys Funding (as applicable) 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 that this information in its FFD Funding or Keys Funding disbursement request (which is submitted through the FFD Online system).

In addition, under the Keys program, a Member is required to ensure that a Keys Homebuyer's financing terms are at least as favorable as the terms that would apply for similar loan offered to a similarly-situated borrower not participating in the Keys program. Financing terms can include interest rates, points, fees, or any other charges.

## Cash Back at Closing

The Member cannot use FFD Funding or Keys Funding in any manner which would cause the Homebuyer to receive more than \$250 in cash back at loan closing/settlement. 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 Homebuyer's monthly mortgage loan payments and must be evidenced by appropriate documentation.

**NOTE:** Any funds paid to the Homebuyer at closing will reduce the Homebuyer's contribution. Members should verify that sufficient funds are secured to meet the Homebuyer's minimum contribution before the Homebuyer receives any funds back at closing.

## Cooperation Agreements for FFD or Keys Participation

A Member can participate in the FFD program or the Keys program even though the Mortgage is being made by an affiliate, (e.g., Member-related mortgage brokers) if the entity is affiliated with the Member (e.g., subsidiary, parent or sister company) and the Member executes a Cooperation Agreement. The Cooperation Agreement is submitted through the enrollment process or submitted by the Member prior to the relevant Homebuyer enrollment.

The Member receives the FFD or Keys Funding (as applicable) and may, in turn, distribute it to the non-Member institution with which they have entered into an approved Cooperation Agreement.

## Mortgage Partnership Finance<sup>®</sup> (MPF<sup>®</sup>) Program and FFD and Keys Usage

Members may participate in the FFD program or the Keys program in conjunction with FHLBank's MPF Program. The maximum total-loan-to-total-value (first mortgage plus the FFD Funding and any subordinate financing, if applicable) ratio for loans sold into the MPF Program with an FFD grant is 105%. The maximum total-loan-to-total-value (first mortgage plus the Keys Funding and any subordinate financing, if applicable) ratio for loans sold into the MPF Program with a Keys grant is 95%.

## FFD Use with Other Programs

Members may participate in the FFD program or the Keys program in conjunction with other programs/products as long as the requirements of the other funding sources do not violate the guidelines set forth in this Manual, the FFD Rules and Regulations and/or Keys Rules and Regulations (as applicable).

*"Mortgage Partnership Finance" and "MPF" are registered trademarks of the Federal Home Loan Bank of Chicago.*

## Other

FHLBank should not be listed as a mortgagee or additional insured party on any homeowner's insurance policy affiliated with the property benefitted by the FFD Funding or Keys Funding.

## Process for Members to Request FFD or Keys Reservation, Receive FFD or Keys Subsidy, and Ongoing Monitoring

Requests for FFD Funding or Keys Funding are accepted from current Bank Members using the FFD Online system. Once FHLBank receives such FFD Funding or Keys Funding request, it is referred to as a "Reservation." A Reservation will generally be reviewed within 10 business days after the Member submits all required information. Reservations are processed on a first-come, first-served basis. During its review of the Reservation, FHLBank will determine the eligibility of the request.

**NOTE:** If a clarification is requested by FHLBank, the Reservation will be deemed to be incomplete, and therefore will not be in the queue to be reviewed until the requested clarification/additional information is received by FHLBank. Once such clarification is submitted, the application will be reviewed within 10 business days. The Member must provide FHLBank with the requested information within 45 days of the information request from FHLBank using the FFD Online system. If a response is not submitted within such time frame, the Reservation may be deemed incomplete and ineligible for additional review. In such situation, if the Member wishes to move forward with that particular Reservation, the Member may submit a new reservation if the relevant Funding Round is still open and FFD funds or Keys funds (as applicable) remain.

A Reservation cannot be transferred from one Member to another. Accordingly, if a Homebuyer decides to work with a financial institution other than the Member that submitted the Reservation, the original Reservation must be withdrawn by the Member and the Homebuyer's new financial institution must submit a new request for FFD Funding or Keys Funding for such Homebuyer.

After the relevant funding round is closed, Members will have an additional 30 days to submit any outstanding Reservations that are in a "Reservation Clarification Pending" status. After 30 days, no clarifications will be accepted for review.

After a Reservation is approved (Approval), the Member should advance an amount equal to the approved FFD Funding or Keys Funding amount (as applicable) to the Homebuyer at the time of property closing/settlement. Closing/settlement must occur within 180 days of the Member receiving the approved Reservation (Reservation Period). It is the Member's responsibility to monitor the Reservation Period and communicate with FHLBank if there are any issues with submitting for reimbursement by the grant expiration date. Upon request, in limited circumstances FHLBank may, in its sole discretion, issue an exception to this requirement and approve closing/settlement for the Homebuyer/property benefitted by the Reservation outside of the Reservation Period.

Importantly, closing/settlement must occur only after Approval which ensures that Members will be reimbursed with the relevant FFD Funding or Keys Funding for the funds that they advance to the Homebuyer. Members advancing funds prior to receiving Approval acknowledge that FHLBank may not be able to reimburse them for such an advance. Upon request, in limited circumstances, FHLBank may, in its sole discretion, issue an exception to this requirement and allow closing/settlement that occurred before FHLBank approved the Reservation for such Homebuyer/property.

After closing/settlement, the Member must complete a Disbursement request (which is submitted through the FFD Online system) to receive the approved Reservation's FFD Funding or Keys Funding (as applicable). The relevant FFD Funding or Keys Funding, in turn, shall constitute reimbursement for the funds advanced to the Homebuyer at closing/settlement.

## **FFD Retention Requirement**

Each Homebuyer benefitted by FFD Funding must execute the FFD Retention Agreement, which has been prepared by FHLBank. A copy of this FFD Retention Agreement is attached as Appendix B, and a fillable PDF version is available on the FFD Online product page at [www.fhlb-pgh.com/ffd](http://www.fhlb-pgh.com/ffd).

The Member is responsible for ensuring the FFD Retention Agreement is executed and recorded/indexed against the FFD Property. Any recording fees incurred in the recording of an FFD Retention Agreement are the responsibility of the Member (such fees may be passed on to the Homebuyer).

Keys Homebuyers will not be required to execute the FFD Real Estate Retention Agreement or any real estate retention agreement.

### **Expiration of Five-Year FFD Retention Period**

It is the Member's responsibility to satisfy any FFD Retention Agreement after the FFD Retention Period has expired or as otherwise may be required to comply with the FFD Rules and Regulations. Members should note that the FFD Retention Agreement has been drafted to automatically terminate by its own terms, without any further action by the Member or FHLBank (including the need to file a satisfaction piece) at the end of the applicable FFD retention period. Any satisfaction recording fees with respect to an FFD Retention Agreement are the responsibility of the Member (such fees may be passed on to the Homebuyer).

### **Denial of FFD Funds Distribution**

If a Member does not receive reimbursement in the form of FFD Funding for funds advanced to the Homebuyer under the FFD program (due to reasons such as a lack of compliance with the FFD Rules and Regulations), it is the responsibility of the Member to satisfy the FFD Retention Agreement executed by the Homebuyer and recorded/indexed against the FFD Property, as it no longer applies to the transaction.

## **Sale, Refinance and Foreclosure of FFD Property Within the First Five Years**

If an FFD Property is refinanced during the FFD Retention Period, the FFD Retention Agreement must remain recorded/indexed against such FFD Property (it can be subordinated to new mortgages including those securing home equity lines of credit). Following a refinance, repayment of the FFD Funding is not required if the FFD Retention Agreement remains on the FFD Property after such refinance. If, however, the FFD Retention Agreement is required to be satisfied as part of the refinance, repayment of the FFD Funding may be due per the FFD Rules and Regulations. In such a scenario, FHLBank, in accordance with the FFD Rules and Regulations, will perform the specific repayment calculation to determine the actual repayment amount (if any) that is due as a result of the refinance (See below for instruction on how the Member can request an FFD repayment calculation be made). While the obligation to repay the FFD Funding is the responsibility of the Member and must be promptly remitted to FHLBank, the Member may seek reimbursement from the Homebuyer.

Drafting and executing documents relating to satisfaction of the FFD Retention Agreement or subordination requests are the responsibility of the Member.

### **Sale of a Home Benefitted by an FFD Funding**

Consistent with the FFD Rules and Regulations, if an FFD Property is sold (or the title is transferred or assigned) during the FFD Retention Period, repayment of the FFD Funding may be due, based upon the Homebuyer's net proceeds from such transaction exceeding \$2,500. In such scenario, FHLBank, in accordance with the FFD Rules and Regulations, will perform the specific repayment calculation to determine the actual repayment amount (if any) that is due as a result of the sale (See below for instruction on how the Member can request an FFD repayment calculation). While the obligation to repay



the FFD Funding is the responsibility of the Member and must be promptly remitted to FHLBank, the Member may seek reimbursement from the Homebuyer.

**NOTE:** Generally speaking, and consistent with the FFD Rules and Regulations, if the Property is being sold to a “low- or moderate-income household” (i.e., households at or below 80% of HUD area median income as determined using household income documents or HUD’s HOME Investment Partnership Program and Housing Trust Fund (HTF) homeownership value limits as the proxy), the FFD Funding will not need to be repaid. This will be determined by FHLBank with the repayment calculation.

### **Foreclosure or Deed in Lieu of Foreclosure of a Home with an FFD Grant or Death of FFD Recipient**

Consistent with the FFD Rules and Regulations, during the FFD Retention Period, the obligation to repay the FFD Funding will terminate upon the occurrence of (i) any event of foreclosure affecting the FFD Property; (ii) transfer of the FFD Property by a deed-in-lieu of foreclosure; (iii) an assignment of the Mortgage on the FFD Property to the Secretary of HUD (assuming the FFD grant is used in conjunction with Federal Housing Administration [FHA] financing) or (iv) the death of the Homebuyer (or all Homebuyers, if more than one).

### **FFD Funding Repayment Calculation Request and Methodology**

For transactions requiring FFD Funding repayment, the following process will apply:

1. Upon learning that a transaction may require FFD Funding repayment (including, for example, upon the occurrence of certain FFD Transfer Events), the Member shall request that FHLBank perform a FFD Funding repayment calculation by submitting the AHP-FFD Repayment Form and any other required documents noted on such form to FHLBank.
2. After receiving the AHP-FFD Repayment Form, FHLBank will review it (and other required documentation such as the CD for the present FFD transaction), in order to determine the amount (if any) of the FFD Funding that must be repaid due to the present FFD transaction.
3. FHLBank will then inform the Member via email if any repayment of FFD Funding is due as a result of the present FFD transaction.
4. The FFD Funding repayment amount specified by FHLBank must be promptly remitted to FHLBank.

**NOTE:** While the obligation to repay the FFD Funding is the responsibility of the Member and must be promptly remitted to FHLBank, the Member may seek reimbursement from the Homebuyer.

FHLBank’s FFD repayment calculation will be done in accordance with the FFD Rules and Regulations (see 12 C.F.R § 1291.15). In this regard, repayment will generally be due when the net proceeds from a given FFD transaction exceeds \$2,500. Consistent with the FFD Rules and Regulations, the calculation of net proceeds under the FFD program generally takes into account the difference between the original purchase price of the particular property and the current sales price of the property/refinanced mortgage amount and is further subject to (1) reduction for time elapsed since the time the Homebuyers benefitted from the FFD subsidy; and (2) other factors prescribed in the FFD Rules and Regulations.

# Document Retention, Reporting and Monitoring

## Document Retention

The following documents are required to be maintained by the Member for the duration of the Retention Period:

- Recorded Retention Agreement (for the FFD program only)
- Final settlement statement or CD
- Income documentation for entire Homebuyer household and co-signer, if applicable
- First-time Homebuyer documentation (credit report required)
- Homebuyer counseling verification (form, letter or certificate)
- Homebuyer Self-Certification Form (for the Keys program only)

## Reporting Requirements for Members

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

- Under the FFD program, FHLBank must be notified in the event of a refinancing, sale, death, foreclosure or deed in lieu of foreclosure of the FFD-assisted home during the five-year FFD retention period.
- Under the FFD program and/or the Keys program, FHLBank must be notified in writing in the event of any material misstatement, misrepresentation or omission in connection with the award of any FFD Funding or Keys Funding (as applicable) that the Member becomes aware of through its underwriting and monitoring practices.
- Under the FFD program and/or the Keys program, upon request, Members must provide FHLBank with all information, documentation and/or other assistance reasonably requested by FHLBank in such circumstances, such as copies of first-mortgage documentation, income documentation and first-time Homebuyer documentation.

## Monitoring

On an annual basis, under the FFD program, FHLBank will review a 5% sample of the then-existing Approved FFD Disbursements still within the Retention Period per Member (maximum of 15 and minimum of two or, in cases of only one submission, one). FHLBank will collect proof of the recorded FFD Retention Agreements but may request other documentation if it is deemed necessary to perform this FFD monitoring review.

The Member is responsible for ensuring the borrower completes the Keys Self-Certification Form to document their Minority Homebuyer status and/or First-Generation Homebuyer status. As noted above, a Member may ask Keys applicants if they are members of a protected class to the extent necessary to determine eligibility for the SPCP portion of Keys (i.e., eligibility as Minority Homebuyers). This means that it is appropriate for the SPCP portion of Keys to ask whether the borrower identifies as a member of a racial minority group. But a Member may not ask if an applicant is a member of a different protected class, e.g., it may not ask questions about the borrower's religion, and a Member may not second-guess, use mortgage application responses to guess, or question an applicant's self-identification, e.g., may not ask questions to further interrogate or justify (including based on visual observation or surname) with which minority group or groups the borrower identifies.

If the borrower is found to have provided false information, they must return the money (without criminal or civil penalties).

FHLBank may require additional information (including without limitation as stated in the Keys Self-Certification Form) and/or submission of additional documentation to validate the borrower's self-identified First-Generation Homebuyer status.

## APPENDIX A: AHP, Voluntary Housing Grant Initiative, FFD and Keys Income Guidelines



### Income Guidelines Affordable Housing Program (AHP), Voluntary housing grant initiative, First Front Door (FFD) and First Front Door Keys to Equity fund (Keys)

These income guidelines apply to FHLBank Pittsburgh's (FHLBank) AHP and FFD programs, including the voluntary housing grant initiative and First Front Door Keys to Equity fund (Keys).

Please ensure that you are referring to the applicable program guidance within this document, as variations in requirements may exist.

#### 1. Income Guidelines

FHLBank will use the following income guidelines to verify household income and subsequently to determine a household's eligibility to participate in AHP or FFD, including the voluntary housing grant initiative and Keys.

- a. Annual household income, as defined within the U.S. Department of Housing and Urban Development's (HUD's) 80% area median income (AMI) regulations in the Code of Federal Regulations. **Asset income, such as interest from savings accounts, is not included in the calculation of income.**

**AHP and voluntary housing grant initiative:** Income is adjusted for family size based on the county/state in which the AHP project is located.

**FFD:** Income is adjusted for family size based on the county/state in which the homebuyer currently resides.

- b. For Keys, annual household income, as defined within HUD's 120% AMI regulations in the Code of Federal Regulations. **Asset income, such as interest from savings accounts, is not included in the calculation of income.** Income is adjusted for family size based on the county/state in which the homebuyer currently resides.
- c. For purposes of tax reporting to the Internal Revenue Service, it is acceptable to use the previous year's federal income tax returns to demonstrate income. Tax returns will only be accepted within the first three calendar months of the new year unless the income is for a self-employed person. It is not acceptable to use W-2 forms or year-end benefits statements unless they are reported on an accompanying tax return.
- d. Income documentation requirements set forth in this document serve as a guide. Additional documentation may be required at the discretion of FHLBank.

#### 2. Income Limits

HUD publishes median income information for the United States on an annual basis. These income limits will be used to determine whether a household's income is at or below 80% AMI. If a household's income is less than the published AMI category of 80%, it may be considered eligible. If a household's income is greater than the 80% published AMI category, it will be considered ineligible. This AMI category is visible on both the AHP and FFD income screens in AHP Online and FFD Online.

Keys will use the HUD published 120% income limits which are published for the United States on an annual basis. These income limits will be used to determine whether a household's income is at or below 120% AMI.

If a household's income is less than the published AMI category of 120%, it may be considered eligible. If a household's income is greater than the 120% published AMI category, it will be considered ineligible. This AMI category is visible on the income screen in the FFD Online systems.

**AHP and Voluntary Housing Grant Initiative:**

- Rental projects must use the county income limits.
- Owner-occupied projects may use county or state income limits.

**FFD/Keys:**

- Either county or state income limits may be used.

**3. Income Targeting for AHP Projects and Voluntary Housing Grant Initiative Projects**

For AHP and voluntary housing grant initiative projects, the HUD published AMI Categories will be used to determine a household's income targeting. HUD publishes the AMI limits based on household size at 30%, 50% and 80%. While HUD does not publish the 60% income limit, HUD determines the 60% AMI limit category based on family size, using 120% of the Very Low-Income Limit (50%).

**All AHP-assisted households that are income qualified on or after June 1, 2020**, must use the 50%, 60% or 80% AMI categories adjusted for household size to determine income targeting.

*50% AMI Example:* : A two-person household with gross annual income of \$20,000 living in Allegheny County, Pennsylvania.

Review the HUD published AMI Categories based on household size to determine the household's income targeting:

- Less than or equal to 50% AMI
- Greater than 50% and less than or equal to 60% AMI
- Greater than 60% and less than or equal to 80% AMI

Using the HUD AMI categories in the screenshot below, the example household's income targeting is considered less than or equal to 50% AMI category, as the income of \$20,000 does not exceed the 50% AMI limit of \$40,200 for a two-person household.

If the household income is greater than the 50% AMI limit category, but less than the 80% AMI limit category, the 60% AMI limit will need to be calculated to determine if the household's income targeting is greater than 50% and less than or equal to 60% AMI, or greater than 60% and less than or equal to 80% AMI. This is performed by multiplying the 50% AMI limit by 1.2 to arrive at the 60% AMI limit.

*60% AMI Example:* A two-person household with gross annual income of \$45,000 living in Allegheny County, Pennsylvania\*. Using the HUD AMI categories in the screenshot below, the example household's income targeting is considered greater than 50% and less than or equal to 60% AMI category, as the income of \$45,000 does exceed the 50% AMI limit of \$40,200 for a two-person household but does not exceed the 60% AMI limit of \$48,240 (\$40,200 x 1.2) for a two-person household.

FY 2023 Income Limit Area	Median Family Income <a href="#">Click for More Detail</a>	FY 2023 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
<b>Pittsburgh, PA HUD Metro FMR Area</b>	\$102,600	Very Low (50%) Income Limits (\$) <a href="#">Click for More Detail</a>	35,150	40,200	45,200	<b>50,200</b>	54,250	58,250	62,250	66,300
		Extremely Low Income Limits (\$)* <a href="#">Click for More Detail</a>	21,100	24,100	27,100	<b>30,100</b>	35,140	40,280	45,420	50,560
		Low (80%) Income Limits (\$) <a href="#">Click for More Detail</a>	56,250	64,250	72,300	<b>80,300</b>	86,750	93,150	99,600	106,000

\*Note: Projects must use county and/or state limits for income qualification as applicable. In some instances, the county limit may be part of a larger metro area. This is acceptable. The table above is for Allegheny County, Pennsylvania, but reflects as the Pittsburgh, Pennsylvania, HUD Metro FMR Area. The HUD website confirms that Allegheny County is part of the Pittsburgh, Pennsylvania, HUD Metro FMR Area in a statement below the AMI table. Do not seek or use alternate income limits (based on city, ZIP code or FMR area). Only use HUD's county or state limits as applicable to the program and/or project type.

**NOTE:** Allegheny County is part of the Pittsburgh, PA HUD Metro FMR Area, so all information presented here applies to all of the Pittsburgh, PA HUD Metro FMR Area. HUD generally uses the Office of Management and Budget (OMB) area definitions in the calculation of income limit program parameters. However, to ensure that program parameters do not vary significantly due to area definition changes, HUD has used custom geographic definitions for the Pittsburgh, PA HUD Metro FMR Area.

#### 4. Income Timeframe

Household income is based on income at time of review, per the following, and projected over a 12-month period.

**FFD/Keys:** Income is determined at the time the household is qualified for participation in the program.

**AHP and voluntary housing grant initiative:** For all owner-occupied projects, income is determined at the time the household is qualified for participation in the program. For rental projects, income is determined as of the date the unit was originally occupied by the household ("move-in" income). For projects involving the purchase or rehabilitation of rental housing that is already occupied, income is determined at the time the application is submitted to FHLBank. **Do not recertify income** for subsequent years once the household is already qualified.

#### 5. Income Verification

In order to determine income eligibility, obtain verification of all income sources for all adult (aged 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. A household is defined as everyone who lives in the unit, **except** live-in aides, foster children or foster adults. A pregnant individual counts as **one person** until the baby(ies) is (are) born.

In instances where there is a non-occupying co-borrower, the non-occupying co-borrower's income is required when determining income eligibility for the household even if the co-borrower will not reside in the household. The non-occupying co-borrower's income must be added to the total household income, but the household size remains only those residing in the household.

A person aged 18 and older who resides in the household but has no income must complete a [Zero-Income Certification Form](#).

## 6. Income Calculations and Calculation Forms

If employer pay stubs, verification of employment (VOE) or seasonal income are used to calculate household income, the income must be projected using both the annualized base pay calculation and the income average calculation. The larger of the two figures must be used in determining the total household income. When calculating self-employment income, the income average calculation must be used. All other income – such as social security benefits, pension and child support – should be calculated using the monthly amount to annualize by the frequency.

### *Income Average Calculation*

This method takes the year-to-date (YTD) gross earnings from the most recent pay stub, then divides the earnings by the number of pay periods to date since the beginning of the year (or the hire date, if documentation is provided that the individual was hired in same year). The result is the average earnings per week. This is then multiplied by the total possible pays per year.

*Example:* \$5,000 (YTD gross earnings) / 10 (pay periods since beginning of year) = \$500 (average earnings per week) x 26 (total possible pays per year) = \$13,000 (income average total)

### *Annualized Base Pay Calculation*

This method averages the total gross pay of three consecutive pay stubs. The average weekly earnings figure is then multiplied by the total possible pays per year.

### **AHP Projects Awarded in 2019 or After, and All Voluntary Housing Grant Initiative Projects**

- For owner-occupied household income calculations, the current FFD/AHP Income Workbook must be utilized and supported by third-party income documents, as outlined in the Annual Income Inclusions section below.
- For rental household income calculations, the effective AHP Income Calculation Form must be used and supported by third-party income documents, as outlined in the Annual Income Inclusions section below. HUD or state housing agency calculation forms may be used in lieu of the AHP Income Calculation Form if they are substantively equivalent to the AHP Income Calculation Form and are signed by both the project sponsor and tenant. The calculation of income must be completed in accordance with the Income Guidelines and must be clearly documented so that the calculation can be easily recalculated and confirmed by FHLBank.

**AHP Projects Awarded Through 2018:** For all household income calculations, the current AHP Income Calculation Form must be used and supported by third-party income documents, as outlined in the Annual Income Inclusions section below. For rental projects, HUD or state housing agency calculation forms may be used in lieu of the AHP Income Calculation Form if they are substantively equivalent to the AHP Income Calculation Form and are signed by both the project sponsor and tenant. The calculation of income must be completed in accordance with the Income Guidelines and must be clearly documented so that the calculation can be easily recalculated and confirmed by FHLBank.

**FFD/Keys:** For all household income calculations, the current FFD/AHP Income Workbook must be used and supported by third-party income documents, as outlined in the Annual Income Inclusions section below. The calculation of income must be completed in accordance with the Income Guidelines and must be clearly documented so that the calculation can be easily recalculated and confirmed by FHLBank.

### **Annual Income Inclusions**

The following sources of income must 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 earning in excess of \$480 annually. See the section below for details on calculating overtime pay, commissions, fees, tips and bonuses.



- **FFD/Keys:** If pay statements are being used to calculate income, three consecutive pay statements are required and must be dated no later than two months prior to the Reservation submission date. If a Verification of Employment (VOE) is being used, it must be completed in its entirety by the employer (including hours worked if paid hourly). Other documentation may be requested by FHLBank.
  - **AHP Owner-Occupied Projects Awarded 2019 or After and Owner-occupied Voluntary Housing Grant Initiative Projects:** If pay statements are being used to calculate income, three consecutive pay statements are required.
  - **AHP Owner-Occupied Projects Awarded Through 2018 and all AHP or Voluntary Housing Grant Initiative Rental Projects:** If pay statements are being used to calculate income, three consecutive pay statements are strongly recommended.
- b. Income or salaries received from a household-owned business. This is to be calculated based on the average net income for the two most recent years and as substantiated by federal income tax returns that include the business' profit and loss statement.
  - c. Net income, salaries and other amounts distributed from a business. 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.
    - Do not "gross-up" social security benefits.
    - The Social Security statement must be from the calendar year in which the household was qualified.
  - 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 or severance pay. Any payments that will begin within 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, the amount remaining after the adjustment must be used.
  - 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, spouse or head of household (whether living in the dwelling or not).
  - 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.

## 7. Annual Income Exclusions

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

- a. Employment income of children under the age of 18 years, including foster and adoption subsidies. Employment income of full-time students 18 years and older (except head of household and spouse) more than \$480 annually is also to be excluded.
- b. Food stamps, Meals on Wheels or other programs that provide food assistance or 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, including special equipment, clothing, transportation, childcare, etc.
- f. Income associated with persons who 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, including tuition reimbursement by an employer.
- h. Hazardous duty pays to a household member who is 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 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, employment programs for veterans, state job training programs or career intern programs).
  - Student loans, regardless of how the funds are used.
  - 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 veteran's 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 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 more than \$480 annually per adopted child.
- m. State homecare payments to families with developmentally disabled children or adults who live in the home.
- n. Compensation received under a state or local employment-training program or from a program that trains residents to work 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 of time 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 a household has earned predictable income payments and will continue to earn overtime pay, commissions, fees, tips and bonuses on a regular basis, these amounts must be included in the projected household income.

**Predictable:** Regular and recurring payments of overtime pay, commissions, fees, tips and bonuses, as verified by a person's employer and 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 and received in an erratic and unbalanced manner, such as seasonal overtime.

For sporadic overtime or other such payments, including bonuses, the employer must provide documentation that the continuation of the income type is not guaranteed and the reason why.

For example, a one-time bonus based on performance of the previous year is not guaranteed to occur in the current year. The employer can provide documentation stating that the "bonus of \$XX is not guaranteed to occur again, as it was based off of performance metrics." The same would apply to overtime that was worked due to a seasonal need or a specific scenario that is not guaranteed to occur again during the remainder of the year.

If these documents are provided, the income will be calculated as a one-time lump sum payment and will not be annualized. However, without proper documentation, this income will be annualized.

## 9. Seasonal Employment

If an individual in the household earns seasonal income, that is, does not earn income over a 12-month period (e.g., landscapers, truck drivers, teachers) their income will be required to be completed in the "Seasonal Income" section of the AHP/FFD Income Workbook.

## 10. Income Verification Documents

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

- Verification of employment.
- U.S. Federal income tax return. Note: Tax returns will only be accepted within the first three calendar months of the new year unless the income is for a self-employed person. It is not acceptable to use W-2 forms or year-end benefits statements unless they are reported on an accompanying tax return.

- At least three consecutive and recent, pay statements from the current year.
- Alimony and child support court orders or deposit amount verification from the State-managed website, or savings or checking account records, if requested.
- Current (qualification) year Social Security statement or letter.
- Current (qualification) year pension statement or letter.
- Current (qualification) year Veterans Affairs letter or distribution form.
- Current (qualification) year welfare benefit 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

FFD Project # \_\_\_\_\_

### FFD Real Estate Retention Agreement Federal Home Loan Bank of Pittsburgh

This Real Estate Retention Agreement (this "**Agreement**") is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_ (whether one or more than one, the "**Borrower**"), in favor of \_\_\_\_\_ ("**Lender**") having an office at \_\_\_\_\_.

#### Recitals:

---

- A. Borrower acquired that certain real property located in the [City/Town/Township, etc.] of \_\_\_\_\_, County of \_\_\_\_\_, [State/Commonwealth] of \_\_\_\_\_, more commonly referred to as [insert mailing address] \_\_\_\_\_, and more particularly described in **Exhibit "A"** attached hereto and made a part hereof (the "**Property**") at a closing held on \_\_\_\_\_, 20\_\_\_\_ (the "**Closing Date**").
- B. In conjunction with its acquisition of the Property, the Borrower received direct subsidy funds from the Federal Home Loan Bank of Pittsburgh's ("**FHLBank Pittsburgh**") First Front Door Program in the amount of \$\_\_\_\_\_ (the "**FFD Grant**") through the Lender.
- C. In consideration of the receipt of the FFD Grant, and in conformity with regulations of the Federal Housing Finance Agency (found at 12 C.F.R., Subchapter E, Part 1291) (as the same may be amended from time to time, the "**FHFA Regulations**") governing FHLBank Pittsburgh's First Front Door Program, the Borrower agrees to execute this Agreement.

**NOW THEREFORE**, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby, the Borrower by this Agreement, agrees to be bound by the following terms contained herein.

- 1. **Borrower Agreement to Maintain Ownership.** Borrower hereby agrees to maintain ownership and residence in the Property as his primary residence during the Retention Period.
- 2. **Term and Termination.**
  - a. **Term.** The term of this Agreement shall last for a period of five (5) years from the Closing Date ("**Retention Period**"), unless earlier terminated pursuant to Section 2(c) below.
  - b. **Termination at the End of the Retention Period.** At the end of the Retention Period, this Agreement shall automatically terminate by its own terms, without any further action by the Lender or FHLBank Pittsburgh. In furtherance of the foregoing, any sort of title encumbrance, lien, or other right of the Lender or FHLBank Pittsburgh arising from this Agreement shall terminate at the close of the Retention Period.
  - c. **Termination Upon Foreclosure Event.** This Agreement shall automatically terminate by its own terms and without any further action by the Lender or FHLBank Pittsburgh upon the occurrence of any of the following events (each, a "**Foreclosure Event**"): (i) any event of foreclosure; (ii) transfer of the Property by a deed-in-lieu of foreclosure; (iii) an assignment of the first mortgage on the Property to the Secretary of HUD (assuming the FFD Grant is used in conjunction with FHA financing); or (iv) the death of the Borrower (or all Borrowers, if more than one).
- 3. **Effect of Sale, Transfer, Assignment of Title or Deed, or Refinancing During Retention Period.**
  - a. **Generally.** In the case of a sale, transfer, assignment of title or deed of the Property by the Borrower (collectively, "**Transfers**") or refinancing of the Property by the Borrower ("**Refinance**," and collectively with the Transfers, "**Transfer Events**") prior to the end of the Retention Period, an amount equal to the lesser of (i) the FFD Grant, reduced on a pro rata basis per month until the occurrence of the Transfer Event during the Retention Period; or (ii) any net proceeds from the Transfer Event, as applicable, minus the Borrower's investment in the Property shall be repaid to FHLBank Pittsburgh (the "**Recapture**").

- b. **Exceptions for Transfer Events.** Notwithstanding subsection 4(a), no Recapture shall be due upon a Transfer Event so long as (i) the Property was assisted with a permanent mortgage loan funded by an Affordable Housing Program subsidized advance; (ii) the subsequent purchaser, transferee, or assignee is a low- or moderate-income household as determined by FHLBank Pittsburgh; or (iii) the amount of the Recapture, calculated in accordance with Section 3(a) is \$2,500 or less.
- c. **Additional Exception for Refinance.** Notwithstanding subsection 4(a), no Recapture shall be due upon a Refinance so long as the Property continues to be subject to this Agreement (or some other deed restriction or other legally enforceable retention agreement or mechanism substantively similar to this Agreement, as determined in FHLBank Pittsburgh's sole discretion) after the Refinance.
- 4. **Notice of Transfer Event to Lender and FHLBank Pittsburgh.** FHLBank Pittsburgh, whose mailing address is "601 Grant Street, Pittsburgh, PA 15219, Attention: Community Investment Department," and the Lender are to be given immediate written notice of any Transfer Event of the Property occurring prior to the end of the Retention Period.
- 5. **Further Cooperation by the Borrower.** Borrower acknowledges that FHLBank Pittsburgh or the Lender may require/request additional documentation for various reasons during the Retention Period (including without limitation in connection with a Transfer Event or Foreclosure Event). In connection therewith, the Borrower agrees to timely provide any and all documentation requested by FHLBank Pittsburgh or the Lender to FHLBank Pittsburgh or the Lender (as the case may be) during the Retention Period.

[Remainder of Page Intentionally Left Blank.]



**IN WITNESS WHEREOF**, the Borrower(s) have executed this Agreement as of the date and year first written above.

Witness:

_____	_____
	Borrower Name
_____	_____
	Borrower Name

**ACKNOWLEDGMENT:**

STATE/COMMONWEALTH OF \_\_\_\_\_ )  
 ) ss:  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by \_\_\_\_\_ (name(s) of individual(s)), known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that they executed the same for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal.

\_\_\_\_\_  
Signature (notary public)

\_\_\_\_\_  
Typed or Printed Name

My Commission Expires: \_\_\_\_\_



601 Grant Street  
Pittsburgh, Pennsylvania 15219-4455  
800-288-3400

[www.fhlb-pgh.com](http://www.fhlb-pgh.com)