

Resolution No. : .95-38
Date: November 8, 1995

Approval of Set-Aside by the Federal Home Loan Bank of Chicago
Under its Affordable Housing Program

WHEREAS, section 10(j) of the Federal Home Loan Bank Act (Bank Act) requires each Federal Home Loan Bank (FHLBank) to establish an Affordable Housing Program (AHP) pursuant to regulations of the Federal Housing Finance Board (Finance Board), see 12 U.S.C. § 1430(j)(1);

WHEREAS, section 10(j)(5) of the Bank Act requires each FHLBank annually to contribute a statutorily prescribed portion of its annual net earnings to fund its AHP, see id. § 1430(j)(5);

WHEREAS, section 960.5(g)(2) of the Finance Board's AHP regulation authorizes each FHLBank, subject to prior Finance Board approval, to set aside a portion of its annual required AHP contribution to implement a homeownership program that satisfies the requirements of the statutory provisions governing the AHP and that meets those goals of the National Homeownership Strategy that, in the Finance Board's determination, are consistent with the goals of the AHP, see 60 Fed. Reg. 49331 (Sept. 25, 1995) (to be codified at 12 C.F.R. § 960.5(g)(2));

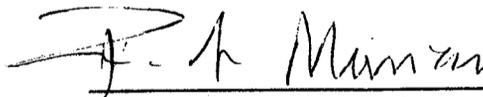
WHEREAS, pursuant to section 960.5(g)(2) of the AHP regulation, the FHLBank of Chicago has requested Finance Board approval to set aside up to \$1 million per year of its required annual AHP contribution to fund statewide programs in Illinois and Wisconsin providing downpayment and closing cost assistance to low- and moderate-income homebuyers, according to the terms and conditions set forth in the attached Program Description, see Attachment 1;

NOW, THEREFORE RESOLVED, the Finance Board believes that the FHLBank of Chicago's proposed set-aside of up to \$1 million of AHP funds per year, according to the terms and conditions set forth in the attached Program Description, meets the goal of the National Homeownership Strategy to generate up to 8 million additional homeowners by the year 2000, through: providing subsidies to reduce downpayment and mortgage costs for households with incomes of 80 percent or less of area median income; providing mortgage credit in rural areas; and using partnerships between the FHLBank of Chicago; its members; and housing providers;

RESOLVED FURTHER, these activities are consistent with the goal of the AHP to finance homeownership for low- and moderate-income households, see 12 U.S.C. § 1430(j)(2)(A);

RESOLVED FURTHER, the FHLBank of Chicago's proposed set-aside of AHP funds according to the terms and conditions set forth in the attached Program Description is approved.

By the Federal Housing Finance Board



Bruce A. Morrison, Chairman

Affordable Housing Program Set-Aside
Federal Home Loan Bank of Chicago

The Federal Home Loan Bank (FHLBank) of Chicago will set aside a maximum of \$1,000,000 per year of its required annual Affordable Housing Program (AHP) contribution to fund statewide programs that provide funds for downpayment and closing cost assistance to households with incomes at or below 80 percent of the area median income. Eligible programs must meet the following requirements:

- A FHLBank member must apply for set-aside funds on behalf of all members in a state. Participation will be open to all members who are eligible to borrow from the FHLBank.
- Each participating member must sign a subsidy agreement with the FHLBank.
- No member may use more than 10 percent of the set-aside funds allocated per state.
- Set-aside funds will be administered by an organization with demonstrated ability to administer the program effectively and impartially on a statewide basis.
- All lending instruments must be fee simple mortgages and have a maturity of at least 15 years. No additional fees may be charged above those charged to regular borrowers, and the rate of interest must be the same as that charged for a regular loan with similar maturity and terms.
- Participating households will be eligible to receive up to \$5,000 of assistance.
- Households receiving set-aside funds will be required to enroll in a pre-purchase counseling program.
- The minimum retention period will be five years with a legally enforceable mechanism, such as a second mortgage, deed restriction or letter of interest.
- If a sale results in a net gain, the seller must repay a pro-rata portion of AHP funds on a declining scale.