

Resolution No.: 96- 82
Date: December 2, 1996

Approval of Set-Aside by the Federal Home Loan Bank of Atlanta
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);

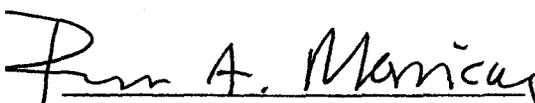
WHEREAS, section 960.5(g)(2) of the Finance Board's AHP regulation authorizes each FHLBank, subject to prior Finance Board approval, to set aside a portion of its annual required AHP contribution to implement a homeownership program that satisfies the requirements of the statutory provisions governing 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 12 C.F.R § 960.5(g)(2); and

WHEREAS, pursuant to section 960.5(g)(2) of the AHP regulation, the FHLBank of Atlanta has requested Finance Board approval to set aside annually \$1,000,000 of its required AHP contribution to fund 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; and

WHEREAS, the FHLBank of Atlanta's proposed set-aside of \$1,000,000 of AHP funds, according to the terms and conditions set forth in the attached Program Description, will help in meeting the goal of the National Homeownership Strategy to generate up to 8 million additional homeowners by the year 2000, through, among other things: providing subsidies to reduce downpayments and mortgage costs; providing mortgage credit for rural areas; and providing homeownership education and technical assistance for communities; and 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);

NOW, THEREFORE RESOLVED, that the FHLBank of Atlanta's proposed set-aside of AHP funds according to the terms and conditions set forth in the attached Program Description is hereby approved.

By the Board of Directors of the
Federal Housing Finance Board


Bruce A. Morrison, Chairman

Attachment 1

FEDERAL HOME LOAN BANK OF ATLANTA FIRST-TIME HOMEBUYER SET-ASIDE PROGRAM

The Federal Home Loan Bank of Atlanta will set aside not more than \$1 million of its annual Affordable Housing Program (AHP) subsidy contribution to be used as matching funds for first-time homebuyer programs developed by member financial institutions. This program is developed in support of the President's National Homeownership Strategy.

Participating households must have incomes at or below 80 percent of area median income adjusted for family size and complete a homebuyer counseling program approved by the member financial institution. Twenty-five percent of each year's set-aside must first be offered to rural areas as defined by the Rural Housing Service. The Atlanta Bank's definition of first-time homebuyer utilizes the basic definition in Section 960.5(g) of the Finance Board's AHP regulation, expanded to include recovering victims of catastrophic loss or natural disasters.

The Bank's program:

- requires matching cash funds (at least \$500) from homebuyers but will not require homebuyers to participate in a savings plan,

- requires homeowners to obtain a first mortgage from the member bank providing AHP matching fund assistance,

- requires homeowners to be owner-occupants of the homes they purchase,

- requires homeowners who sell their homes within five years of receiving AHP funds to repay a portion of the funds reduced pro-rata for each year they have owned their home,

- cannot be used in conjunction with an existing or future funding award through the regular AHP competitive program, and

- will not allow set-aside funds to be borrowed from a succeeding year.

Member financial institutions must complete an application form designed by the Bank which will require the following information:

- a detailed plan explaining how AHP funds will be used and distributed,

- a description of the homeownership counseling program each household must complete, and

- the incomes of the families targeted for AHP assistance.

An eligible counseling program must be at least eight hours in length (aggregate) and cover a minimum of the following topics: mortgage financing; credit worthiness; household budgeting; and home maintenance.

Members will be encouraged to involve non-profit organizations in the activities of their programs and should provide some form of tangible, measurable contribution toward the household's mortgage (i.e., reduced or waived fees, below market interest rate, relaxed underwriting standards, etc.).

A Special Notice will be distributed to all members by January 15 of each year announcing program requirements, the amount of funds available, and the deadline for submitting program proposals. To assure maximum geographic distribution, AHP funds will be awarded to members through a "rotation by state" lottery process. Member programs serving rural areas exclusively will be considered first until the portion of the set-aside reserved for rural areas has been exhausted.

AHP funds awarded to member financial institutions can only be used for downpayment/closing cost assistance. Members are limited to requesting AHP funds totalling no more than \$5,000 per family and \$50,000 annually. Each dollar of a household's cash funds for downpayment and/or closing costs can be matched with not more than three dollars of AHP assistance. As a condition of funding approval, members must originate the first mortgage loans to households receiving the AHP matching fund assistance. The interest rate on the mortgage loan to the household receiving AHP assistance may not exceed the member's market rate for a loan of similar maturity and terms.

Member financial institutions must be able to use AHP assistance within 12 months of approval by the Bank. Members will be required to provide the Bank certification that families completed a homeownership counseling program and were income eligible at the time of entering the counseling program. In addition, members will have a five-year monitoring responsibility, although family incomes will only have to be verified once. To insure that AHP funds may be recaptured if necessary during the five-year monitoring period, a legally enforceable mechanism securing the AHP matching funds, such as a "soft" second mortgage, mortgage rider, or promissory note must be made part of the original mortgage documentation.

Annual set-aside funds not awarded and set-aside funds which are awarded but not used by a member within 12 months of approval will be returned to the succeeding year's subsidy fund pool for regular AHP competitions. This program may be amended annually with input from the Advisory Council and approval of the Bank's Board of Directors and, to the extent required, the Federal Housing Finance Board.