



# Community Support Program and Targeted Community Lending Plan

December 17, 2021

Effective January 1, 2022

## Policy Information

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### **Introduction**

This FHLBank Policy, governed by the board of directors (board), sets forth the provisions of Federal Home Loan Bank of Topeka's (FHLBank's) Community Support Program and Targeted Community Lending Plan (Plan) as required by 12 C.F.R Parts 1290, 1291, and 1292. FHLBank's board shall adopt this Plan at least annually and FHLBank shall publish its current Plan on its website within 30 days after the date of adoption. This Plan includes many of the programs and activities undertaken by FHLBank in the area of community support, but it is not intended to be a complete description of all FHLBank programs and activities directed at enhancing housing and community development.

### **Purpose**

The purpose of this Plan is to set forth the policy and provisions as required by the applicable Federal Housing Finance Agency's (FHFA) regulations. This Plan is established to promote and enhance affordable housing and community development in the Tenth District (the District) by providing loans, grants and other assistance to members to provide financing for eligible targeted community lending at the appropriate targeted income levels, including underserved neighborhoods and communities.

### **Applicable Statutory and Regulatory Provisions**

Applicable provisions of the Federal Home Loan Bank Act (Act) and the regulations of the FHFA supersede this Plan, and any actions taken hereunder shall be consistent with such provisions. The applicable FHFA regulations include but are not limited to 12 C.F.R. Parts 1290, 1291, and 1292.

### **Scope**

This Plan provides the framework and guidance for the following Plan programs and initiatives:

- (1) Community Investment Cash Advance (CICA) Programs, which include:
  - (a) Community Housing Program (CHP)
  - (b) Community Development Program (CDP)
  - (c) Awards, technical assistance and other outreach, including partnerships with federal, state and local housing and community development organizations.
  - (d) The Affordable Housing Program (AHP) including Homeownership Set-aside Program (HSP) is a CICA program. The framework and guidance for the AHP and HSP are in the AHP Implementation Plan (IP), which is available on FHLBank's website.
- (2) Affordable Housing Advisory Council (Advisory Council). Per 12 C.F.R. §1291.14, the board shall appoint an Advisory Council of 7 to 15 members. These members shall reside in the District and shall be drawn from community for-profit and not-for-profit organizations that are actively involved in providing or promoting low- and moderate-income housing and community lending in the District.

The Advisory Council shall meet quarterly with representatives of the board to provide advice regarding how to carry out the housing finance and community lending mission of FHLBank, including but not limited to:

- (a) Advice on the low- and moderate-income housing and community lending programs and needs in the District, and on the use of AHP subsidies, FHLBank advances, and other FHLBank credit products for these purposes.
- (b) Prior to its adoption, the Advisory Council shall review the Plan and any subsequent amendments thereto, and provide its recommendations to the board's Housing and Governance Committee (HGC).

### **Definitions**

Terms used within this Plan and in all applicable agreements, forms, applications and on FHLBank's website shall have the meanings as set forth in Exhibit D of this Plan.

## Policy

- I. Market Research.** FHLBank conducts market research using both primary and secondary sources. Primary sources include consultation with members and economic development organizations within the District and consultation with the Advisory Council. Secondary sources include an analysis of materials related to some of the classes of CICA-targeted beneficiaries. Other materials reviewed but not related to CICA-targeted beneficiaries include each District state's Consolidated Plan for Housing as well as Consolidated Plans prepared for larger communities, Census data, publications applicable to the District, rural resources and state and local sources.

Data on District housing needs is included in Exhibit A to this Plan.

FHLBank works with the Advisory Council to continually evaluate the needs of the District and how FHLBank programs can be tailored to best meet those needs.

FHLBank shall continue to seek information on opportunities to enhance and promote housing and community lending from members, nonmember borrowers, the Advisory Council and public and private housing and economic development organizations as part of the ongoing administration of the Plan.

FHLBank reviews the information obtained through this market research, which identifies credit needs and market opportunities for affordable housing and targeted community lending in the District. The AHP, CDP and CHP are designed to meet these identified needs. Non-targeted community lending needs in the District are funded with FHLBank advances.

- II. Technical Assistance and Outreach.** FHLBank offers technical assistance to members and communities to address local needs for affordable housing and economic development. FHLBank shall work with federal agencies, members, local government entities and other interested parties to develop an understanding of local economic development and housing needs, both current and long-term. Technical assistance includes but is not limited to: (1) consulting with the participating groups on assessing and responding to economic development and housing needs, including the identification of organizations that can assist with those tasks; (2) assisting in the identification and documentation of any financing resources applicable to the identified economic development or housing projects (3) promoting the use of FHLBank's products and programs; and (4) devoting a portion of FHLBank's website to CICA Programs. Information is provided on FHLBank's website at <http://www.fhlbtopeka.com>.

Technical assistance videos may also be accessed on YouTube by searching for FHLBank Topeka and the topic. For example: "FHLBank Topeka HSP".

- III. Recognition Awards.** FHLBank shall recognize exemplary performance by members in community support activities through the Community Leader Award (CLA) and other recognition awards such as plaques and certificates. These activities include member participation in the HSP, AHP, CHP, and CDP as well as member community support activities not involving FHLBank programs. FHLBank shall include award presentations as part of appropriate FHLBank programs, ground-breaking or ribbon-cutting ceremonies, or other appropriate circumstances.

- A. Community Leader Award.** Each year, FHLBank Topeka recognizes a member institution that best uses FHLBank products and services to provide outstanding leadership and vision within the communities it serves. FHLBank produces a video about the chosen member. The member is honored at the April Annual Management Conference, where the video is debuted over lunch. During the ceremony, the CLA winner is presented with a crystal award and a \$5,000 check to the nonprofit organization(s) of the member's choice.

Videos produced for members receiving the Community Leader Award are available on YouTube by searching for "FHLBank Topeka Community Leader Award".

- B. **#500forGood.** For the past four years, FHLBank Topeka presented members with a \$500 question – “How would members use \$500 to help their communities?” In 2020, FHLBank expanded the pool of funding to meet the greater community need during the pandemic and awarded 16 \$500 checks across the District. FHLBank plans to continue the program in 2022.

Short videos produced for #500forGood recipients are available on YouTube by searching for “FHLBank Topeka #500forGood”.

**IV. Quantitative Targeted Community Lending Performance Goals.** Identified below are FHLBank’s quantitative targeted community lending performance goals for 2022:

- Maintain CHP/CDP advance balances between 1.0 and 2.0 percent of FHLBank’s total assets;
- Approve 85 or more CHP/CDP applications;
- Approve CHP/CDP applications from more than 40 members.

**V. FHLBank Current Programs.** Identified below is a list of specific CICA Programs included in the Plan.

- A. **Affordable Housing Program.** The AHP, including the HSP, is set forth in FHLBank’s AHP IP.
- B. **Community Housing Program and Community Development Program.** These are governed by FHLBank’s Member Products Policy.
- 1) **Community Housing Program.** Under the CHP, FHLBank provides advances to members to finance the construction, acquisition, refinancing or rehabilitation of renter- or owner-occupied housing for households at or below 115% of area median income. See Exhibit B for program information.
  - 2) **Community Development Program.** Under the CDP, FHLBank provides advances to members to extend long-term fixed rate credit for community development, including the finance of qualifying commercial loans, farm loans and community and economic development initiatives. See Exhibit C for program information.

**VI. Notifications.**

- A. **Notice of Programs to Members.** FHLBank shall provide annually to each of its members a written notice identifying its CICA Programs and other activities that may provide opportunities for a member to meet the community support requirements and engage in targeted community lending. The notice shall also include a summary of targeted community lending and affordable housing activities undertaken by members, housing associates, nonprofit housing developers, community groups, or other entities in the District, that may provide the same such opportunities.
- B. **Community Support Requirement Notice.** Community Support Statements (CSS) must be submitted by FHLBank members to the FHFA biennially. FHFA has identified odd-numbered years as those in which the CSS will be completed. The CSS process will not occur in 2022.

If the FHFA determines a member’s submitted CSS is unacceptable, the member’s access to long-term advances (credit with a term to maturity greater than one year) will be restricted. In addition, a member subject to a restriction by the FHFA to long-term advances is not eligible to participate in FHLBank’s AHP or HSP or in other FHLBank CICA programs. The restriction does not apply to AHP, HSP or other CICA applications or funding approved before the date the restriction is imposed.

**VII. Diversity, Equity and Inclusion.**

FHLBank’s Diversity, Equity and Inclusion Policy, which is available on FHLBank’s website, provides guidance regarding the principles of non-discrimination and the inclusion of marginalized communities including but not limited to each of minorities, women, individuals with disabilities, and individuals in the lesbian, gay, bisexual, transgender and queer plus (LGBTQ+) community, and minority-, women-, disabled-, and LGBTQ+-owned businesses in FHLBank’s business activities, including management, employment and procurement.

**Policy Review**

This Plan shall be reviewed annually and revised as needed by the Director of HCD. Any such revisions shall be submitted for review by the Executive Team and approval by the President and CEO, submitted to the Advisory Council for review and its recommendations and then submitted for review and approval by the HGC and the board.

**Exhibits**

- Exhibit A: Affordable Housing Needs, Community Lending (including CHP and CDP), and Quantitative Targeted Community Lending Performance Goal Attainment
- Exhibit B: Community Housing Program Advances
- Exhibit C: Community Development Program Advances
- Exhibit D: Definitions

**EXHIBIT A**

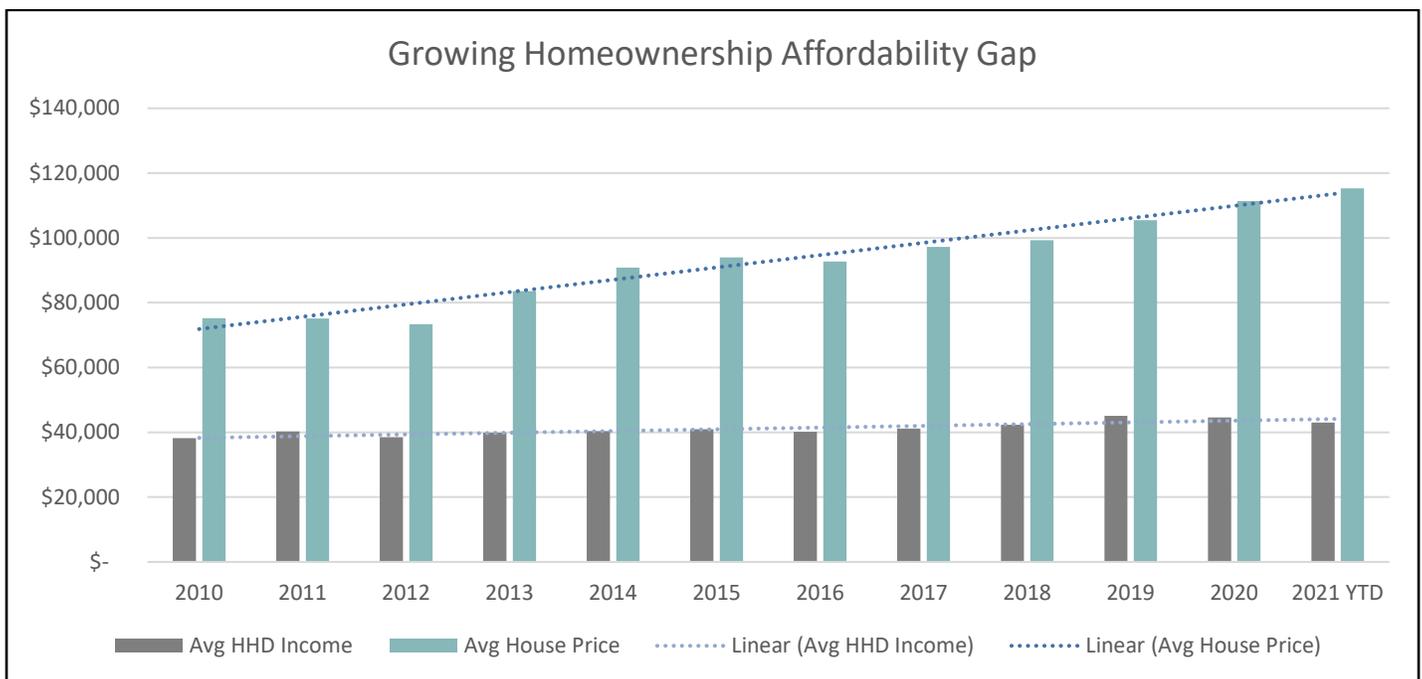
**Affordable Housing Needs, Community Lending (including CHP and CDP), and Quantitative Targeted Community Lending Performance Goal Attainment**

FHLBank’s AHAC has identified and reported the most pressing affordable housing needs in each member’s area and what steps are, or should be, taken by FHLBank through its AHP to address the identified needs. These housing needs are:

- **Homeownership Affordability** – Data from Homeownership Set-aside Program (HSP) participating households shows the ratio of average house price to average household income increased from 1.97 to 2.68 over the past 12 years. Average house prices are increasing more rapidly than average household income.
- **COVID-19** – AHAC discussed the effect of the pandemic on both rental and owner-occupied housing, the delivery of services to tenants and homebuyers, and the effect on their local community. Individuals with lower-paying jobs, those most at risk, have been the most adversely affected by the pandemic.
- **Community Lending** – AHAC continues to monitor FHLBank members’ community lending using CHP and CDP advances, and FHLBank’s attainment of the community lending quantitative performance goals. FHLBank members are actively engaged in community lending as demonstrated by nearly 100 percent of members in compliance status for the the 2021 Community Support requirements.

**Homeownership Affordability**

The homeownership affordability gap continues to increase in FHLBank’s District. Using data from FHLBank’s Homeownership Set-aside Program, the growing gap is demonstrated by contrasting a 12-year average household income growth of \$4,829 with the increase of \$40,062 in the average house price. The ratio of average house price to average household income has increased from 1.97 to 2.68 over the past 12 years. Data for 2021 year to date includes the January to June 2021 time period. The decrease in average household income of \$2,109 from 2019 to 2021 YTD may be attributable to decreased household income due to the COVID-19 pandemic.



During 2021 the AHAC discussed the increasing ratio of household income to home purchase price in the HSP portfolio. FHLBank staff conducted additional research to determine how many HSP-assisted households appear to be cost-burdened following the purchase of a home with HSP down payment assistance.

Using the Topeka Set-aside data download from the FHFA, the principal and interest payments on the first mortgage and second mortgage (if applicable) were calculated from the amount, term in months, and annual percentage rate data fields. Monthly property taxes and insurance costs are not available. For this analysis the front ratio is calculated as monthly debt service (principal and interest) divided by monthly income. Households are considered cost-burdened if the front ratio exceeds 30 percent. The number of households each year that appear to be cost-burdened are a small percentage of the total number of households assisted with HSP funds. FHLBank’s research is summarized in the following table.

Cost-burdened HSP Households						
Year of Home Purchase	2016	2017	2018	2019	2020	2021
HSP Home Purchase Closings	856	1,209	1,608	1,358	1,450	444
Front Ratio Greater Than 30 Percent	31	27	70	48	40	18
Households with No Income	1	2	2	5	3	0
Total Cost-burdened Households	32	29	72	53	43	18
Percent Cost-burdened	3.74%	2.40%	4.48%	3.90%	2.97%	4.05%
Source: FHFA Data Reporting Manual Topeka Set-aside Download through June 30, 2021						

**Increase in House Prices**

The FHFA’s House Price Index (HPI®) measures changes in single-family home values based on data from all 50 states and over 400 American cities that extend back to the mid-1970s. The HPI uses seasonally adjusted, purchase-only data from Fannie Mae and Freddie Mac, incorporating tens of millions of home sales and offering insights about house price fluctuations at the national, census division, state, metro area, county, ZIP code, and census tract levels. House price increases for FHLBank District states are shown in the following table.

Change in FHFA State House Price Indexes* and HSP Portfolio Purchase Prices			
State	1-Year	5-Year	Since 1991 Q1
Colorado	20.82%	62.46%	520.49%
Kansas	14.68%	44.97%	216.30%
Nebraska	15.98%	48.62%	243.23%
Oklahoma	17.03%	39.94%	209.66 %
United States	18.49%	51.85%	246.92%
HSP Portfolio Increase	3.52%	24.93%	162.97%**
* Seasonally Adjusted, Purchase-Only Index, 2021 Quarter 3			
** HSP data from 1997			
Source: FHFA HPI Summary Tables, FHLBank internal HSP data			

In addition to the state and national house price increases, the increase in the cost of homes for households receiving HSP down payment assistance is shown. While not as dramatic as the increases at the state or national level, the cost of homes for HSP households has increased over the past year, past five years, and since the inception of the HSP in 1997. HSP home price increases are not as dramatic due to the program being restricted to those with incomes at or below 80 percent of the area median income. The FHFA HPI includes homebuyers at all income levels and is not limited to first-time homebuyers as is FHLBank’s HSP. Even with a smaller increase in home prices compared to the state or

national level, the data shows that low- to moderate-income first-time homebuyers can benefit from wealth accumulation through homeownership.

**FHLBank District First-time Homebuyer Market Estimate**

The number and dollar volume of mortgage loans to first-time homebuyers is estimated using the biennial Federal Housing Finance Agency (FHFA) Community Support Statement (CSS) responses from FHLBank members. The following table is based on FHLBank members that completed “Section A” of the CSS, First Time Homebuyer Standard. This estimate suggests the first-time homebuyer market is significantly greater than can be served with AHP owner-occupied projects and with the HSP. The data for the 2021 CSS reporting period is complete. Despite 15 fewer members electing to report loans to first-time homebuyers on the 2021 CSS submission, the number and dollar volume of first-time homebuyer loans is significantly greater than in previous CSS reporting periods. No reduction in the number or volume of mortgages to first-time homebuyers has resulted from the COVID-19 pandemic.

Limitations to this estimate:

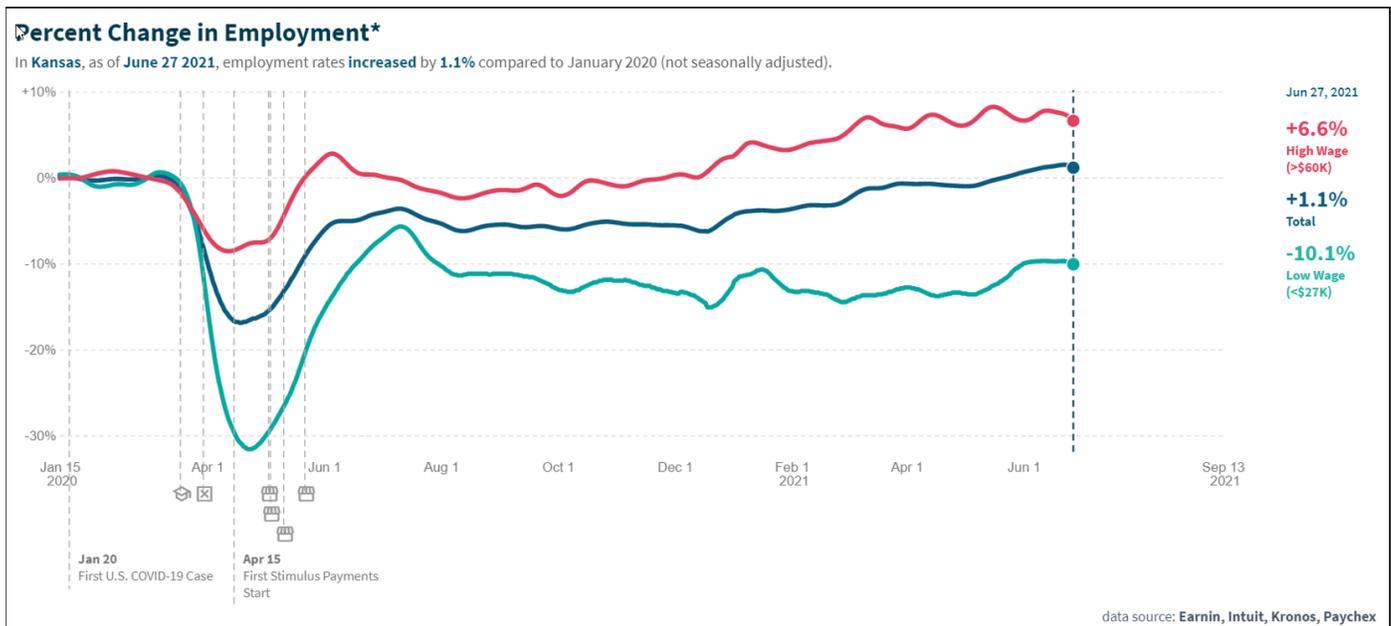
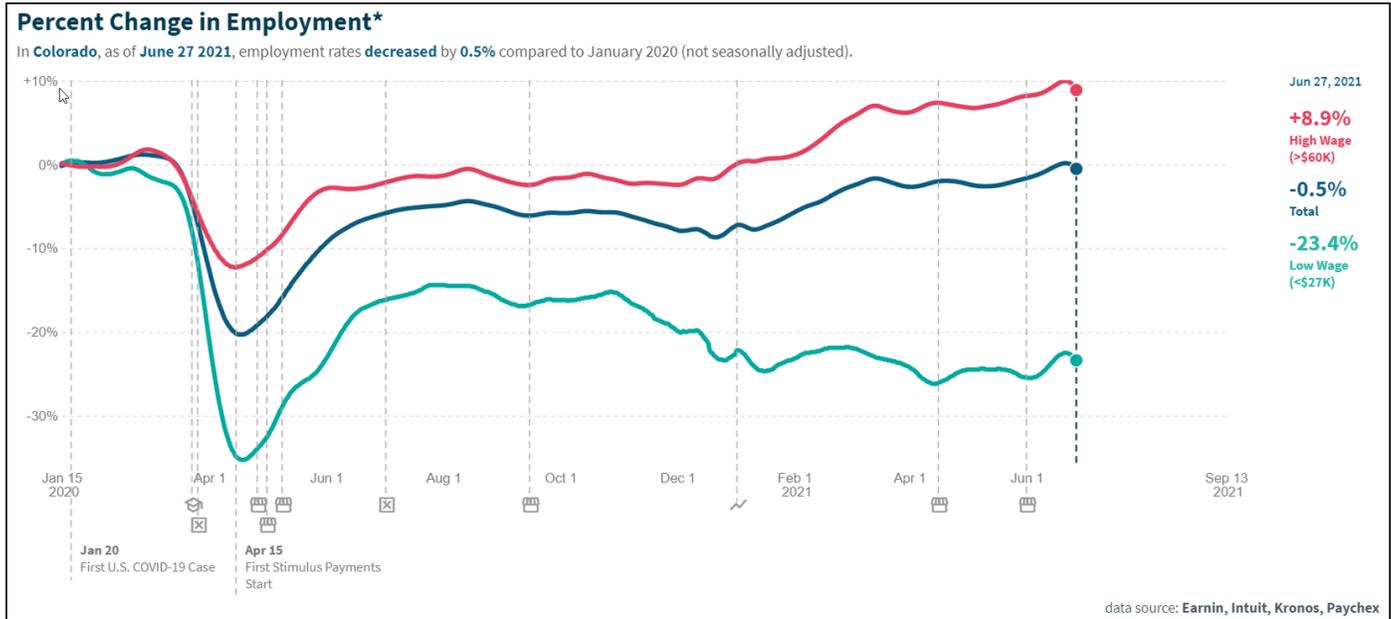
- Not all members report first-time homebuyer loans in Section A of the CSS; this estimate of the market may be understated.
- First-time homebuyer loans are not limited to FHLBank’s District, the number and volume in CO, KS, NE and OK may be lower than the estimate.
- There are no income limitations on the loans reported in Section A of the CSS, not all the first-time homebuyer loans reported are eligible for AHP/HSP assistance.
- The estimate is based on the location of the member, not the location of the household. State to state comparisons may not be valid.

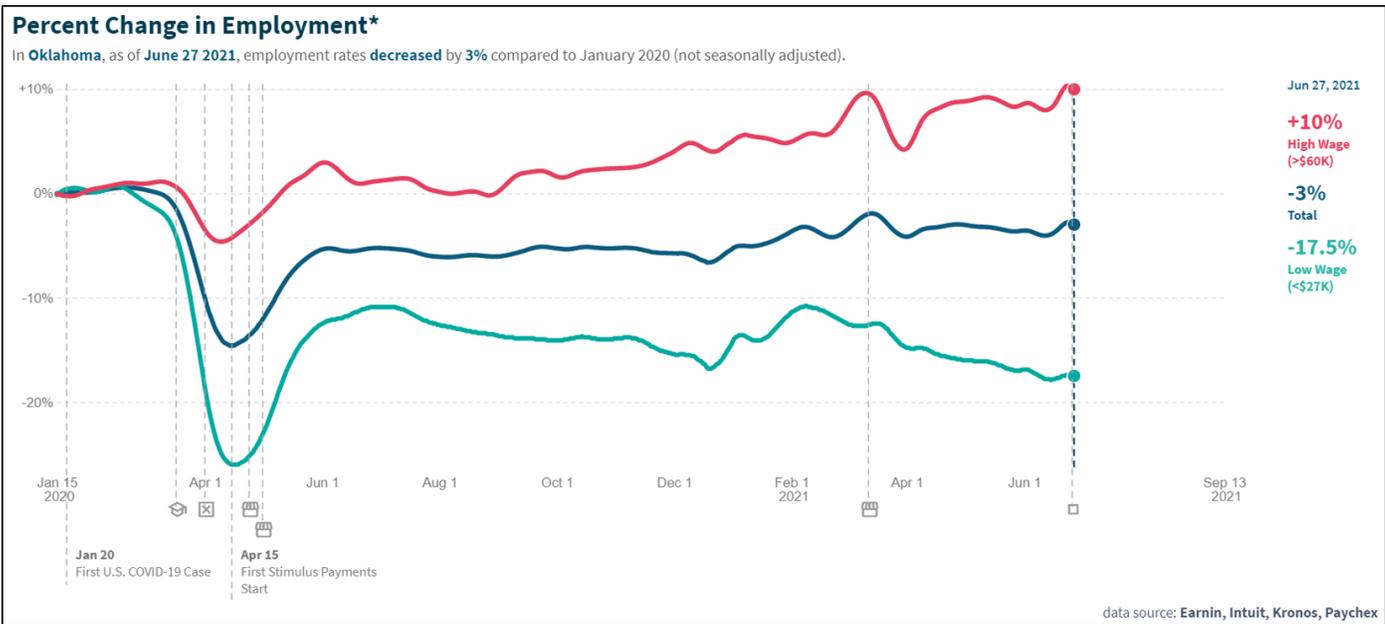
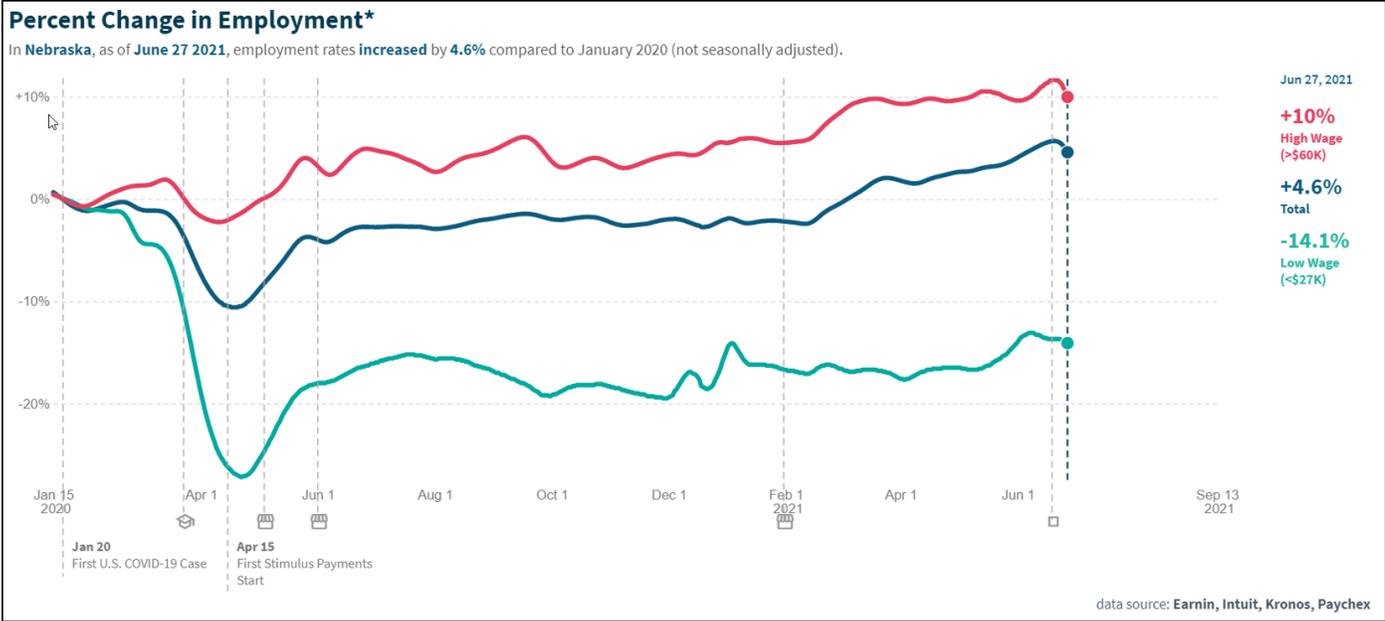
First-time Homebuyer Mortgage Loans Originated by FHLBank Members			
CSS Year	Number of mortgage loans made to first-time homebuyers	Dollar amount of mortgage loans made to first-time homebuyers	Number of members reporting first-time homebuyer mortgage loans
2017	5,580	\$995,813,390	130
2019	11,265	\$2,046,292,017	163
2021	45,147	\$10,225,379,352	148

Source: FHFA Community Support Program “FHFA CSS FTHB Matrix Report”

### COVID-19 Pandemic Affect on FHLBank District

The response to the COVID-19 pandemic has affected low-wage jobs more than middle- or high-wage jobs. Employment at all levels of earnings experienced job losses when stay-at-home orders were issued, but only high- and middle-wage employment levels have exceeded or recovered to near pre-pandemic levels. The following graphs are publicly available from the Opportunity Insights Economic Tracker at [tracktherecovery.org](https://tracktherecovery.org). In all district states, employment in low-wage jobs has not returned to pre-pandemic levels.





\* Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earning from Earnin, and timesheet data from Kronos. Source: [tracktherecovery.org](http://tracktherecovery.org)

**Zillow Research® Eviction Estimates**

The U.S. Census Bureau has estimated that nearly 7.5 million households in the U.S. are currently behind on rent as shown in the following table.

Zillow Research® Estimates of Renters Truly at Risk of Eviction				
State/Region	Number of Households Behind on Rent	Number of Households at Risk of Eviction	Number of Likely Eviction Filings After Moratorium Ends	Number of Households Likely to Be Evicted
Colorado	91,578	48,448	7,894	4,619
Kansas	27,642	14,629	2,299	1,698
Nebraska	42,309	17,929	2,758	2,346
Oklahoma	86,009	46,463	7,393	4,426
FHLBank District	247,538	127,469	20,344	13,089
United States	7,433,895	3,048,516	481,630	261,945
Source: <a href="http://www.zillow.com/research/eviction-forecast-june-2021-29686/">www.zillow.com/research/eviction-forecast-june-2021-29686/</a>				

Real estate firm Zillow® estimates more than a quarter million households will be evicted based on eviction rates in the five states tracked by Princeton University’s Eviction Lab and data from the Census Housing Pulse Survey. Support for affected tenant households varies by state in FHLBank’s District. The Eviction Lab publishes a scorecard on their website tracking public measures by state to limit residential housing evictions related to the pandemic. The methodology used to compile the scorecard documents the following categories and measures: initiation of eviction, court process, enforcement of eviction order, short-term supports, and tenancy preservation measures. Details may be found at the source listed in the following table.

Eviction Lab Covid-19 Housing Policy Scorecard for FHLBank District States		
State	State Score	Renting Population
Colorado	3.38/5.00	1,789,202
Kansas	1.43/5.00	871,031
Nebraska	0.60/5.00	567,089
Oklahoma	0.00/5.00	1,270,040
Source: Eviction Lab and Emily A. Benfer, COVID-19 Housing Policy Scorecard, <a href="https://evictionlab.org/covid-policy-scorecard/">https://evictionlab.org/covid-policy-scorecard/</a>		

**Black Knight® Homeownership Delinquency Data**

Data analytics company Black Knight® publishes reports on residential mortgage data and performance information. Their June 2021 Mortgage Monitor report includes information on the American Rescue Plan Act Homeowner Assistance Funds (HAF) intended to assist homeowners with past due mortgage payments. In some states, the \$50 million minimum HAF allocation is sufficient to cure all past due home mortgage payments, while in other states the HAF allocation is as low as nine percent of the past due payments. The ratio of the HAF allocation to Black Knight’s estimate of past due mortgage payments (including principal, interest, taxes, and insurance – PITI) for FHLBank District states is shown in the following table. The HAF allocation in District states is less than half the estimated past due mortgage payments.

HAF as a Share of Pandemic-related Increase in Past Due Mortgage Payments (PITI)			
State	HAF Allocation (millions)	Increase in Past Due PITI (millions) Feb. 2020 – June 2021	HAF Allocation as a Percentage of PITI Increase
Colorado	\$175	\$407	43%
Kansas	\$57	\$117	49%
Nebraska	\$50	\$69	72%
Oklahoma	\$87	\$218	40%
FHLBank District	\$369	\$811	45%

Source: Black Knight, Inc. Mortgage Monitor June 2021

The percentage of delinquent home mortgages (more than 30 days past due) in three District states exceeds the national average. Despite high housing costs, the percentage of Colorado homeowners with delinquent mortgage payments is less than the national average as shown in the following table.

FHLBank District State Rankings by Non-current Loan Population			
State	Delinquency Percentage	Foreclosure Percentage	Non-current Percentage
Oklahoma	5.8%	0.4%	6.2%
Nebraska	4.9%	0.1%	5.1%
Kansas	4.7%	0.2%	4.9%
Colorado	2.7%	0.0%	2.8%
United States	4.4%	0.3%	4.6%

Source: Black Knight, Inc. Mortgage Monitor June 2021

**Quantitative Targeted Community Lending Performance Goal Attainment**

One of FHLBank’s credit products utilized by members to fund economic development projects are discounted advances through the Community Housing Program (CHP) and Community Development Program (CDP). The charts on the following page are used to report attainment of the Quantitative Targeted Community Lending Performance Goals included in the 2021 Plan.

Approved CHP/CDP applications through November 30, 2021 are tracking to meet the goal of 85 approved projects established for 2021. Members continue to prefer match-funding individual projects to bundling projects in loan pools. This has led to a stable number of approved applications, even with reduced economic activity beginning in mid-March 2020 due to pandemic restrictions. The most common project in 2021 consists of members assisting their customers consolidate and refinance commercial or agricultural debt to lower debt service payments and shorten the term to maturity.

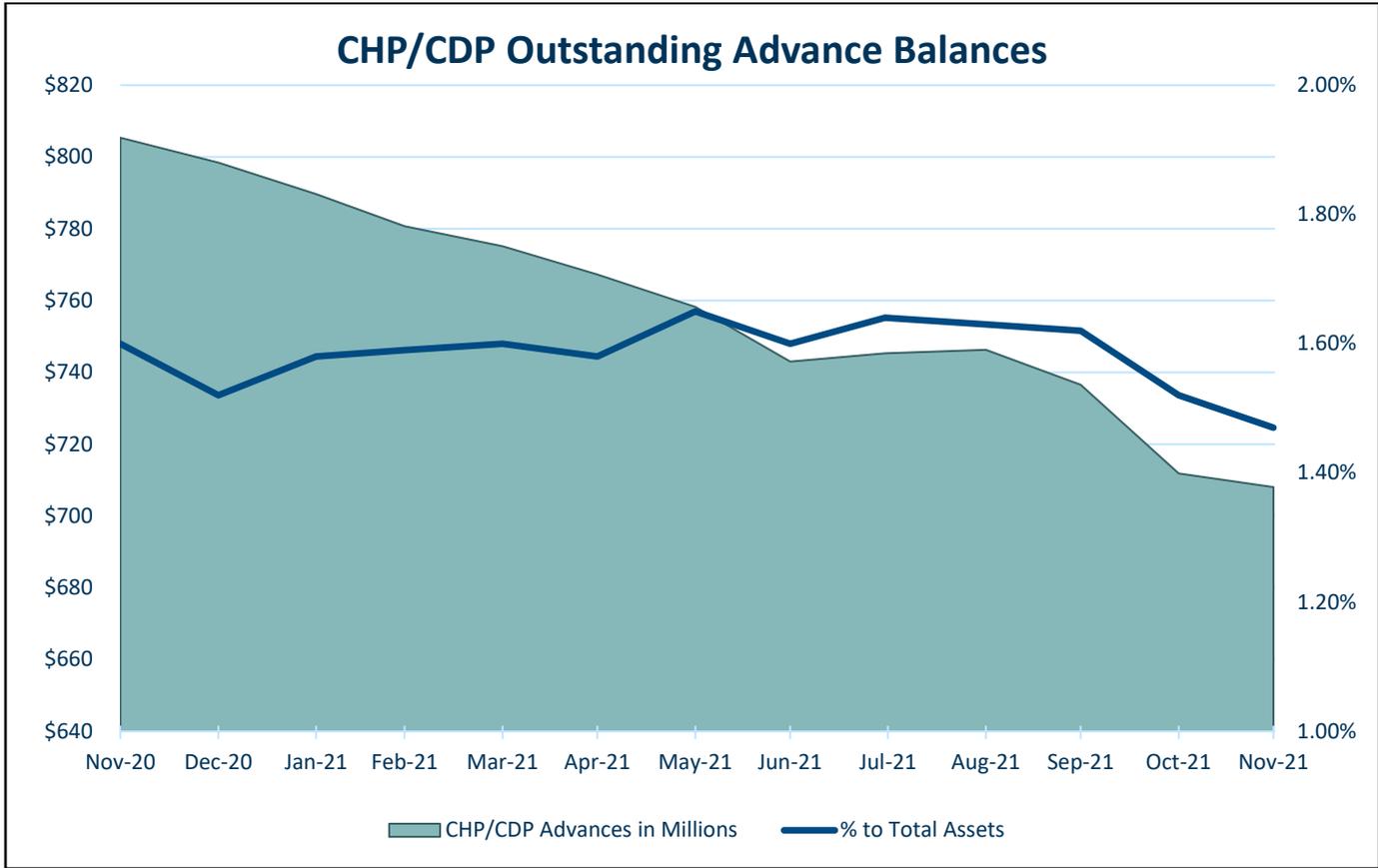


The number of FHLBank members participating in the CHP/CDP through November 30, 2021 is not tracking to meet the established goal of 40 members in 2021. As noted above, past participants are returning to the program to lock in low interest rates for projects in the communities they serve. Members that have primarily utilized the programs for liquidity funding in the past have nearly all stopped participating in the CHP/CDP due to continuing excess liquidity. The result is a continued decrease in the number of members participating in CHP/CDP.



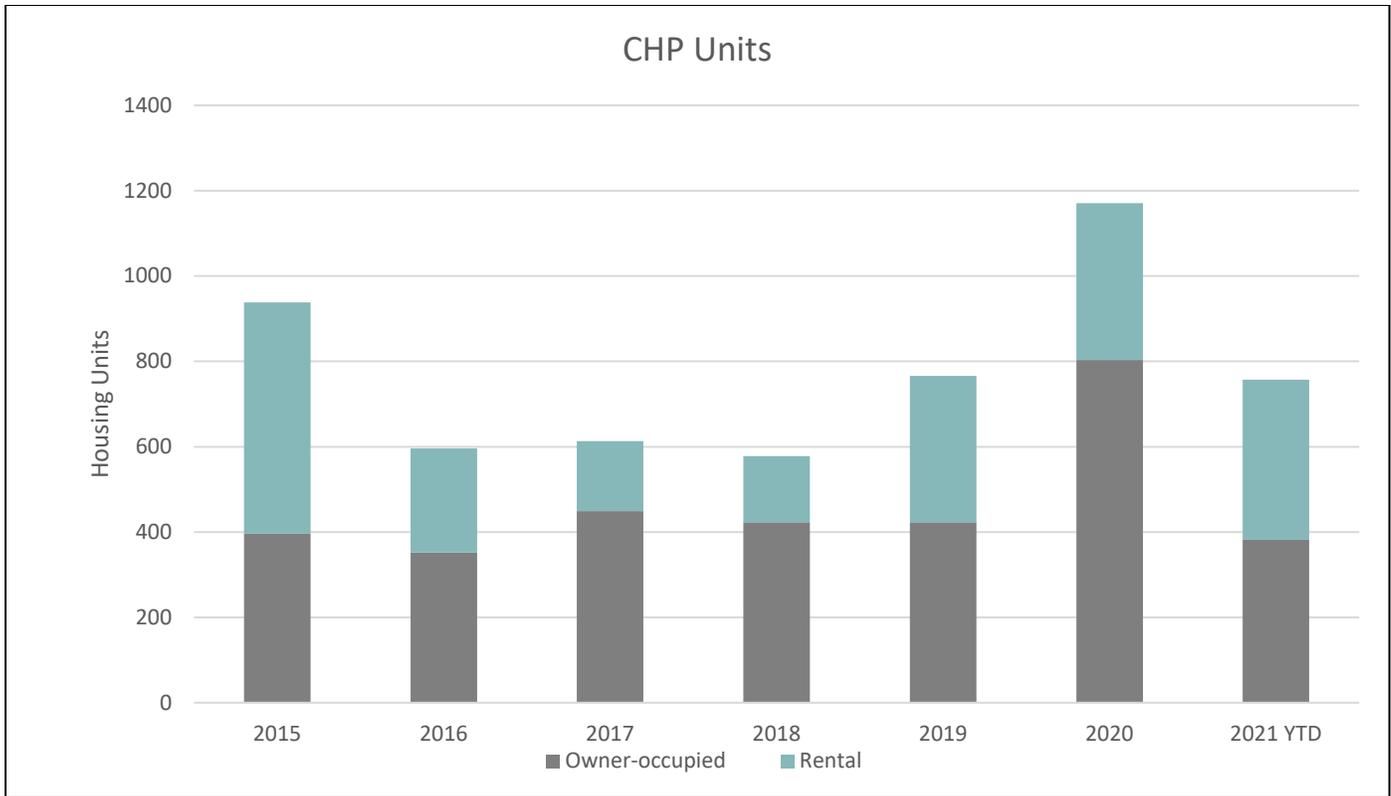
The outstanding balance of CHP/CDP advances continues to decrease as advance repayments exceed new advances taken. Outstanding CHP/CDP advances are more than \$97 million less than one year ago. Even though outstanding

CHP/CDP advance balances are decreasing, CHP/CDP advances have remained between 1.4 percent to 1.7 percent of Total Assets. The bump in outstanding CHP/CDP advance balances in July and August of 2021 was short-lived.

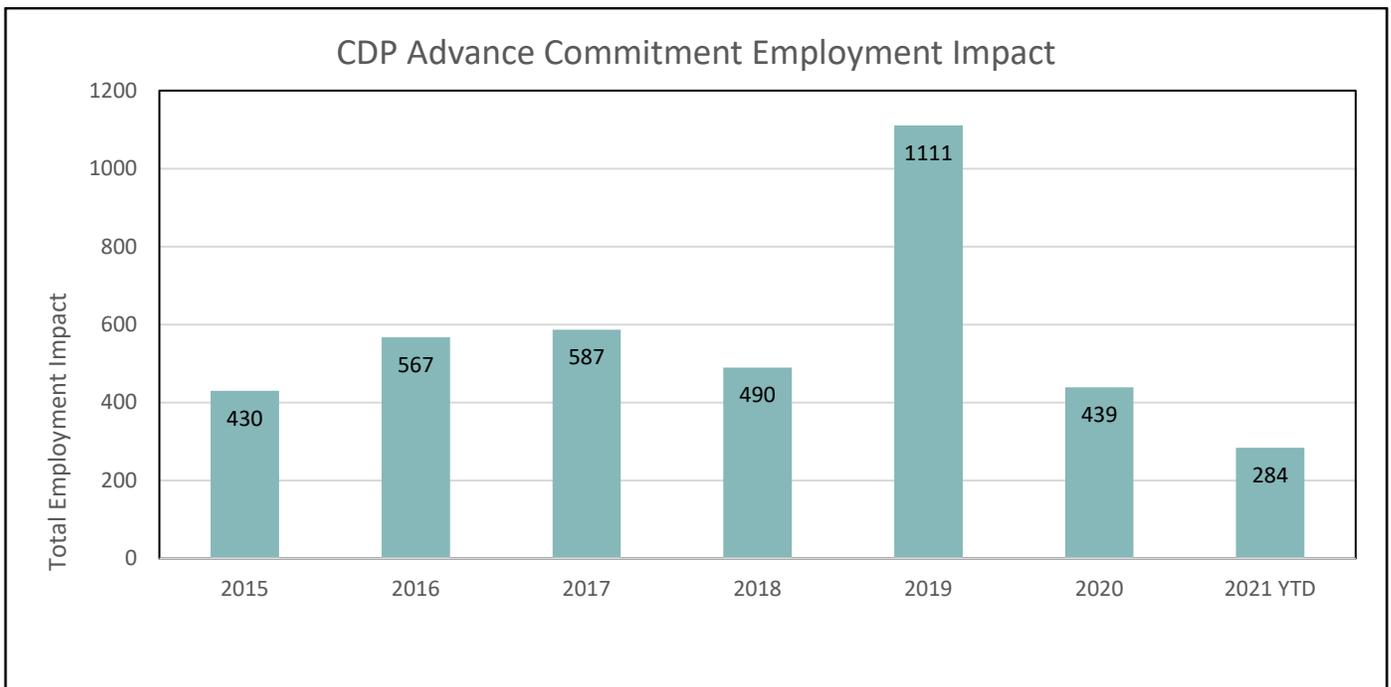


**FHLBank Member Use of CDP and CHP**

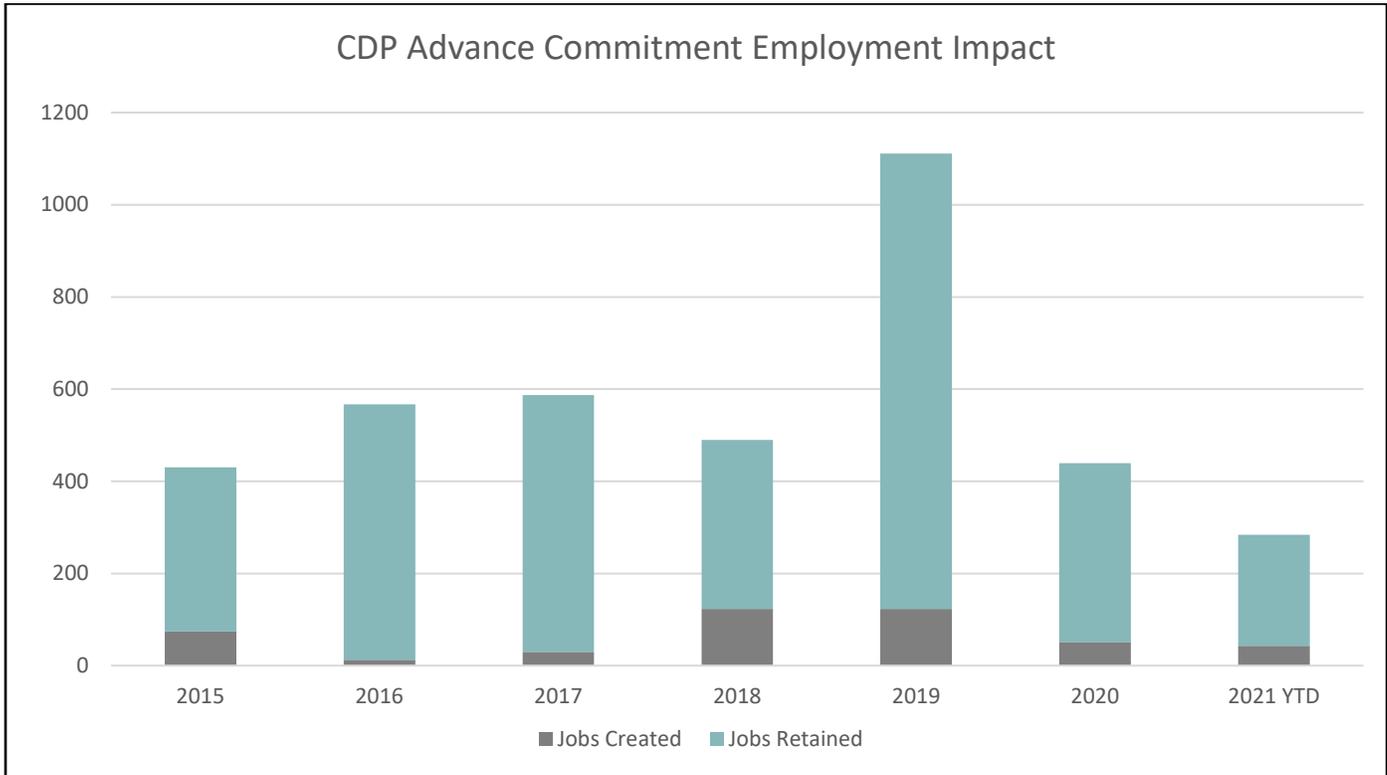
Members continue to positively impact the communities they serve through the use of CDP and CHP funding. Typically, members elect to match-fund rental projects using CHP advances. Owner-occupied projects are primarily loan pools where the member funds the expected duration of the pool. Owner-occupied loans are rarely match-funded, as the member cannot pass the risk of advance prepayment penalties on to the homeowner. CHP applications for owner-occupied loan pools created a significant increase in housing units funded with CHP in 2020. With continued excess liquidity in financial institutions, the number of such applications has declined in 2021, with fewer housing units funded using CHP. Data for 2021 year-to-date is through November 30, 2021.



Members also benefit their communities by funding loans that result in the creation or retention of jobs. Except for 2019, the employment impact of the CDP has ranged between 400 to 600 jobs over the previous six years. The employment impact in 2019 was boosted by a member funding pools of small business loans with a significant number of employees. The drop in employment reported by members for CDP projects in 2020 and 2021 may be related to lower employment levels resulting from the pandemic. Data for 2021 year-to-date is though November 30, 2021.



The employment impact is primarily through the retention of existing jobs by projects funded with CDP. The number of jobs created or retained by CDP projects, as reported by members, has decreased since the pandemic began in March 2020. Data for 2021 year to date is through November 30, 2021.



**FHFA Community Support Statement (CSS) Results**

FHFA has promulgated a community support requirements regulation that establishes standards FHLBank members must meet in order to maintain access to long-term advances and establishes review criteria FHFA must apply in evaluating FHLBank member’s community support performance. The regulation includes standards and criteria for the two statutory factors—FHLBank members’ Community Reinvestment Act (CRA) performance and FHLBank members’ record of lending to first-time homebuyers (FTHB). FHFA reviews the community support performance of each FHLBank member after receiving the member’s completed CSS. Results of the 2021 CSS review cycle are summarized in the following table.

FHFA 2021 CSS Results				
	FHLBank System		FHLBank Topeka	
Members Subject to CSS Review	6,347	100.0%	669	100.0%
CSS Review Status “Compliance”	6,249	98.5%	665	99.4%
CSS Review Status “Probation”	23	0.4%	2	0.3%
CSS Review Status “Restriction”				
a) Due to CRA or FTHB Standard	7	0.1%	1	0.2%
b) Due to Non-submission	2	0.0%	0	0.0%
<b>CSS Not Submitted</b>	<b>60</b>	<b>1.0%</b>	<b>0</b>	<b>0.0%</b>
Pending FHFA Review	6	0.1%	1	0.2%

Source: FHFA CSS Submission Summary Report

**AHP Scoring Criteria**

Scoring for applications under the AHP General Fund in 2022 consists of required and optional categories. A total of 100 points shall be allocated to the scoring criteria selected by FHLBank. The required scoring criteria and minimum point allocations are: Donated Property (5 points), Sponsorship by Not-for-Profit or Governmental Entity (5 points), and Income Targeting (20 points). FHLBank management has proposed scoring criteria under the Home Purchase by Low- or Moderate-income Households, Underserved Communities and Populations, Creating Economic Opportunity, Community Stability, and FHLBank Priorities categories to address identified housing needs as shown in the following chart.

2022 AHP Non-required Scoring Criteria and Related Housing Needs		
Scoring Category and Scoring Selections	Points	Housing Need Addressed
<b>Home Purchase by Low- or Moderate-Income Households</b>	5 points (fixed)	Down payment and closing cost assistance to address homeownership affordability
<b>Underserved Communities and Populations</b>	15 points (variable) each selection limited to 5 points	
Homeless Households		Homelessness
Special Needs		AHAC has expressed a need for more senior housing.
Other – Large Units		AHAC has expressed a need for additional large unit development.
Rental Housing for Extremely Low-income Households		Households with the lowest incomes and the greatest cost burden
<b>Creating Economic Opportunity</b>	10 points (variable) each selection limited to 5 points	
Homebuyer or Tenant Counseling		Cost burden and homeownership affordability
Financial Education		Cost burden and homeownership affordability
Sweat Equity		Homeownership affordability
<b>Community Stability</b>	10 points (variable) each selection is limited to 5 points	
Preservation of Affordable Housing		Owner-occupied rehabilitation
Adaptive Reuse		
<b>FHLBank Priorities</b>	30 points (variable) each selection is limited to 5 points	
AHP Subsidy Per Unit		Maximizing the number of units created
Member Financial Participation		
Federally Declared Disaster Area		
Low Cost Development Per Unit		Maximizing the number of units created
Residential Economic Diversity		
Overnight Homeless Shelters		Homelessness
In District		
	70 points	
Refer to 2022 AHP Implementation Plan Exhibit C: Scoring Criteria and Exhibit E: Definitions for details.		

**EXHIBIT B**  
**Community Housing Program (CHP) Advances**

The CHP is a special advance program authorized by 12 C.F.R. Part 1292 (the CICA regulations). The CHP provides wholesale loans (advances) priced below FHLBank's regular advance rates to help members finance owner-occupied and rental housing in their communities.

**PROGRAM OBJECTIVE**

To finance the construction, purchase, rehabilitation or refinance of owner-occupied and rental housing occupied by or affordable to households earning up to 115 percent of area median income (AMI).

**COMMON USES**

- Financing construction, rehabilitation, or purchase, or to refinancing existing loans;
- Purchasing a participation interest, or providing financing to participate, in a loan consortium for CHP-eligible housing projects;
- Making loans to entities that, in turn, make loans for CHP-eligible housing projects;
- Purchasing mortgage revenue bonds or mortgage-backed securities, where all of the loans financed by such bonds and all of the loans backing such securities, respectively, meet the eligibility requirements of the CHP;
- Creating or maintaining a secondary market for loans, where all such loans are mortgage loans meeting the eligibility requirements of the CHP; and
- Purchasing Low-Income Housing Tax Credits.

**TERMS AND CONDITIONS**

**CHP Advance Products**

- Regular fixed rate advances
- Callable advances
- Amortizing fixed rate advances
- Adjustable rate advances

**Required Documents**

A complete CHP application, including identified loan(s), must be submitted to FHLBank's HCD department for confirmation of eligibility. The HCD department will review the member's application prior to approval to ensure the following: identified loan(s) match project type, are consistent with program requirements, and do not include loan(s) to individuals or entities listed on FHLBank's Suspended Counterparty List. Projects involving refinancing of loan(s) previously funded with the CHP may not be combined with new loan(s) or projects. The application review is not a competitive process or subject to limits on the amount of funding available. An application may be obtained from FHLBank's website at <http://www.fhlbtopeka.com>.

When completing the application, members may request approval for:

- Previously Originated Loans: Loan(s) must be originated not more than three months prior to the date the advance will be taken. The project approval will expire three months from the date of the earliest funded loan; or
- Loans Not Previously Originated: The project expiration date will be three months following the project approval date. Members may submit a list of the project's loan(s), and FHLBank will adjust the project expiration date to three months from the earliest-funded loan origination date.

In the event that a member must provide either a substitution or additional loan(s) to ensure project compliance, the substitution or additional loan(s) will be accepted only after submission to and approval by the HCD department.

**Limitations**

Members must comply with FHLBank's credit procedures as identified in the Credit Guidelines section of the Member Products and Services Guide. CHP advances cannot be used to finance any direct activity of the member or an affiliate of the member. Members are precluded from using CHP advances for their own benefit. The minimum amount of a CHP advance is \$10,000. Members will not be approved for CHP advance funding for any loan secured by property to be used for any marijuana-related business.

FHLBank shall not allow a member that is subject to a restriction by the FHFA of access to long-term advances (greater than one year) to participate in the CHP. This restriction does not apply to CHP applications or funds approved before the date the restriction was imposed.

Failure on the part of a member to supply any requested documentation may result in the member being restricted from access to FHLBank's AHP, HSP, CHP, and/or CDP.

**Advance Draws on Approved CHP Application**

Members may request draws on an approved CHP application by contacting the Lending department. Multiple CHP advances may be drawn on a single project for up to the approved CHP application amount. Members are not committed to taking the full approved CHP application amount.

**Qualifying Criteria**

Single- and multi-family housing projects must meet one of the following CHP income qualifications:

- Owner-occupied units that are or shall be occupied by households with incomes at or below 115 percent of the AMI for a one to four person household utilizing USDA Rural Development income limits; or
- At least 51 percent of rental units that are or shall be occupied by households with incomes at or below 115 percent of the AMI for a four-person household utilizing HUD income limits; or
- At least 51 percent of rental units must have rents affordable to households with incomes at or below 115 percent of the AMI for a four-person household utilizing HUD income limits. Rent is affordable if it is less than 30 percent of 115 percent of the AMI. For example, a project located in a county for which 115 percent of the AMI equals \$32,000; the maximum CHP-qualified monthly rent is \$800 ( $\$32,000 * 30\% / 12 = \$800$ ).

**Rate**

CHP advances are priced at FHLBank's cost of issuing consolidated obligations of comparable maturities, including concession costs, plus a reasonable allowance for administrative costs. Callable, amortizing and adjustable rate CHP advances are priced in a similar manner using market interest rates applicable to FHLBank obligations of comparable maturities and call features. CHP advance rate pricing must be applied on the date the advance is issued. CHP pricing cannot be approved for advances obtained by the member prior to approval of the CHP application. Members may establish the customer's loan rate above the CHP rate based on market rates or commitments to their customer.

If FHLBank determines that a member is not complying with the terms, conditions or regulations of the program, the interest rates on the outstanding CHP advances may be changed, as applicable, to (1) the regular fixed advance rate in effect at the time of the original funding; or (2) a rate based on the index, as adjusted based on current interest rates, and the regular pricing spread in effect at the time of the original funding. Members will be given the opportunity to appeal such determinations before FHLBank implements any rate adjustment.

**Principal and Interest**

Normal principal and interest collection applies. For details, refer to the specific advance program.

**Term**

CHP advances are available in maturities from four months to 30 years.

**Prepayment Option**

Normal prepayment fees will apply to CHP advances. For details, refer to the specific advance program.

### **Collateral**

CHP advances must be fully collateralized at the date of issuance and at all times thereafter. Refer to the Collateral Guidelines section of the Member Products and Services Guide for more information.

### **Documentation**

FHLBank requires members to certify that each project funded under the CHP meets the respective targeting requirements of the CHP. Such certification shall include a description of how the project meets the requirements, and where appropriate, a statistical summary or list of incomes of the borrowers or rents for the project. For CHP-funded projects receiving funds from another targeted Federal economic development program that has income targeting requirements that are the same as, or more restrictive than, the targeting requirements of the applicable CHP, FHLBank shall permit the member to certify that compliance with the criteria of such Federal economic development program shall meet the requirements of the respective CHP.

### **Availability**

Members should allow 48 hours for processing a complete CHP application. Provided an approved CHP application is on file, CHP advances may be requested until 4 p.m. CT.

### **What to Expect after Applying for CHP**

- 1) The HCD department will review the proposed project to be funded with a CHP advance and, if necessary, request follow-up information or documentation.
- 2) Following approval of the CHP application, HCD staff will send the member a letter authorizing advances to be drawn on the approved CHP application based on the agreed upon conditions. FHLBank's Lending department will be notified that the member has an approved CHP project on file.
- 3) The member must call FHLBank's Lending department at 800.809.2733 to draw on the approved CHP project and must indicate the advance request is for an approved CHP project.
- 4) HCD will review the member's application loan list to ensure it is consistent with the approved application, is consistent with program requirements, and funds were not provided to individuals or entities listed on FHLBank's Suspended Counterparty List.

## EXHIBIT C

### Community Development Program (CDP) Advances

The CDP is a special advance program authorized by the CICA regulations. The CDP is designed to increase members' involvement in their communities through the financing of commercial loans, small business and other community and economic development loans. The CDP provides members with wholesale loans (advances) priced below FHLBank's regular rates to help members finance qualifying commercial loans, farm loans and community and economic development initiatives in the areas they serve.

#### PROGRAM OBJECTIVE

To finance commercial, agricultural, economic development and community development initiatives.

#### COMMON USES

- Financing construction, rehabilitation, or purchase, or refinancing existing loans;
- Purchasing a participation interest, or providing financing to participate, in a loan consortium for CDP -eligible projects;
- Making loans to entities that, in turn, make loans for CDP-eligible projects;
- Purchasing mortgage revenue bonds or mortgage-backed securities, where all of the loans financed by such bonds and all of the loans backing such securities, respectively, meet the eligibility requirements of the CDP; and
- Creating or maintaining a secondary market for loans, where all such loans are mortgage loans meeting the eligibility requirements of the CDP.

#### TERMS AND CONDITIONS

##### CDP Advance Products

- Regular fixed rate advances
- Callable advances
- Amortizing fixed rate advances
- Adjustable rate advances

##### Required Documents

A complete CDP application, including identified loan(s), must be submitted to FHLBank's HCD department for confirmation of eligibility. The HCD department will review the member's application prior to approval to ensure the following: identified loan(s) match project type, are consistent with program requirements, and do not include loan(s) to individuals or entities listed on FHLBank's Suspended Counterparty List. Projects involving refinancing of loan(s) previously funded with CDP may not be combined with new loan(s) or projects. The application review is not a competitive process or subject to limits on the amount of funding available. An application may be obtained from FHLBank's website at <http://www.fhlbtopeka.com>.

When completing the application, members may request approval for:

- **Previously Originated Loans:** Loan(s) must be originated not more than three months prior to the date the advance will be taken. Members must submit a list of the loan(s) at time of application. The project approval will expire three months from the date of the earliest funded loan; or
- **Loans Not Previously Originated:** The project expiration date will be three months following the project approval date. Members may submit a list of the project's loan(s), and FHLBank will adjust the project expiration date to three months from the earliest-funded loan origination date.

In the event that a member must provide either a substitution or additional loan(s) to ensure project compliance, the substitution or additional loan(s) will be accepted only after submission to and approval by the HCD department.

### Limitations

Members must comply with FHLBank's lending procedures as identified in the Credit Guidelines section of the Member Products and Services Guide. CDP advances cannot be used to finance any direct activity of the member or an affiliate of the member. Members are precluded from using CDP advances for their own benefit. The minimum amount of a CDP advance is \$10,000. Members will not be approved for CDP advance funding for any loan(s) secured by property to be used for any marijuana-related business.

FHLBank shall not allow a member that is subject to a restriction by the FHFA of access to long-term advances (greater than one year) to participate in the CDP. This restriction does not apply to CDP applications or funds approved before the date the restriction was imposed.

Failure on the part of a member to supply any requested documentation may result in the member being restricted from access to FHLBank's AHP, HSP, CHP, and/or CDP.

### Advance Draws on Approved CDP Application

Members may request draws on an approved CDP project by contacting the Lending department. Multiple CDP advances may be drawn up to the total amount of approved CDP project amount. Members are not committed to taking the full approved CDP application amount.

### CDP Qualifying Criteria

CDP-qualified financing includes loans to small businesses, small farms, small agribusiness, public or private utilities, schools, medical and health facilities, churches, day care centers or for other community and economic development purposes that meet one of the following criteria:

- 1) Loans to firms that meet the U.S. Small Business Administration's (SBA) definition of a qualified small business concern based on the Table of Small Business Size Standards (available at <http://www.sba.gov>). To qualify, firms cannot exceed the SBA's established general size standards as of the CDP application date. The SBA defines a small business concern as one that is independently owned and operated, is organized for profit; is not dominant in its field on a national level; has a place of business in the United States; and operates primarily within the U.S. or makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials or labor. Depending on the industry, size standard eligibility is based on the average number of employees for the preceding twelve months or on averaged annual receipts over the past three years.
- 2) Financing for businesses or projects located in an **urban area**, as defined in Exhibit D, with a median income at or below 100 percent of the area median. Median income information for CDP-eligible areas can be accessed by using the address locator available on the Federal Financial Institutions Examination Council (FFIEC) Geocoding System website at <https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx>.
- 3) Financing for businesses, farms, ranches, agribusinesses or projects located in a **rural area**, as defined in Exhibit D, with a median income at or below 115 percent of the area median. Median income information for CDP-eligible areas can be accessed by using the address locator available on the Federal Financial Institutions Examination Council (FFIEC) Geocoding System website at <https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx>.
- 4) Firms or projects located in a:
  - Federally Declared Disaster Area (Information available at: <http://www.fema.gov/Disasters>)
  - USDA Drought Area (Information available at: [www.usda.gov](http://www.usda.gov))
  - Indian Area (as defined by the Native American Housing Assistance and Self-Determination Act of 1996 [25 U.S.C. 4101 et seq.], Alaskan Native Village or Native Hawaiian Home Land.)
- 5) Projects in **urban areas** in which at least 51 percent of the permanent employees of the project, or at least 51% of the families receiving services provided by the project, earn at or below 100 percent of the AMI.
- 6) Projects in **rural areas** in which at least 51 percent of the permanent employees of the project, or at least 51% of the families receiving services provided by the project, earn at or below 115 percent of the AMI.

**Rate**

CDP advances are priced at FHLBank's cost of issuing consolidated obligations of comparable maturities, including concession costs, plus a reasonable allowance for administrative costs. Callable, amortizing and adjustable rate CDP advances are priced in a similar manner using market interest rates applicable to FHLBank obligations of comparable maturities and call features. CDP pricing cannot be approved for advances obtained by the member prior to approval of the CDP application. Members may establish the customer's loan rate above the CDP rate based on market rates or commitments to their customer.

If FHLBank determines that a member is not complying with the terms, conditions or regulations of the CDP, the interest rates on the outstanding CDP advances may be changed, as applicable, to (1) the regular fixed advance rate in effect at the time of the original funding; or (2) a rate based on the index, as adjusted based on current interest rates, and the regular pricing spread in effect at the time of the original funding. Members shall be given the opportunity to appeal such determinations before FHLBank implements any rate adjustment.

**Principal and Interest**

Normal principal and interest collection applies. For details, refer to the specific advance program.

**Term**

CDP advances are available in maturities from four months to 30 years.

**Prepayment Option**

The normal prepayment fee shall apply to CDP advances. For details, refer to the specific advance program.

**Collateral**

CDP advances must be fully collateralized on the date of issuance and at all times thereafter. Refer to the Collateral Guidelines section of the Member Products and Services Guide for more information.

**Documentation**

FHLBank requires members to certify that each project funded under the CDP meets the respective targeting requirements of the CDP. Such certification shall include a description of how the project meets the requirements, and where appropriate, salaries of jobs created or retained. For CDP-funded projects receiving funds from another targeted Federal economic development program that has income targeting requirements that are the same as, or more restrictive than, the targeting requirements of the applicable CDP, FHLBank shall permit the member to certify that compliance with the criteria of such Federal economic development program shall meet the requirements of the respective CDP.

**Availability**

Members should allow 48 hours for processing a complete CDP application. Provided an approved CDP application is on file, CDP advances may be requested until 4 p.m. CT.

**What to Expect After Applying for CDP**

- 1) The HCD department will review the proposed project to be funded with a CDP advance and, if necessary, request follow-up information or documentation.
- 2) Following approval of the CDP application, HCD staff will send the member a letter authorizing advances to be drawn on the approved CDP application based on the agreed upon conditions. FHLBank's Lending department will be notified that the member has an approved CDP project on file.
- 3) The member must call FHLBank's Lending department at 800.809.2733 to draw on the approved CDP project and must indicate the advance request is for an approved CDP project.
- 4) HCD will review the member's loan list to ensure it is consistent with the approved project, is consistent with program requirements, and funds were not provided to individuals or entities listed on FHLBank's Suspended Counterparty List.

## EXHIBIT D Definitions

**Activity Targeted Beneficiaries:** Projects that qualify as small businesses.

**AHP:** Affordable Housing Program

**Community Development Program (CDP):** Provides members with wholesale loans (advances) priced below FHLBank's regular rates to help members finance qualifying commercial loans, farm loans and community and economic development initiatives in the areas they serve. (See Exhibit B/CDP Qualifying Criteria for a list of CDP qualifying criteria.)

**Community Housing Program (CHP):** Provides members with wholesale loans (advances) priced below FHLBank's regular rates to help members finance owner- and renter-occupied housing in their communities.

**Community Investment Cash Advance (CICA) Program:** FHLBank's Affordable Housing Program (AHP), CHP and CDP.

**Community Investment Program (CIP):** Program to provide financing for housing projects and for eligible targeted community lending at the appropriate targeted income levels. CIP includes FHLBank's CHP and CDP.

**Economic development projects:**

- (1) Commercial, industrial, manufacturing, social service, and public facility projects and activities; **and**
- (2) Public or private infrastructure projects, such as roads, utilities, and sewers.

**Family:** One or more persons living in the same dwelling unit.

**Finance Agency (FHFA):** The Federal Housing Finance Agency is the Federal Home Loan Bank System's regulator.

**Geographically Defined Targeted Beneficiaries are:**

- (1) A project located in a neighborhood with a median income at or below the targeted income level;
- (2) A project located in an Indian area, as defined by the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4101 *et seq.*), Alaskan Native Village, or Native Hawaiian Home Land;
- (3) A project located in a federally declared disaster area.

**Housing projects:** Projects or activities that involve the purchase, construction, rehabilitation or refinancing (subject to § 1292.5(c)) of, or predevelopment financing for:

- (1) Individual owner-occupied housing units, each of which is purchased or owned by a family with an income at or below the targeted income level;
- (2) Projects involving multiple units of owner-occupied housing in which at least 51% of the units are owned or are intended to be purchased by families with incomes at or below the targeted income level;
- (3) Rental housing where at least 51% of the units in the project are occupied by, or the rents are affordable to, families with incomes at or below the targeted income level; or
- (4) Manufactured housing parks where:
  - At least 51% of the units in the project are occupied by, or the rents are affordable to, families with incomes at or below the targeted income level; **or**
  - The project is located in a neighborhood with a median income at or below the targeted income level.

**HUD:** U. S. Department of Housing and Urban Development.

**Individual Targeted Beneficiaries are:**

- (1) The annual salaries for at least 51% of the permanent full- and part-time jobs, computed on a full-time equivalent basis, created or retained by the project, other than construction jobs, are at or below the targeted income level; **or**
- (2) At least 51% of the families who otherwise benefit from (other than through employment), or are provided services by, the project have incomes at or below the targeted income level.

**Median income for the area:**

- (1) *Owner-occupied housing projects and economic development projects.* For purposes of owner-occupied housing projects and economic development projects, median income for the area means the applicable median family income:
  - as published by USDA Rural Development; **OR**
  - the Federal Financial Institutions Examination Council (FFIEC) Geocoding system which is used to qualify Community Development Program (CDP) projects located in an area where the median area income is at or below the targeted median income.
- (2) *Rental housing projects.* For purposes of rental housing projects, median income for the area means the median income for the area, as published annually by HUD.

**Mixed-use Project:** A project involving a combination of housing (owner-occupied or rental) and economic development activities.

**MSA:** Metropolitan Statistical Area as designated by the Office of Management and Budget.

**Neighborhood** includes:

- (1) A Census tract or Block Numbering Area;
- (2) A unit of local government with a population of 25,000 or less;
- (3) A rural county; or
- (4) A geographic location designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographic designation that is within the boundary of but does not encompass the entire area of a unit of general local government.

**Provide financing** means:

- (1) Originating loans;
- (2) Purchasing a participation interest, or providing financing to participate, in a loan consortium for CICA-eligible housing or economic development projects;
- (3) Making loans to entities that, in turn, make loans for CICA-eligible housing or economic development projects;
- (4) Purchasing mortgage revenue bonds or mortgage-backed securities, where all of the loans financed by such bonds and all of the loans backing such securities, respectively, meet the eligibility requirements of the CICA program under which the member or housing associate borrower receives funding;
- (5) Creating or maintaining a secondary market for loans, where all such loans are mortgage loans meeting the eligibility requirements of the CICA program under which the member or housing associate borrower receives funding;
- (6) Originating CICA-eligible loans within 3 months prior to receiving the CICA funding; **and**
- (7) Purchasing low-income housing tax credits.

**Rural area** includes:

- (1) A unit of general local government with a population of 25,000 or less; or
- (2) An unincorporated area outside an MSA; or
- (3) An unincorporated area within an MSA that qualifies for housing or economic development assistance from the USDA.

**Small business:** A “small business concern,” as that term is defined by section 3(a) of the Small Business Act (15 U.S.C. 632(a)) and implemented by the Small Business Administration (SBA) under 13 CFR part 121, or any successor provisions. The SBA definition is available at <http://www.sba.gov>.

**Targeted community lending:** Providing financing for economic development projects for targeted beneficiaries.

**Targeted income level** includes:

- (1) For rural areas, incomes at or below 115 percent of the median income for the area, as adjusted for family size in accordance with the methodology of the applicable area median income standard;
- (2) For urban areas, incomes at or below 100 percent of the median income for the area, as adjusted for family size in accordance with the methodology of the applicable area median income standard;
- (3) For advances provided under CIP:

- (i) For economic development projects, incomes at or below 80 percent of the median income for the area;
- (ii) For housing projects, incomes at or below 115 percent of the median income for the area, as adjusted for family size in accordance with the methodology of the applicable area median income standard.

**Urban area** includes:

- (1) A unit of general local government with a population greater than 25,000; or
- (2) An unincorporated area within an MSA that does not qualify for housing or economic development assistance from the USDA.

**USDA:** The U. S. Department of Agriculture.