

Approved by the Board
03/16/2017

Affordable Housing Program Implementation Plan





2017 Affordable Housing Program Implementation Plan

Background

The Affordable Housing Program (AHP) is governed by regulations of the Federal Housing Finance Agency (FHFA) at 12 CFR Part 1291, transferred to the FHFA from the Federal Housing Finance Board by enactment of the Housing and Economic Recovery Act of 2008. The most recent general amendments to the AHP regulations were adopted on September 13, 2006, and were effective on January 1, 2007.

The AHP regulation requires each of the Federal Home Loan Banks to develop an Implementation Plan (the “Plan”) governing administration of the AHP. The Housing and Community Investment Department of the Federal Home Loan Bank of Cincinnati (the “FHLB” or “FHLB Cincinnati”) will administer the AHP according to the Plan.

The AHP regulation requires the Board of Directors (the Board) to appoint an Advisory Council (the Council) and specifies the composition, duties, and responsibilities of the Council. The Board has appointed a Council and has adopted written policies governing the Council.

The AHP regulation requires that the Board adopt written policies on conflict of interest covering FHLB Directors and employees and members of the Council. The Board has adopted such policies.

Each FHLB’s Advisory Council is required to review the AHP Implementation Plan (the Plan) and make recommendations to the Board of Directors, and the Board is required to adopt a written Plan. The Plan addresses the following:

- I. Applicable median income standards;
- II. Allocation of AHP funds;
- III. Requirements for the competitive AHP;
- IV. Requirements for the Welcome Home Program (see Attachment H);
- V. Monitoring requirements for the AHP competitive and homeownership set-aside program, Welcome Home (see Attachment C);
- VI. Retention agreement requirements for projects and households under the competitive AHP and under the Welcome Home Program (see Attachment G);



- VII. Time limits on use of AHP subsidies and procedures for verifying compliance upon disbursement;
- VIII. Project feasibility guidelines (see Attachment F);
- IX. Schedule for competitive AHP funding period;
- X. Competitive AHP funding availability;
- XI. District eligibility requirements;
- XII. AHP scoring and award of subsidy (see Attachments A and F);
- XIII. Transfer of projects related to change in Member's status (see Attachment B);
- XIV. Modification of projects (see Attachment D);
- XV. Definitions for the Affordable Housing Program(see Attachment E);
- XVI. Suspension and debarment (see Attachment I);
- XVII. Arbitrage;
- XVIII. Income Eligibility Guide (see Appendix A); and,
- XIX. Definitions for the Welcome Home Program (see Appendix B).

I. Applicable Median Income Standards

- A. Generally, the FHLB will use the current year's area median incomes (AMI) published annually by the Department of Housing and Urban Development (HUD) for Multifamily Tax Subsidy Projects (MTSP), as adjusted for household size, as the standard for rental and homeownership projects under the competitive AHP. Any references in this Plan to HUD AMIs are deemed to be references to MTSP limits. Any project utilizing tax credits for the development of residential rental property located in an eligible rural area (as defined in section 520 of the Housing Act of 1949) may use the greater maximum of the area median income or the national non-metropolitan median income.
- B. The FHLB will use the Mortgage Revenue Bond (MRB) income limits for first-time homebuyer programs established by the appropriate state housing finance agencies, as adjusted for household size, for the Welcome Home Program (WHP). Income limits for the Welcome Home Program will be 80 percent of the applicable MRB income limit for the county in which the home is being purchased.



II. Allocation of AHP Funds

- A. The FHLB will accrue 10 percent of net earnings from the prior year to provide subsidy to approved AHP projects.
- B. The FHLB will set aside up to 35 percent of AHP funds accrued annually to fund its homeownership set-aside program, Welcome Home.
- C. All other funds accrued annually will be available to fund projects approved in the competitive AHP.
- D. All AHP funds recaptured and AHP competitive funds deobligated each year will be made available to eligible applicants in the next competitive AHP offering.
- E. AHP set-aside funds deobligated during an open offering will be made available in that offering. Subsequent deobligations (i.e., deobligations that occur after the FHLB ceases accepting new Reservation Requests) will be made available to eligible applicants in the following year's WHP offering.
- F. The FHLB will borrow no funds from the following year's competitive AHP unless the Board determines that it is prudent to do so to fund additional projects with identical scores in the competitive AHP offering.

III. Thresholds Requirements for the Competitive AHP

- A. AHP subsidy may only be requested and used for projects to provide rental and ownership housing.
 - 1. Ownership properties are those included in the "Ownership" definition stated in Attachment E where 100% of the project's units are targeted to households with annual income at or below 80% AMI.
 - 2. Rental properties include any housing with units for rent or lease, including shelters and group homes, units for lease-purchase, or units owned in a cooperative not considered an "Ownership cooperative" as included in Attachment E where at least 20% of the project's units are targeted to households with annual income at or below 50% AMI.
 - 3. AHP funds may not be used in projects that require a Certificate of Need from the state agency regulating health care facilities or that require licensure as an Intermediate Care Facility (ICF) or as an ICF/MR facility.
 - 4. The FHLB has not established a hard feasibility requirement on the amount of non-residential space permissible in an eligible AHP project. However, it is expected that all projects with non-residential/commercial space will be primarily residential in nature, as determined by the FHLB. If the FHLB does not deem a



project to be primarily residential in nature, that project will be ineligible for AHP subsidy.

- B. AHP funds can be used only for costs related to acquisition, rehabilitation, new construction, or necessary soft costs related to the project.
 - 1. AHP subsidy may not be requested for and will not be awarded to projects that are complete on or before the AHP award date.
 - 2. AHP subsidy may not be used to pay prepayment fees.
 - 3. AHP may not be used for capitalized costs.
- C. AHP projects must comply with any applicable federal and state laws and local ordinances on fair housing and accessibility, including, but not limited to, the Fair Housing Act, the Rehabilitation Act, the Americans with Disabilities Act, and the Architectural Barriers Act of 1969.
- D. The Sponsor must demonstrate that the project will be affirmatively marketed consistent with the Fair Housing Act as appropriate for the target population.
- E. Sponsors for a rental project must have an “Eligible ownership interest” (at least 51% ownership). Sponsors for ownership projects must be “Integrally involved” in the project.
- F. Project Sponsor’s Capacity
 - 1. The Sponsor must demonstrate sufficient capacity, based on:
 - a) A history of conceptualizing, financing, developing, completing, and operating housing projects of similar size/type;
 - b) Meeting commitments made in prior AHP awards without need for project modification;
 - c) Utilization of prior AHP awards within prescribed time periods; and,
 - d) Capacity to comply with all aspects of the application, and reporting and monitoring requirements of the AHP regulation, including providing reports in a timely fashion for current and previous awards.
 - 2. In determining Sponsor capacity, the FHLB will rely on information provided as part of Sponsor registration for the AHP online application and on information from prior or existing AHP or other FHLB projects.
 - 3. Applications from Sponsors who are delinquent in reporting or monitoring on existing AHP projects or under other FHLB programs may not be considered for funding.



4. Generally, no party on the FHLB Suspension and Debarment List may be involved in a project submitted for AHP funding.

G. Market Analysis / Evidence of Demand

1. The application must demonstrate that there is market demand for the project by citing vacancy rates, absorption rates, turnover rates, waiting lists, penetration rates, unmet housing needs, or similar information supporting the type of housing proposed. Formal independent market studies are not required but can be used to provide evidence of demand.
 - a) In projects serving special needs or homeless households, the application must indicate there are appropriate populations within the market area of the project who would be willing to occupy the project.
 - b) The Sponsor should provide a history of identifying households that meet the FHLB's definitions for "Special needs" and/or "Homeless households."
2. The housing must be appropriate for the population to be served. For example, housing units targeting persons with mobility limitations that do not contain accessibility features might not be appropriate for such households. The FHLB may request other information to determine the appropriateness of the housing proposed.

H. AHP projects must comply with applicable federal, state and local anti-predatory lending laws, regulations, and orders designed to prevent or regulate abusive and deceptive lending practices and loan terms (collectively, "Anti-Predatory Lending Laws"). For example, Anti-Predatory Lending Laws may prohibit or limit certain practices and characteristics, including, but not limited to the following:

1. Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance;
2. Requiring mandatory arbitration provisions with respect to dispute resolution in the loan document; or,
3. Charging prepayment penalties for the payoff of the loan beyond the early years of such loan.

Any project including a loan that does not comply with all applicable Anti-Predatory Lending Laws will be ineligible for AHP subsidy.

Members, Sponsors, and Owners are responsible for avoiding all unlawful practices and terms prohibited by applicable Anti-Predatory Lending Laws, regardless of whether they originate or purchase the loan in connection with an AHP project.



- I. The FHLB will not provide AHP subsidy to any project in which a loan exceeds the annual percentage rate or points and fees thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (Federal Reserve Board Regulation Z).
- J. AHP subsidy may be requested only through the AHP on-line application, incorporated herein by reference.
 - 1. An application may be submitted only by an FHLB Member.
 - 2. An application must be submitted to the FHLB by the deadline stated in Part IX.
 - 3. Additional written documentation and certifications are also required and must be received by the FHLB by the deadline stated in Part IX.
- K. Funding from another FHLB.
 - 1. The FHLB Cincinnati will consider funding projects that have applied for or have been awarded AHP subsidy from another Federal Home Loan Bank; however, the Sponsor must disclose such funding in the project's AHP application. If the project has been submitted (or will be submitted) to another Federal Home Loan Bank for AHP subsidy, the Sponsor will be required to identify the other Federal Home Loan Bank to which the application has been submitted.
 - 2. If a Sponsor is applying to multiple Federal Home Loan Banks for AHP subsidies to cover the same gap in financing, upon award from any Federal Home Loan Bank for the requested funds, all other applications for this same gap in financing must be withdrawn immediately.
- L. AHP subsidy may be requested and received as direct subsidy (a grant).
 - 1. Any funds requested or received as a direct grant must be made available in full to the project for the purposes intended.
 - 2. In projects involving multiple Members, each Member must request at least 20 percent of the AHP direct subsidy awarded to the project.
- M. If there is permanent debt on the project, the Member must originate and close the first mortgage financing (as evidenced by a note and mortgage in the Member's name). However, the following exceptions to this rule apply:
 - 1. Projects relying solely on USDA Rural Housing Services for permanent financing;
 - 2. Projects relying solely on HUD for permanent financing for special project types, such as 202 or 811, or first mortgages provided with HOME or other government funds without any other permanent debt;



3. Projects utilizing equity derived from state issued 9% Low Income Housing Tax Credits in the financing of the project, where the Member (or Members) commit to directly purchase at least 20% of the tax credits. Purchase of tax credits through equity fund pools do not qualify for this exception.
 4. Projects utilizing permanent financing derived from a taxable or tax-exempt bond transaction, where the Member (or Members) commit to either:
 - a) Directly purchase at least 20 percent of the bonds used for permanent financing, as evidenced by a bond purchase agreement;
 - b) Directly purchase at least 20 percent of the Low Income or Historic Tax Credits; or,
 - c) Originate and close the loan, if utilizing an FHA 221(d)4 or USDA 538 loan guarantee for the permanent loan.
 5. Projects utilizing permanent financing provided by a consortium, loan pool or loan participation, the combined participation of all Members must be at least 51 percent of the total permanent loan amount;
 6. Ownership projects in which the Sponsor(s) originates and closes 100 percent of the first mortgage loans in the Sponsor's name for all project units; and,
 7. Other projects with similar characteristics or funding requirements or limitations, but only with the approval of the FHLB prior to submission of the application.
- N. The project must demonstrate a need for AHP subsidy. Sources and uses of funds, including the amount of AHP subsidy requested, must match at the time of application submission and at the time of any disbursement.
1. For Ownership projects, sources of funds (Attachment A or D) may include the value of donated property, donated professional labor, and donated materials. For Rental projects, sources of funds (Attachment A) should never include volunteer labor or sweat equity.
 2. A Sponsor providing a zero-interest or other deeply discounted permanent first mortgage loan must include the net present value of the loan (based on an assumed market rate determined by the FHLB) as a cash contribution from the Sponsor as a funding source to the project.
 - a) The online application will calculate the net present value based on the information provided in the application, and the amount will be shown as a cash contribution from the Sponsor in Attachment D of the AHP application.
 - b) The FHLB will determine at least annually and more frequently, if warranted, the assumed market rate of any loan by adding a risk adjustment for lower-



income or lower credit quality borrowers to estimate the current market rate for 30-year fixed-rate mortgages. The assumed rate will be used in the competitive AHP applications and for determining the net present value of any discounted first mortgage loan in any disbursements for closings occurring on or after adoption of the rate. The maximum interest rate for 2017 is 7.25 percent.

O. The project must demonstrate readiness to proceed by:

1. Incurring expenses eligible for AHP within 12 months of award;
2. Receipt of at least one other funding commitment within 12 months of award; and,
3. Reaching “Project completion” within 36 months of award.

P. Site Control

1. For ownership projects, the Sponsor must provide an Acquisition Plan that describes how homebuyers will be selected and qualified, and how the acquisition costs shown on Attachment A or D are calculated. If “First-time homebuyer,” “Homeless household,” and/or “Special needs” populations are being targeted, describe how they will be identified.
2. For rental projects, the Sponsor must demonstrate site control for the specific location(s) in the project at the time of application submission through:
 - a) Deed in the name of the Sponsor or ownership entity in which the Sponsor has an “eligible ownership interest;” or
 - b) Executed purchase contract or option to purchase that is effective until at least 60 days after the AHP award date; or
 - c) Executed long-term lease or option to lease for a term of at least 20 years that is effective until at least 60 days after the AHP award date; or
 - d) Resolution from the local government or other organization that is committing to transfer the property describing the terms of the commitment, the transfer price, and the location of the property.

Q. Retention (see also Attachment G for specific retention requirements)

1. All housing projects and units receiving AHP subsidy will be subject to retention agreements providing that the FHLB will be given notice of any sale, refinancing, foreclosure, conveyance by deed in lieu of foreclosure, or assignment of the first mortgage to the Secretary of HUD within the “retention period” and that some or the entire AHP subsidy may be subject to repayment or recapture in these instances.



2. The “retention period” for an ownership project means five (5) years from the date of the recording of the warranty deed or restrictive covenant to the warranty deed for each unit.
 3. The “retention period” for a rental project means fifteen (15) years from the date of the recording of the warranty deed or restrictive covenant to the warranty deed.
 4. The retention language must be inserted into the warranty deed or recorded as a Restrictive Covenant to the warranty deed for housing receiving less than or equal to \$750,000 in AHP subsidy. If it is attached to the warranty deed as an addendum or attachment, the warranty deed must reference the addendum or attachment (see Attachment G).
 5. For rental projects receiving more than \$750,000 in AHP subsidy, the project property will be subject to a promissory note and a real property security instrument (see Attachment G).
- R. All projects must demonstrate to the satisfaction of the FHLB that development costs and operating costs are “reasonable” as defined in the FHLB’s Feasibility Guidelines (see Attachment F).
- S. In administering the AHP and this Plan, and reviewing and evaluating Sponsors, projects, and applications hereunder, the FHLB reserves the right to determine in its good faith discretion (exercised in a uniform and consistent manner) whether the project or any portion of the application in question meets all of the following: the requirements of this Plan, the intended uses of an AHP subsidy, the integrity of the program and the safe and sound operations of the FHLB and use of its assets.

IV. Requirements for the Welcome Home Program (see Attachment H)

V. Monitoring Requirements (see Attachment C)

VI. Retention Agreement Requirements (see Attachment G)

VII. Time Limits on Use of AHP Subsidies and Procedures for Verifying Compliance upon Disbursement

- A. The FHLB will disburse AHP subsidies only to institutions that are Members of the FHLB Cincinnati at the time they request a draw of subsidy.
1. AHP funds will be disbursed only after all agreements have been fully executed by all parties.
 2. AHP funds will be disbursed only after all funding sources have been committed.



- B. If an institution with an approved application for AHP subsidy loses its membership in the FHLB Cincinnati:
1. FHLB Cincinnati may disburse AHP subsidies to a Member of FHLB Cincinnati to which the institution has transferred its obligations under the approved application; or,
 2. FHLB Cincinnati may disburse AHP grant subsidies through another FHLB to a Member of that FHLB that has assumed the institution's obligations under the approved application. (See Attachment B; Transfers of Projects.)
- C. Disbursements of homeownership set-aside (Welcome Home) funds (see also Attachment H)
1. If reserved Welcome Home funds are not requested for disbursement by December 1, the FHLB will cancel the reservation and make the funds available for the next Welcome Home offering. The FHLB may grant extensions for “Good cause.”
 2. Prior to disbursement of Welcome Home funds by the FHLB to a Member, the Member must certify that:
 - a) The funds were provided to a household meeting the Welcome Home eligibility requirements;
 - b) Funds were used only for eligible purposes;
 - c) The homebuyer(s) contributed a minimum of \$500 of their own funds towards the purchase of the home;
 - d) All fees, points, and rates of interest and any other charges by the Member were reasonable and customary and did not exceed reasonable market rates for loans of similar maturity, terms, and risk;
 - e) The first mortgage loan does not violate any Anti-Predatory Lending Laws;
 - f) The first mortgage loan does not exceed the annual percentage rate, or points and fees thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (Federal Reserve Board Regulation Z);
 - g) Funds received for homebuyer counseling costs were provided according to the Welcome Home Program requirements; and,
 - h) No funds were provided as “cash back” to the borrower at closing. If this occurs, the grant will be reduced.
 3. The maximum interest rate on the first mortgage cannot exceed 7.25 percent.



D. Disbursements of competitive AHP subsidies

The FHLB expects that projects approved under the competitive AHP will reach “Completion” within three years of the date of the award. The FHLB expects that subsidies approved under the competitive AHP will be drawn within four years of the date of award. If such subsidies are not drawn and used for eligible purposes within four years of the date of award, the FHLB will cancel its approval of the application and make the funds available for other AHP-eligible projects.

1. On a case-by-case basis, the FHLB may grant commitment extensions to the time limits described in this Plan. See Attachment D Modification of Projects
2. Prior to disbursement of funds by the FHLB to a Member, the FHLB will verify that the project meets both the competitive application program eligibility requirements and all obligations committed to in the approved application.
3. All requests for disbursement of subsidies under the competitive AHP must follow the most current procedures as published in the Disbursement Manuals posted on the FHLB’s website at www.fhlbcin.com.

VIII. Project Feasibility Guidelines (see Attachment F)

IX. Schedule for Competitive AHP Funding Periods

The FHLB will accept applications from Members for AHP funding during one annual funding period. Applications must be submitted to the FHLB by 5:00 P.M. EDT on August 1, 2017. Applications may only be submitted electronically, and the application closes automatically on the date and time noted.

Other required written documents and certifications must be received by the FHLB by 5:00 P.M. EDT on August 8, 2017. Documents must be submitted according to the “Instructions for Submitting Required Documents” provided in the application.

X. Competitive AHP Funding Availability

The amount of subsidy available in a given offering will be the sum of the prior year’s AHP accrual, net of the amount set-aside for the Welcome Home Program, plus any outstanding recaptured or deobligated AHP subsidy as of October 31, 2017. Should additional subsidy be made available after October 31, 2017, the Board of Directors (the Board), at its discretion, may elect to use the additional subsidy to approve additional AHP applications (e.g., Alternates). Funding will be approved by the Board at their regular meeting in November 2017 or at such other date as determined by the Board.

An existing AHP project may reapply to the FHLB for additional funds in any offering, but only if the project will not be complete prior to the date that awards are made. The project will be treated as a new application for the full amount of subsidy previously



awarded plus any additional amount requested and will be subject to the threshold, feasibility, and scoring requirements of the current offering. If such a project is approved for subsidy in the current offering, the subsidy awarded under the previous project will be deobligated as part of the current offering and will be immediately made available for awards in that offering.

XI. District Eligibility Requirements

The FHLB designates the following district eligibility requirements:

- A. In 2017, each Member is eligible to receive up to \$4,000,000 in subsidy. Any funding received in the homeownership set-aside program, Welcome Home, will not count against this limit;
- B. The AHP subsidy requested for a project may not exceed \$50,000 per AHP-eligible unit, \$15,000 per unit for owner-occupied rehab projects, or \$15,000 per bed for shelter or group home projects; and,
- C. The AHP subsidy requested may not exceed the lesser of:
 - 1. \$1,000,000 per project; or
 - 2. A maximum of 75 percent of the project's Total Project Costs, including any non-residential costs.

XII. AHP Scoring and Award of Subsidy

- A. In each AHP offering, AHP applications will be reviewed for eligibility according to this Plan, for feasibility according to the criteria in Attachment F, and scored according to the criteria in Attachment A.
- B. The Board will approve eligible and feasible applications in descending scoring order; starting with the highest-scoring application, until remaining AHP funds are insufficient to fund the next highest-scoring application.
- C. Of the remaining applications not approved for funding, the Board will designate the four next highest scoring applications as alternates.

XIII. Transfer of Projects Related to Change in Member's Status (see Attachment B)

XIV. Modification of Projects (see Attachment D)

XV. Definitions for the Affordable Housing Program (see Attachment E)



XVI. Suspension and Debarment (see Attachment I)

XVII. Arbitrage

- A. It is the goal of the FHLB to permit a reasonable temporary period between the time AHP funds are disbursed by the FHLB and the time the funds are needed for approved AHP purposes. In an attempt to minimize the use of AHP funds for arbitrage purposes, the following guidelines will be applied:
- B. Generally, Members must use AHP funds for approved AHP purposes within 60 calendar days of disbursement by the FHLB; and
- C. Members failing to utilize AHP funds within the time limits prescribed above must demonstrate to the satisfaction of the FHLB that the approved project will receive the full benefit of the AHP funds, including any arbitrage earnings between disbursement by the FHLB and final use by the Member, or permit recapture thereon, in accordance with the recapture provisions of §1291.8 of the AHP regulations.



Attachment A

Scoring Criteria

Affordable Housing Program (AHP) projects that are determined to be feasible and have costs that are reasonable will be scored according to the following criteria. Some of the criteria allow for awarding a variable number of points, based on the degree to which a criterion is satisfied. Other criteria allow awarding a fixed number of points if the criterion is satisfied. Some terms are defined more completely in Attachment E: Definitions, to which all items in quotes in this document refer, or are explained more fully in the Implementation Plan.

The following table summarizes the maximum points available in each of the nine scoring categories and summarizes the maximum points available by project type.

<u>Scoring Category</u>	<u>Maximum Points</u>
First District Priority	28
Second District Priority	12
Donated or Conveyed Property	5
Sponsorship	5
Empowerment	5
AHP Subsidy Per Unit	10
Income Targeting	20
Homeless Housing	5
Community Stability	10
Total	<u>100</u>



I. First District Priority (variable, up to a maximum of 28.0 points for five criteria)

A. Member Financial Participation (variable, up to a maximum of 5.0 points)

This criterion is scored based on the degree to which the Member drawing AHP funds has financial involvement in the project, excluding the pass-through of AHP subsidy. In order for a Member to be eligible for points in this category, they must draw at least 20 percent of the AHP subsidy requested. Member financial participation includes providing market-rate or concessionary permanent or construction financing, cash donations, or servicing loans at no cost for Sponsor-originated mortgages. Points are only awarded for commitments contained in the Member’s signed and dated commitment letter submitted as part of the application.

Projects using permanent financing derived from a bond transaction in which the Member(s) submitting the application commit to the direct purchase of at least 20 percent of the bonds used for permanent financing are eligible for points in this category. Projects utilizing permanent financing provided by a consortium, loan pool or loan participation, in which the combined participation of all Members submitting the application is at least 51 percent of the total permanent loan amount are eligible for points in this category. Projects utilizing construction financing derived from a bond transaction in which the Member(s) submitting the application commits to the provision of a construction loan using the bonds for construction financing are not eligible for construction loan or below market rate on a construction loan points.

Ownership projects utilizing multiple sources of permanent financing from local, state, or federal government entities are only eligible for points in this category if the Member(s) submitting the application close at least 51 percent of the remaining permanent loans in their name.

<u>Member’s Financial Participation</u>	<u>Points</u>
First Mortgage Permanent Loan (<i>term of at least 15 years</i>) (<i>Permanent loan principal and interest payments must be shown on Attachment C.</i>)	2.0
Construction or Bridge Loan (<i>combined participation of all Members must be at least 35 percent of the project’s Construction/Rehab costs and construction/bridge loan interest and construction loan fees must appear on Attachment A or D</i>)	1.0
Utilization of a non-subsidized FHLB advance to finance a construction, bridge, or permanent loan. (<i>construction/bridge loans must be for a term of at least 12 months and permanent loans must be for a term of at least 15 years</i>)	1.0
Cash contribution to the project of at least \$500 for development costs (<i>must be shown on Attachment A or D</i>)	1.0



Servicing of borrower loans at no cost for loans originated and funded by the Sponsor (*ownership projects only*) 1.0

Lender's concessions:

Below-market rate on permanent loan (*at least 0.5 percent below market rate for a loan with similar term, amount, etc., offered by the Member at the time the loan is made*); or, 2.0

Below-market rate on construction or bridge loan (*at least 0.5 percent below market rate for a loan with similar term, amount, etc., offered by the Member at the time the loan is made*) 1.0

Note: In order to receive points in this category, documentation submitted at the time of application must clearly state that the concession is at least 0.5 percent below the market rate for a loan of similar terms, as provided by the Member. For scoring purposes, the use of a CIP Advance is not eligible for points in the category of "Lender's Concessions."

B. First-Time Homebuyers (variable, up to a maximum of 5.0 points)

Points are awarded if the project creates ownership opportunities for "First-time homebuyers." The score is calculated based on the percentage of housing units reserved for "First-time homebuyers" times the maximum number of points (points are only available to ownership projects).

C. Community Involvement (variable, up to a maximum of 3.0 points)

Points are awarded for activities that are not financial in nature provided by the Member's employees or participants from community organizations unrelated to the Sponsor or project. Any of these activities completed by a "Related party" are not eligible for points under this category.

1. A point will be awarded to projects where the Member's employees or a community organization unrelated to the Sponsor or project participate in at least eight (8) hours of landscaping or grounds maintenance activities such as clearing land or lots; trimming, planting, or transplanting trees and/or shrubs; seeding or sodding lawns; preparing or refreshing planting beds; etc. If there is more than one Member or community organization, the combined commitments of the Members and organizations must meet this criterion. (1.0 point)
2. A point will be awarded to projects receiving a donation of goods or services (*related to the development cost of the project*), including professional labor, worth at least \$500, from an individual or a community organization unrelated to the Sponsor or project. This is documented at time of disbursement. (1.0 point)
3. A point will be awarded to projects receiving a fee waiver from the local government jurisdiction in which the project is located, including waiving water



or sewer tap fees, construction permit fees, zoning fees, etc. The fee waiver must be documented at time of application by a letter from the chief executive officer of the government jurisdiction waiving the fee, by evidence of passage of a resolution or ordinance documenting the fee waiver, or by other documentation deemed sufficient by the FHLB. The fee waiver should produce a savings to the project of at least \$500. *Note: Interest waived on a government loan, tax deferrals, tax abatements, or any other reduction or waiving of taxes are not considered “fee waivers,” nor are government grants to pay for such items, or utility equipment donations.* (1.0 point)

D. Projects located in Ohio, Kentucky, or Tennessee (fixed, 5.0 points)

Projects with all of the units in one or more of the states of Ohio, Kentucky, or Tennessee will receive these points. (5.0 points)

E. Special Needs Housing (variable, up to a maximum of 10.0 points)

Rental Projects and Owner-Occupied Rehabilitation Projects

To receive points, a minimum of 20 percent of the units must be reserved for occupancy by households with “Special needs.” Scoring in this category is based on the degree to which the project serves persons with special needs. This criterion is viewed as a commitment in all cases except that of occupied rental projects, which must support the units committed with the occupancy report provided as part of the application

<u>Percent of Units for Special Needs Households</u>	<u>Points</u>
> 85% of units	10.0
> 70% - ≤ 85% of units	8.0
> 50% - ≤ 70% of units	6.0
> 35% - ≤ 50% of units	3.0
> 20% - ≤ 35% of units	2.0
= 20% of units	1.0

Ownership Projects for Sale to New Homebuyers (5.0 points)

To receive points, a minimum of 20 percent of the units must be reserved for occupancy by households with “Special needs”. Please note that, as ownership projects are disbursed, the FHLB will verify that the project is meeting its commitment on a homeowner-by-homeowner basis.



II. Second District Priority (variable, up to a maximum 12.0 points in three criteria)

Projects may receive points under any or all of the criteria below:

A. Housing in Appalachia (variable, up to a maximum of 3.0 points)

Points will be awarded to projects based on the percent of units in Appalachian counties as defined by the Appalachian Regional Commission (ARC). If sites have been acquired in multiple counties, the score will be determined by using the percent of units in Appalachian counties. If sites have not been acquired, and any of the counties identified for the project are not Appalachian counties, no points will be awarded.

B. Outside Funding Commitments (variable, up to a maximum of 4.0 points)

Points will be awarded for projects that have secured commitments from outside funding sources for 25 percent to 100 percent of Total Project Costs excluding AHP at time of application. Any funds provided by the Sponsor as cash or equity, by the Member as cash or loans, cash contributions/donations, or fundraising are not considered outside funding commitments. Generally, outside funding commitments include grants or loans (both repayable and forgivable) from federal, state, or local governments; grants or loans (both repayable and forgivable) from private or public foundations; or tax credits. For example, the following funding would be considered “outside funding”: Low-Income Housing Tax Credits; Historic Preservation Tax Credits; State Housing Finance Agency grants or loans; Softwood Lumber Grants; state/local government grants; foundation grants; VA or RD capital grants or forgivable loans; CDBG; HOME; HUD McKinney grants; and other HUD funding.

1. Projects with at least 25 percent “outside funding” (2.0 points);
2. Projects with 100 percent “outside funding” committed (up to 4.0 points); not including AHP.

A firm commitment must indicate the source and amount of funding, the date of the commitment and date of commitment expiration, and must be documented at time of application by a signed letter, grant or loan agreement, or other document from the funding agency.

C. AHP Leverage (variable, up to 5.0 points)

Points will be awarded to projects based on the amount of AHP requested as a percent of Total Residential Costs as shown on the sources and uses of funds using the following scale:

1. AHP equal to 1 percent but no more than 25 percent (5.0 points)
2. AHP more than 25 percent but less than 50 percent (3.0 points)



III. Donated or Conveyed Property (variable, up to a maximum of 5.0 points)

Points are awarded to projects that create housing when a significant proportion (at least 20 percent) of units or land was donated or conveyed by the federal government or any agency or instrumentality thereof, or was donated or conveyed by any other unrelated party for an amount significantly below the fair market value of the property to the Sponsor or homebuyer ***within five years*** of the application deadline. Homes acquired by local governments through the HUD \$1 Homes program will be considered as donated.

“Donated”/“Donated Property” means property given without financial consideration, other than a nominal amount. A transfer or conveyance for \$1 (or even \$10) would be considered a donation if such value was placed on the transfer solely for legal, tax, or recording purposes. A long-term lease or ground lease for a term of at least 15 years provided without financial consideration or at a nominal amount is also considered a donation.

Note: Conveying land or property for less than its full value does not constitute a donation of that part of value for which compensation is not received. For example, selling property for 80% of its value does not count as donating 20% of the property. Basically, part of a property cannot be donated unless that part is individually identified and conveyed separately from other parts.

An “Amount significantly below market value” means the property was or will be transferred for 50 percent or less of the fair market value, as documented by the value shown by an independent appraisal (required for related-party transactions) from a state-licensed or -certified appraiser or a current property value assessment shown by the property assessor for property tax purposes.

All rental projects will be required to adequately document eligibility for these points at the time of AHP application via submission of a signed HUD-1 Settlement Statement, warranty deed with price indicated, purchase contract, or letter from the donor in order to be awarded these points. (As part of this verification process, the FHLB will ensure that the acquisition costs shown on Attachment A match the eligibility documentation.)

<u>At least 20% of units/land</u>	<u>Points</u>
Conveyed by the federal government, including properties made available through the local government via the HUD \$1 Homes program.	5.0
Donated by an unrelated party.	5.0
Conveyed significantly below market value by an unrelated party.	3.0
Donated by a related party	1.0



IV. Project Sponsorship (variable, up to a maximum of 5.0 points)

The primary Sponsor must meet the FHLB’s definition of an “Eligible Sponsor” in order to receive points under this category. In addition, the AHP project must be located within the service area of the “Sponsor.” Points are only awarded for commitments contained in the “Eligible Sponsor’s” commitment letter submitted as part of the application or contained in the AHP application.

<u>Sponsor Type</u>	<u>Points</u>
Non-profit (501(c)(3) or (c)(4) organizations) as verified by IRS documentation	2.0

Note: In multiple Sponsor projects in which a for-profit and/or governmental Sponsor is involved, the primary Sponsor must be a non-profit that holds an “Eligible ownership interest” in the project.

Sponsor Services or Activities

Financial contribution of at least \$500 (*must be shown on Attachment A or D*) 1.0

Completion of predevelopment activities (*the Primary Sponsor must be identified in the application as the Developer*) 1.0

Construction/rehabilitation by Sponsor’s employees or volunteers (*the primary Sponsor must be identified in the application as the general contractor and perform at least 51 percent of total construction/rehab*) 1.0

Ownership projects only:

Marketing/outreach activities (*Sponsors that contract with a Realtor for these services are not eligible for this point*) 1.0

First Mortgage Permanent Loan to Project's Borrowers (*the Sponsor must close at least 51% of the loans in their name*) 1.0

Rental projects only:

Management of Project 1.0

V. Empowerment (variable, up to a maximum of 5.0 points)

Points will only be awarded if the activity or service will be provided in combination with the housing component, will give the occupants greater economic opportunities, is appropriate for the population being housed, the provider is an organization recognized as experienced in the provision of such services as demonstrated in published material, and the services will be provided in proximity to the project location after project completion. Points are only awarded when acceptable documentation that explicitly states the activity or service offered is submitted at the time of application. Sponsors will be required to demonstrate and document fulfillment of these commitments at time of disbursement and



initial monitoring. For rental projects, the services or activity must take place on an ongoing basis after the completion of the units.

<u>Empowerment Service or Activity</u>	<u>Points</u>
Employment Training, Skills Training, or Job Placement	1.0
Education Services (GED programs, college/community college placement programs)	1.0
Daycare Services (<i>Note: HeadStart, preschool or after-school programs are not eligible for points under this criterion.</i>)	1.0
Tenant Position on Sponsor’s (or Sponsor’s parent organization’s) Board (<i>Rental projects only</i>)	1.0
Mandatory Homebuyer Counseling for all project households (<i>Ownership projects only</i>)	2.0
Credit Counseling/Budgeting or Financial Literacy (<i>Rental or Ownership projects</i>) (<i>Projects which receive Mandatory Homebuyer Counseling points are not eligible for this point.</i>)	1.0

VI. AHP Subsidy per Unit (variable, up to a maximum of 10.0 points)

Points are awarded based on the amount of AHP subsidy per AHP-assisted unit that a project proposes to use with lower amounts receiving more points, based on the scale below.

If the project has received any AHP subsidy in a prior award for the same project and it is still within its retention period, the calculation will include the total amount of AHP subsidy requested for the project. This calculation will be completed upon FHLB’s review of the application.

<u>AHP Subsidy per Unit</u>	<u>Points</u>
≤ \$10,000	10.0
> \$10,000 ≤ \$13,750	8.0
> \$13,750 ≤ \$17,500	6.0
> \$17,500 ≤ \$21,250	5.0
> 21,250 ≤ \$25,000	4.0
> \$25,000	0.0



VII. Income Targeting (variable, up to a maximum of 20.0 points)

All projects must identify the number of units targeted to households in various income categories. For owner-occupied projects, applicants must identify the number of units targeted to households at or below 50 percent HUD AMI; above 50 percent but at or below 60 percent; above 60 percent but at or below 70 percent; and above 70 percent but at or below 80 percent. Rental projects are also asked to identify the number of units targeted to households above 80 percent HUD AMI. A project will receive points based on the weighted average of the income commitments. Unless the project qualifies for the maximum points as described below, the weighted average is calculated using the midpoints of each income category.

Income targeting is viewed as a commitment in all cases except that of occupied rental projects, which must support the targeting committed with the occupancy report provided with the application. Income targeting should be consistent throughout all parts of the application, attachments, and required documents, including any materials submitted to or from the tax credit allocating agency, such as proformas or occupancy reports for occupied projects. Any inconsistencies must be sufficiently explained. Applications containing inconsistencies that are not adequately explained or easily reconciled by the FHLB may be rejected and excluded from further review and scoring.

Ownership Projects

An Ownership project will receive 20 points under this scoring criterion if 100 percent of the units in the project are reserved for occupancy by households with incomes at or below 50 percent of the HUD area median income for the county in which the project is located, adjusted for household size.

Owner-occupied projects with less than 100 percent of the units reserved for occupancy by households with incomes at or below 50 percent will be awarded points on a declining scale based on the weighted average income of households served.

<u>Weighted Average Income</u>	<u>Points</u>
>65% - ≤ 80% AMI	15.0
>60% - ≤ 65% AMI	17.0
>55% - ≤ 60% AMI	18.0
≤ 55% AMI	19.0



Rental Projects

A rental project will receive 20 points under this scoring criterion if 60 percent or more of the units in the project are reserved for occupancy by households with incomes at or below 50 percent of HUD area median income for the county in which the project is located, adjusted for household size.

Rental projects with less than 60 percent of the units reserved for very low-income households will be awarded points on a declining scale based on the weighted average income of households served.

Note: For rental projects, at least 20 percent of the project’s units must be reserved for occupancy by households at or below 50 percent of area median income, or the project is not eligible for AHP funding.

<u>Weighted Average Income</u>	<u>Points</u>
>65% AMI	10.0
>60% - ≤ 65% AMI	12.0
>55% - ≤ 60% AMI	14.0
≤ 55% AMI	18.0

(A worksheet for calculating weighted average income is provided in the AHP application under “Documents and Guides”)

VIII. Housing for Homeless Households (variable, up to a maximum of 5.0 points)

Points are awarded to projects that will create housing with at least 20 percent of the units reserved for homeless households. Projects creating transitional housing for homeless households must permit a minimum of six months occupancy. Rental units that are currently occupied and “Shelters” are not eligible for points under this criterion.

<u>Percent of Units</u>	<u>Points</u>
>85%	5.0
>50% - ≤ 85%	2.0
≥ 20% - ≤ 50%	1.0

Please note that, as ownership projects are disbursed, the FHLB will verify that the project is meeting its commitment in this category on a homeowner-by-homeowner basis. For example, for a 10-unit ownership project that commits to serving two homeless households, the FHLB will disburse as the units are completed, but the FHLB will ensure that one of every five disbursements meet the FHLB’s definition of “Homeless.” Failure



by a project to meet its homeless commitment may result in the de-obligation of undisbursed funds and the recapture of previously disbursed funds.

IX. Community Stability (variable, up to a maximum of 10.0 points)

Points are awarded based on the extent to which the project maximizes or improves the stability of the area, such as preserving affordable rental units, rehabbing properties, creating units utilizing vacant or foreclosed properties, or complying with a neighborhood revitalization plan approved by a unit of state or local government. Projects will be required to provide the supporting documentation mentioned below at the time of application in order to receive these points.

<u>Type of stability provided</u>	<u>Points</u>
Any project located within a Qualified Census Tract as indicated by the HUD Qualified Census Tract Table Generator (<i>at least 20% of the units must be in such tract</i>)	1.0
Consistent with an approved/current housing assistance/neighborhood stabilization plan as certified by a governmental entity (<i>all units in all counties must qualify</i>)	1.0
Creation of housing utilizing property that is vacant and vacancy is due to foreclosure, deed in lieu of foreclosure, or short sale. Points will be awarded based on the percent of units targeted. Units qualifying for these points must have been acquired by the Sponsor (or household recipient) directly from the foreclosure or sheriff’s sale, auction, lender involved in the foreclosure, or lender approved short sale. Properties that use the county or city as the intermediary between the lender and the Sponsor also qualify. Units that passed through the ownership of other entities prior to acquisition by the Sponsor (or the household recipient), units where the Sponsor is the mortgage holder, or properties acquired and razed for new construction <u>DO NOT</u> qualify for points.	5.0
Creation of energy-efficient, new construction housing that meets or exceeds one of the following rating programs: LEED Certification, HERS Rating of 85 or less, or a REScheck calculation indicating the proposed design exceeds the 2009 Model Energy code by 15 percent or better.	5.0
Any One of the Following:	
Rehabilitation/conversion of existing non-housing structures into housing units (<i>adaptive reuse</i>). Projects must indicate what the previous use was, and points will be awarded based on the percent of units targeted (<i>rental projects only</i>)	5.0
Preservation of affordable rental units (<i>for projects which will, within two years of the application deadline, face expiring HUD Section 8 project-</i>	5.0



based rental assistance contracts, reach the end of a tax credit compliance period, or face expiring USDA-RD 515 rental assistance contracts)

Substantial rehab of units with a rehab cost of at least \$10,000 in construction hard costs per unit, *(reflected on Attachment A or D)*. Points will be awarded based on the percent of units targeted. 5.0

X. Tie-Breakers

In the event that one or more applications have a tie score and there is insufficient AHP subsidy to approve all of the tied applications, the FHLB will apply the following methodology to determine which application(s) are approved for AHP subsidy:

Step 1: Determine if any of the tied applications have requested more subsidy than the amount of AHP funds that remain to be awarded. If so, the FHLB shall approve that application as an alternate and exclude it from participation in the tie-breaking event.

Step 2: Compare the tied applications' scores under the 'AHP Leverage' criterion and approve the applications for funding in order of highest to lowest score within this criterion. If there are still two or more applications with tie scores under this criterion and insufficient subsidy to approve them all, proceed to Step 3.

Step 3: Compare the tied applications' scores under the 'Outside Funding Commitment' criterion and approve the applications for funding in order of highest to lowest score within this criterion. If there are still two or more applications with tie scores under this criterion and insufficient subsidy to approve them all, proceed to Step 4.

Step 4: Compare the tied applications' scores under the 'Housing in Appalachian' criterion and approve the applications for funding in order of highest to lowest score within this criterion. If there are still two or more applications with tie scores under this criterion and insufficient subsidy to approve them all, those applications will be treated as alternates.



Attachment B

Transfers of Projects Related to Change in Member's Status

I. Projects with AHP Advances

If, after final disbursement of AHP subsidies to the Member, the Member undergoes an acquisition or a consolidation resulting in a successor organization that is not a Member of the FHLB Cincinnati, the nonmember successor organization assumes the Member's obligations under its approved application for AHP subsidy.

If the project has not drawn the AHP advance, the Member will make best efforts to transfer its obligations under the approved application to another Member prior to the loss of its membership.

- A. The approved Member must formally relinquish the project and the assuming Member must formally accept the project. The project is transferred only when all required documents have been executed and the FHLB gives notice to the parties that the project has been transferred.
- B. Any activities committed to by the approved Member either must have already been accomplished or must be agreed to by the assuming Member. However, the assuming Member does not have to repeat any activities or requirements already satisfied by the approved Member.
- C. The assuming Member must agree to and satisfy all outstanding requirements of the project (subject to the FHLB's Modification procedures), including Member financial participation and other involvement, and long-term monitoring and reporting to the FHLB.

If the Member's best efforts to transfer its obligations under the approved application to another Member are not successful and the project has not drawn the AHP Advance, the Member may request a modification to convert the Advance to a direct subsidy grant. Any such request will be evaluated according to the FHLB's Modification procedures, but any such change must be approved prior to the loss of the Member's membership.

II. Projects with AHP Direct Subsidies (Grants)

If, after final disbursement of AHP subsidies to the Member, the Member undergoes an acquisition or a consolidation resulting in a successor organization that is not a Member



of the FHLB, the nonmember successor organization assumes the Member's obligations under its approved application for AHP subsidy.

If the project has not drawn the AHP grant and/or does not have an executed Direct Subsidy Agreement, the Member will make best efforts to transfer its obligations under the approved application to another Member prior to loss of its membership.

- A. The approved Member must formally relinquish the project and the assuming Member must formally accept the project. The project is transferred only when all required documents have been executed and the FHLB gives notice to the parties that the project has been transferred.
- B. Any activities committed to by the approved Member either must have already been accomplished or must be agreed to by the assuming Member. However, the assuming Member does not have to repeat any activities or requirements already satisfied by the approved Member.
- C. The assuming Member must agree to and satisfy all outstanding requirements of the project (subject to the FHLB's Modification procedures), including Member financial participation and other involvement, and long-term monitoring and reporting to the FHLB.
- D. If the Member's best efforts to transfer its obligations under the approved application to another Member are not successful and the Member has executed a Direct Subsidy Agreement, the FHLB may disburse subsidies through another FHLB to a Member of that FHLB that has assumed the approved Member's obligations under the approved application. The successor institution will be responsible for long-term monitoring and reporting to the FHLB Cincinnati.



Attachment C

Monitoring Requirements

I. Overview

- A. All projects receiving an award of AHP funds are subject to monitoring by the FHLB in accordance with these procedures. These procedures include monitoring requirements for the competitive AHP, as well as the homeownership set-aside program, Welcome Home.
- B. The purpose of these procedures is to ensure that AHP funds are being used in accordance with the approved AHP application and the governing AHP Regulation (12 CFR Part 1291).
- C. For rental projects funded through the FHLB's competitive AHP, monitoring occurs in three phases:
 - 1. Progress Reporting;
 - 2. Initial Monitoring; and,
 - 3. Long-Term Monitoring.
- D. For ownership projects funded through the FHLB's competitive AHP, only Progress Reporting and Initial Monitoring apply.
- E. For projects receiving funding through the FHLB's Welcome Home program, only Initial Monitoring applies.

II. Progress Reporting (Competitive AHP)

From the time a project is approved by the FHLB's Board of Directors (the Board) until it is completed, the project is subject to monitoring for the purpose of determining that satisfactory progress is being made towards completion of the project. In order to assess this progress, the FHLB will send Periodic Progress Reports (PPRs) to the Member and Sponsor.

- A. Periodic Progress Reports
 - 1. Twice per year, the FHLB will send PPRs to the Member and Sponsor of those projects that have not been completed. Members and Sponsors are asked to complete, sign, and return the PPR to the FHLB within 15 calendar days. The PPR will be reviewed by the FHLB and retained in the project's file.



2. The purpose of the PPR is to determine that satisfactory progress is being made towards project completion based on the following:
 - a) Within one year of the application approval, at least one other funding commitment has been secured and project has incurred expenses eligible for AHP disbursement;
 - b) Within 18 months of application approval, the project has received all other funding commitments;
 - c) Within 18 months of application approval, acquisition of a rental property (or the first ownership “Unit”) was completed;
 - d) Within 24 months of application approval, construction or rehabilitation activities eligible for AHP use have begun;
 - e) Within 36 months of application approval, acquisition, construction, and/or rehabilitation of all project “Units” was completed; and,
 - f) Within 48 months of application approval, satisfactory documentation to allow for the full disbursement of subsidies was submitted and project has achieved suitable occupancy levels.
 3. Projects that are not making satisfactory progress will be considered noncompliant and subject to the actions outlined in the *Noncompliance* section of these procedures. At the FHLB’s discretion, exceptions may be granted.
- B. Periodic Progress Reports – Expiring Commitment
1. Twice a year, Periodic Progress Reports – Expiring Commitment (PPR Expiring Commitment) will be sent to the Member and Sponsor of incomplete projects, which are more than 36 months from the AHP application approval date. Members and Sponsors will be asked to complete, sign, and return the PPR Expiring Commitment to the FHLB within 15 calendar days. The PPR – Expiring Commitment will be reviewed by the FHLB and retained in the project files.
 2. The purpose of the PPR Expiring Commitment is to determine whether the project will be completed within 48 months of the AHP application approval date. Commitment extensions may be granted when circumstances causing the delay are beyond the control of the project Sponsor or Developer, when withdrawal of the AHP commitment would cause undue financial hardship on the Sponsor or Developer, or at the FHLB’s discretion.
 3. If a Sponsor or Member fails to return a complete and fully executed PPR or PPR Expiring Commitment by the initial deadline, the project will be considered noncompliant and subject to the actions outlined in the *Noncompliance* section of these procedures. Additionally, if based on the FHLB’s analysis of the reports, the



FHLB determines the project is not making satisfactory progress towards completion the project will be deemed noncompliant and subject to the actions outlined in the *Noncompliance* section of these procedures.

III. Initial Monitoring (Competitive AHP)

Initial Monitoring (IM) occurs immediately following completion of a project and varies by project type (i.e. ownership versus rental). The purpose of monitoring in this phase is to determine that the project was completed in accordance with the approved AHP application and that satisfactory progress is being made toward occupancy.

A. Ownership Projects

1. IM of ownership projects occurs at time of disbursement only. As part of the disbursement request, Sponsors and Members must submit information sufficient for the FHLB to determine that:
 - a) Subsidies were used for eligible purposes and in compliance with all FHLB requirements;
 - b) Household incomes comply with income and occupancy targeting commitments made in the approved AHP application at the time the households were qualified by the Sponsor to participate in the project;
 - c) Actual project costs are reasonable in accordance with the FHLB's feasibility guidelines (See Attachment F);
 - d) Subsidy is necessary for the financial viability of the "Unit" and project as currently structured;
 - e) The "Unit" is subject to a deed restriction or other legally enforceable retention agreement or mechanism as required by AHP Regulation (See Attachment G); and,
 - f) The services and activities committed to in the approved AHP application have been provided. Sponsor will be required to provide documentation demonstrating that residents have been informed of the availability and/or have participated in the services and activities.
2. Once funds are disbursed by the FHLB, no additional monitoring is required for ownership projects.

B. Rental Projects

1. IM of rental projects begins at time of disbursement. As part of the disbursement request, Sponsors and Members must submit information sufficient for the FHLB to determine that:



- a) Subsidies were used for eligible purposes and in compliance with all FHLB requirements;
 - b) Rents, income targeting, and occupancy commitments as committed to in the approved AHP application are outlined in the project's Management Agreement or other document so that compliance with rent, income, and occupancy requirements will be achieved and maintained;
 - c) Actual project costs are reasonable in accordance with the FHLB's feasibility guidelines (See Attachment F);
 - d) Subsidy is necessary for the financial viability of the project as currently structured;
 - e) The project is subject to a deed restriction or other legally enforceable retention agreement or mechanism as required by AHP Regulation (See Attachment G); and,
 - f) The services and activities committed to in the approved AHP application have been or will be provided. Sponsor will be required to provide documentation demonstrating that residents have been informed of the availability and/or have participated in the services and activities.
2. The next phase of IM on rental projects begins nine months after the latter of project completion or final disbursement. At that time, the FHLB will request that the Sponsor/Owner and Member submit a completed Initial Certification of Program Compliance, the *Owners/Member's Certificate of Program Compliance* form, certifying to the FHLB that:
- a) The tenant rents, incomes and occupancy targeting are accurate and in compliance with the rent, income targeting and occupancy commitments made in the approved AHP application;
 - b) The contract rents for AHP-assisted "Units" cannot exceed 30 percent of monthly income for a household of the maximum area median income (AMI) and size for the income targets committed to in the approved AHP application;
 - c) The Owner has obtained and maintains a Tenant Rental Application and/or Tenant Income Certification and third-party income documentation to verify income eligibility at initial occupancy for each low-income resident;
 - d) Services and activities committed to in the approved AHP application have been provided;
 - e) Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards); and,



- f) Progress is being made toward satisfactory occupancy.
3. The FHLB will request an occupancy report in addition to the Initial Certification. The occupancy report must be submitted via email as an MS Excel file using the FHLB Project Occupancy Report form found on the FHLB website. The occupancy report must include information on all households that occupied the property at any time during the Certification Period, including vacant “Units”. The Certification Period will be indicated on the Initial Certification form. The information supplied by the occupancy report will be used for the Initial Certification Audit (see Initial Certification Audit section below).
 4. The Initial Certification and occupancy report will be reviewed by the FHLB to determine compliance with the approved AHP application and governing regulations, including income targeting and occupancy commitments. It is the expectation of the FHLB that projects will maintain a satisfactory occupancy level. A project has reached satisfactory occupancy when at least 75 percent of the total projects “Units” are occupied. A project with excessive vacancies may be considered noncompliant for failure to comply with income targeting and occupancy commitments. The FHLB may make exceptions to this requirement at its discretion. The FHLB may request additional information from the Sponsor/Owner, as deemed necessary, to evaluate a project’s status. All documentation will be retained in the project files.

If a Sponsor/Owner or Member fails to submit a complete and fully executed Initial Certification and occupancy report by the initial deadline, the project will be considered noncompliant and subject to the actions outlined in the *Noncompliance* section of these procedures.

5. An *Initial Certification Audit* will be conducted to verify that the certifications made by the Owner in the Initial Certification are valid, that all tenant information provided on the occupancy report is accurate and supported by documentation maintained in the tenant files, and that tenant household eligibility was verified by the Owner prior to initial move-in. Owner is required to maintain tenant documentation from initial move-in through move-out plus six additional years after tenant move-out.
 - a) In order to complete the Initial Certification Audit, the FHLB will request supporting documentation for a random sample of the project’s “Units”, according to the following sampling plan:



Number of “Units” in Project	Percent or Number of Tenant Files/Documentation to be Sampled
< 20	25% (minimum of three “Units” or the number of “Units” in the project, whichever is less)
20 to 60	25%
61 to 100	20%
101 to 200	15%
> 200	10%

- b) The supporting documentation requested will include the following:
- (1) Tenant Rental Application and/or Tenant Income Certification (Intake form for “Shelter” projects);
 - (2) Third-party income documentation for each income source listed on the application and/or certification at the time of initial move-in and, if available, the most current re-certification. Income documentation is (not required for “Shelter” projects, however the Intake form must indicate annual household income and source, and be signed by the resident acknowledging accuracy of the information);
 - (3) Third-party verification of special needs, homeless and/or elderly household status, if applicable to the project; and,
 - (4) Initial Lease Agreement (not required for “Shelter” projects).
- c) The Sponsor/Owner will have 15 calendar days to submit the supporting documentation to the FHLB. Upon receipt, the Initial Certification Audit information will be reviewed by the FHLB to determine compliance with the approved AHP application and governing regulations. More specifically, the FHLB will review supporting documentation to ascertain the following:
- (1) The Intake Form, Rental Application or Tenant Income Certification includes, at a minimum:
 - (a) Date of Occupancy/Move-in Date;
 - (b) “Unit” Number for “Unit” or “Bed” to be occupied;
 - (c) “Unit” Size (“Bed”, “SRO”, efficiency, 1 bdrm, 2 bdrm, etc.);
 - (d) Tenant Name (Head of Household) or Tenant ID Number;
 - (e) Household Size (Total number of Household Members);



- (f) List of all Household Members and their ages;
 - (g) Total Annual Household Income;
 - (h) Source of all Household Income for all household members;
 - (i) Signed and dated by the Tenant and project Owner representative, management company representative or property manager; and,
 - (j) Move-out date, “Unit” transfer, and transfer date, etc. (if applicable).
- (2) Acceptable third-party income documentation was obtained and tenant income eligibility verified prior to move-in, as stipulated in Appendix A: Income Eligibility Guide. For adults with no income at move-in, a Certification of Zero Income was obtained prior to move-in. Income documentation should be dated in the tenant’s move-in year and dated no more than 120 days prior to move-in.
- Third-party income documentation is not required for “Shelter” projects; however, the Intake form must indicate annual household income, source and be signed by the resident acknowledging accuracy of the information.
- (3) The Lease or Rental Agreement includes, at a minimum (not required for “Shelter” projects):
- (a) Tenant Name (Head of Household);
 - (b) Property address;
 - (c) “Unit” number/“Bed” number;
 - (d) “Unit” size (“Bed”, “SRO”, efficiency, 1 bdrm, 2 bdrm, etc.);
 - (e) Lease term;
 - (f) Amount of rent to be paid by tenant;
 - (g) Total “Contract rent” (calculated as “Tenant rent” plus any rental subsidy paid on behalf of the tenant); and,
 - (h) Signature and date by the tenant/head of household and the Owner representative.
- (4) Acceptable third-party verification of Homeless Household Status is dated in the tenant’s move-in year and was obtained prior to move-in (if applicable to the project). Acceptable third-party verification documents include:
- (a) A signed and dated letter from “Shelter”/“Transitional housing” personnel or a case manager, social worker or similar authority that



- clearly states the condition that qualifies the household under the AHP “Homeless” Household definition is required;
- (b) A copy of notice of eviction, foreclosure or condemnation of residence, discharge paperwork from an institution; or,
 - (c) Evidence that the household’s residence meets the FHLB’s definition of a “Mobile home.”
- (5) Acceptable third-party verification of Special Needs Household Status is dated in the tenant’s move-in year and was obtained prior to move-in (if applicable to the project). Acceptable third-party verification documents include:
- (a) A signed and dated letter from a physician or licensed practitioner, psychiatrist, psychologist, or clinical social worker that clearly states the condition that qualifies the household under the AHP Special Needs definition is required;
 - (b) A copy of the SSI or SSDI disability statement or similar federal or state government agency statement from which disability benefits are being received;
 - (c) A signed and dated letter from a licensed physician, psychiatrist, psychologist, or clinical social worker attesting that treatment is being provided to the resident (to verify chemical dependency special needs only);
 - (d) A signed and dated letter from a shelter project owner certifying that they are providing housing at the project location in order to protect the applicant or a member(s) of their household from physical or emotional abuse (to verify physical or emotional special needs only); or,
 - (e) A copy of the photo ID or birth certificate of the resident (to verify elderly special needs only).
- (6) Compliance with Fair Housing requirements is verified through, at a minimum:
- (a) A Fair Housing logo shown on the Intake Form, Tenant Rental Application, Tenant Income Certification, Lease Agreement and/or Rental Agreement; and/or,
 - (b) A Fair Housing statement on any other document provided to and/or visible to residents, such as a Fair Housing poster, brochure, or Tenant Rights and Responsibilities document.



- (7) Evidence that services and activities the Owner committed to provide in the approved AHP application have been provided. For example, a Lease Addendum signed by the residents acknowledging receipt of the information and/or participation in services or activities.
- d) The FHLB may request additional information, at its discretion. All documentation will be retained in the project files.
- e) If a Sponsor/Owner or Member fails to return the supporting documentation by the initial deadline, the project will be considered noncompliant and subject to the actions outlined in the *Noncompliance* section of these procedures. Additionally, if, based on the FHLB's analysis of the Initial Certification, occupancy report or supporting documentation, the FHLB determines the project is not operating in compliance with the approved AHP application or governing regulations, the project will be deemed noncompliant and subject to the actions outlined in the *Noncompliance* section of these procedures.

IV. Long-Term Monitoring (Competitive AHP)

Long-Term Monitoring (LTM) applies to rental projects only. Commencing in the second year after project completion and Initial Monitoring until the end of the full 15-year retention period, the FHLB shall monitor projects annually to determine that tenant rents and incomes are in compliance with the rent and income targeting commitments made in the approved AHP application. LTM consists of two parts – an annual *Owner Certification of Continuing Program Compliance* and a periodic risk-based audit of the most recent Certification.

A. LTM Certification of Continuing Program Compliance

1. For projects receiving an allocation of Low Income Housing Tax Credits, the FHLB will rely solely on the monitoring of the project by the tax credit allocating agency and will require no additional reports from the Sponsor/Owner, Member, or the tax credit allocating agency.
2. Beginning in the second year after project completion and Initial Monitoring until the end of the 15-year retention period, the FHLB will request that each project Owner submit a completed LTM Owner's Certificate of Continuing Program Compliance (LTM Certification) certifying on an annual basis that:
 - a) The tenant rents and incomes are accurate and in compliance with the rent and income targeting commitments made in the approved AHP application;
 - b) The rents charged for income-targeted "Units" do not exceed 30 percent of monthly area median income (AMI) as required by the governing regulation;



- c) The Owner has obtained and maintains a Tenant Rental Application and/or annual Tenant Income Certification and third-party income documentation to verify income eligibility at initial occupancy for each low-income resident;
 - d) No findings of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for the project;
 - e) Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections has not issued a report of violation for any building or low-income “Unit” in the project; and,
 - f) There has been no change in the ownership or management of the project.
 - g) The project is current on all taxes and outstanding “Hard debt,” if applicable.
3. The LTM Certification will be reviewed by the FHLB to determine continued compliance with the approved AHP application and governing regulations, including income-targeting commitments. It is the expectation of the FHLB that projects will maintain occupancy levels consistent with the income targeting and occupancy commitments under which the project was approved for AHP subsidy. A project with excessive vacancies may be considered noncompliant for failure to comply with income targeting commitments. The FHLB may request additional information from the Sponsor/Owner, as deemed necessary to evaluate a project’s status. All documentation will be retained in the project’s file.
 4. If a project Owner fails to submit the LTM Certification by the initial deadline, the project will be considered noncompliant and subject to the actions outlined in the *Noncompliance* section of these procedures. Additionally, if based on the FHLB’s analysis of the LTM Certification, the FHLB determines the project is not operating in compliance with the approved AHP application or governing regulations, the project will be deemed noncompliant and subject to the actions outlined in the *Noncompliance* section of these procedures.

B. LTM Certification Audits

1. In addition to the analysis of the LTM Certification, the FHLB will also audit each low, moderate, and high-risk rental project on a periodic basis. LTM Certifications will be audited as prescribed under a risk-based monitoring plan and consists of In-house Audits and On-site Audits. The latter applies to high-risk projects only.
2. The frequency of a LTM Certification Audit is based on the project’s risk. Projects identified as minimal-risk are not subject to a LTM Audit. Projects



identified as low-risk are subject to an In-house Audit every six years. Projects identified as moderate-risk are subject to an In-house Audit every four years. Projects identified as high-risk are subject to an On-site Audit every two years. The FHLB reserves the right to conduct an audit more frequently, if the operational viability of the Sponsor or project is a concern.

C. Risk Levels

1. When an AHP project is approved, the FHLB will assign the project a risk level and notify the Member and Sponsor/Owner of the project’s risk level and related monitoring requirements. There are four risk levels: minimal, low, moderate and high. The risk level assigned to a project is based on whether or not there is long-term governmental monitoring, the amount of AHP subsidy in the project, the amount of AHP subsidy as a percentage of total project costs, and other factors the FHLB may deem appropriate.
2. The FHLB reserves the right to adjust a project’s risk level at any time. The FHLB will notify the Member and Sponsor/Owner of any change in risk level and its impact on the project’s monitoring requirements.
3. For projects which are monitored by a government agency because of funding from that agency, the initial risk assigned is based on the following:

AHP Subsidy	AHP Subsidy as a Percent of Total Project Costs	Risk Category
≤ \$350,000	N/A	Minimal
> \$350,000 and ≤ \$600,000	N/A	Low
> \$600,000 and ≤ \$850,000	N/A	Moderate
> \$850,000	≤ 50%	Moderate
> \$850,000	> 50%	High

4. For projects which are not monitored by a government agency, the initial risk level assigned is based on the following:

AHP Subsidy	AHP Subsidy as a Percent of Total Project Costs	Risk Category
≤ \$250,000	N/A	Minimal
> \$250,000 and ≤ \$500,000	N/A	Low
> \$500,000 and ≤ \$750,000	N/A	Moderate
> \$750,000	N/A	High



5. For shelter projects, the FHLB will assign an initial risk level of Minimal, regardless of funding or monitoring by a government agency. Shelter Owners will be required to annually certify that the shelter residents' incomes and rents charged, if any, comply with the income targeting and rent commitments made in the approved AHP application, as required for all Minimal risk projects.

D. Sample Size

For those projects subject to a LTM Audit, the FHLB will request an occupancy report in addition to the LTM Certification. The occupancy report must be submitted via email as an MS Excel file using the FHLB Project Occupancy Report form found on the FHLB website. The occupancy report must include information on all households that occupied the property at any time during the Certification Period, including vacant "Units." The Certification Period will be indicated on the LTM Certification form. The information supplied by the occupancy report will be used for the LTM Certification Audit. The FHLB will request supporting documentation for a random sample of the project's "Units," according to the following sampling plan:

Number of Newly Occupied "Units" in Project	Percent or Number of Tenant Files/Documentation to be Sampled
< 20	25% (minimum of three "Units" or the number of "Units" in the project, whichever is less)
20 to 60	25%
61 to 100	20%
101 to 200	15%
> 200	10%

Owner is required to maintain tenant documentation from initial move-in through move-out plus six additional years after tenant move-out.

E. In-House Audits

1. For projects with a low or moderate risk, audits are conducted In-house (i.e. at the FHLB). In-house Audits include a review of the project's LTM Certification, the occupancy report for the previous calendar year, and supporting documentation for a random sample of the project's "Units." Supporting documentation includes:
 - a) Tenant Rental Application, Tenant Income Certification, or Intake form for "Shelter" projects must indicate annual household income, the income source, and be signed by the resident acknowledging accuracy of the information;
 - b) Third-party income documentation for each income source listed on the application and/or certification at the time of initial move-in and, if available,



the most current re-certification documentation (not required for “Shelter” projects); and,

- c) Current lease agreement (not required for “Shelter” projects).
2. The LTM Certification Audit information will be reviewed by the FHLB to determine continued compliance with the approved AHP application and governing regulations. More specifically, the FHLB will review supporting documentation to ascertain the following:
 - a) The Intake Form, Rental Application or Tenant Income Certification includes, at a minimum:
 - (1) Date of Occupancy/Move-in Date;
 - (2) “Unit” Number for “Unit” or “Bed” to be occupied;
 - (3) “Unit” Size (“Bed”, “SRO”, efficiency, 1bdm, 2bdm, etc.);
 - (4) Tenant Name (Head of Household) or Tenant ID Number;
 - (5) Household Size (Total number of Household Members);
 - (6) List of all Household Members and their ages;
 - (7) Total Annual Household Income;
 - (8) Source of all Household Income for all household members;
 - (9) Acknowledgement with signature and date by the Tenant and Owner representative; and,
 - (10) Move-out date, “Unit” transfer, and transfer date, etc. (if applicable).
 - b) Acceptable third-party income documentation was obtained and tenant income eligibility verified prior to move-in, as stipulated in Appendix A: Income Eligibility Guide. For adults with no income at move-in, a Certification of Zero Income was obtained prior to move-in. Income documentation should be dated in the tenant’s move-in year and dated no more than 120 days prior to move-in.
 - (1) Not required for “shelter” projects, however the Intake form must indicate annual household income, the income source and be signed by the resident acknowledging accuracy of the information.
 - c) The Lease or Rental Agreement includes, at a minimum (not required for “Shelter” projects):
 - (1) Tenant Name (Head of Household);



- (2) Property address;
- (3) “Unit” number/“Bed” number;
- (4) “Unit” size (“Bed”, “SRO”, efficiency, 1 bdrm, 2bdrm, etc.);
- (5) Lease term;
- (6) Amount of rent to be paid by tenant;
- (7) Total “Contract rent” (calculated as “Tenant rent” plus any rental subsidy paid on behalf of the tenant); and,
- (8) Signature and date of the tenant/head of household and the Owner representative.
- (9) Compliance with Fair Housing requirements is verified through, at a minimum:
 - (a) A Fair Housing logo shown on the Intake Form, Tenant Rental Application, Tenant Income Certification, Lease Agreement and/or Rental Agreement; and/or,
 - (b) A Fair Housing statement on any other document provided to and/or visible to residents, such as a Fair Housing poster, brochure, or Tenant Rights and Responsibilities document.
- d) The FHLB may request additional information, at its discretion, such as copies of HUD audits, project audits, IRS submissions, reports submitted to other federal or state agencies, or project specific operating budgets. All documentation will be retained in the project files.
- e) If an Owner fails to submit the supporting documentation by the initial deadline, the project will be considered noncompliant and subject to the actions outlined in the *Noncompliance* section of these procedures. Additionally, if, based on the FHLB’s analysis of the LTM Certification, occupancy report or supporting documentation, the FHLB determines the project is not operating in compliance with the approved AHP application or governing regulations, the project will be deemed noncompliant and subject to the actions outlined in the *Noncompliance* section of these procedures.

F. On-Site Audits

1. For high-risk projects, the FHLB will conduct an On-site Audit of the documentation maintained by an Owner for a random sample of the project’s “Units” and will conduct a visual inspection of the project for habitability every two years.



2. The reviewer will travel to the offices where project files are located and to the project site(s). The reviewer will:
 - a) Interview appropriate staff named in the application as a project contact;
 - b) Interview property management staff (if applicable);
 - c) Review AHP project files including:
 - (1) Tenant Rental Application, Tenant Income Certification, or Intake form for “Shelter” projects must indicate annual household income, the income source, and be signed by the resident acknowledging accuracy of the information;
 - (2) Third-party income documentation for each income source listed on the application and/or certification at the time of initial move-in and, if available, the most current re-certification documentation (not required for “Shelter” projects);
 - (3) Lease agreements (not required for “Shelter” housing projects);
 - (4) Marketing documents;
 - (5) Copies of HUD audits, project audits and IRS submissions may be obtained; and,
 - (6) Copies of reports submitted to other federal or state agencies evidencing compliance with income or funding requirements may be obtained.
 - (7) Visually inspect tenant intake area to verify compliance with Fair Housing requirements – a Fair Housing flyer is posted in a place readily visible to applicants and residents; and,
 - (8) Visually inspect project site(s) and take pictures to verify habitability.
 - (9) Documentation to be copied or scanned on site.
 - d) On-site Audit documentation will be retained in the project file.
 - e) If, based on the FHLB’s analysis of the LTM Certification, occupancy report or supporting documentation reviewed during the On-site Audit, the FHLB determines the project is not operating in compliance with the approved AHP application or governing regulations, the project will be deemed noncompliant and subject to the actions outlined in the *Noncompliance* section of these procedures.
- G. Regardless of a project’s risk level or Monitoring phase (i.e. PPR, IM or LTM); the FHLB retains the right to conduct an On-site Audit at any time in order to determine a project’s status.



V. Monitoring of the Welcome Home Program

Monitoring of Welcome Home projects occur at time of disbursement. At time of disbursement, Members must submit a Funding Request and Certification and supporting documentation sufficient for the FHLB to determine that:

- A. Subsidies were used for eligible purposes and in compliance with all FHLB requirements;
- B. The homebuyer received no cash back at closing; and,
- C. The “Unit” is subject to a deed restriction or other legally enforceable retention agreement or mechanism as required by AHP Regulation (See Attachment G).

VI. Noncompliance

A. Typically, a project is deemed noncompliant for one of the following reasons:

1. Failure to Submit Monitoring Reports or Audit Documents

- a) If a Sponsor/Owner or Member fails to submit the requested information (i.e. Periodic Progress Report, Initial Certification, LTM Certification, occupancy report, supporting documentation, etc.) for an approved AHP project by the given deadline, the FHLB will determine the project to be noncompliant and issue a Delinquent Report Letter. If the Sponsor/Owner or Member fails to provide the requested information by the deadline specified in the Delinquent Report Letter, the FHLB will issue a Notice of *Noncompliance*. If the Sponsor/Owner or Member fails to provide the requested information by the deadline specified in the Notice of *Noncompliance*, the FHLB will issue a Notice of Recapture or De-obligation of AHP funding and begin steps to recapture any AHP subsidy disbursed to the project and/or de-obligate any AHP subsidy committed to the project but not disbursed.
- b) While a finding of noncompliance, including the withdrawal or recapture of AHP subsidy, does not expressly preclude a Sponsor/Owner from applying for AHP subsidy in the future, factors contributing to the noncompliance may be considered when assessing the Sponsor’s/Owner’s capacity on future AHP applications.

2. Failure To Demonstrate Satisfactory Progress Towards Completion

If a project that has not been completed fails to demonstrate satisfactory progress toward completion as stated in Section II of these procedures, the FHLB may determine the project to be noncompliant, issue a Notice of Withdrawal, and withdraw its funding commitment to the project. Withdrawal of the funding commitment for a project does not deem the Sponsor/Owner ineligible to resubmit



an application for the withdrawn project or submit new project applications for funding. However, contributing factors may be considered when assessing the Sponsor /Owner's capacity on future AHP applications.

3. Failure to Comply With the Commitments Made in the Approved AHP Application or AHP Regulations

If a completed project is determined to be noncompliant with the commitments made in the approved AHP application and/or AHP regulation, the FHLB will issue a Notice of *Noncompliance* identifying each issue of noncompliance. The project Owner will be allowed to remedy the issues of noncompliance through one or more of the following:

- a) Submit additional information to confirm compliance;
- b) Modify the project to cure the noncompliance (see Modification below); or,
- c) Submit an Action Plan to cure the noncompliance (see Action Plan below).

4. In addition to the aforementioned, a project may be determined to be noncompliant as a result of other events (i.e. bankruptcy, natural disaster, etc.). In such instances, the FHLB will work with the Sponsor/Owner and Member to resolve the issues of noncompliance with the project Sponsor/Owner and Member.

B. Remedies for Noncompliance

In the event a project is noncompliant, the FHLB will work with the Sponsor/Owner or Member to cure the noncompliance through one or more of the following:

1. Submission of additional documentation to verify compliance.
2. Action Plan
 - a) If the submission of additional documentation is not sufficient to resolve the noncompliance, an Action Plan (the Plan) may be warranted. The Plan should allow for the resolution of the issue(s) within 90 calendar days. Once an acceptable Plan is developed, the Sponsor/Owner must report its progress under the Plan to the FHLB every 30-calendar days. The Sponsor/Owner must also update the Member on its progress. Failure to provide the required progress updates may result in termination of the Plan and immediate de-obligation or recapture of all AHP subsidies committed to or disbursed for the project.
 - b) At the end of the Plan, the FHLB will review the project and either terminate the Action Plan due to compliance, require a revised Plan, withdraw the



FHLB's AHP award, or, in the event the AHP subsidy has been disbursed, seek repayment of the AHP subsidy disbursed for the project (i.e. recapture).

3. Modification

A Sponsor/Owner may request the modification of a project in order to cure the noncompliance. The project may also be modified at the FHLB's discretion, in order to cure a project's noncompliance. All such modifications must comply with the requirements outlined in the FHLB's Affordable Housing Program Modification procedures (Attachment D).

C. Other

1. Any project determined to be noncompliant may be subject to the following actions:
 - a) Withdrawal/de-obligation of the AHP funding commitment for the project;
 - b) Withdrawal/de-obligation of the AHP funding commitment for any other projects in which the Sponsor/Owner is involved for which AHP funds have not been disbursed;
 - c) Denial or withholding of any disbursement requests in process for any other AHP projects in which the Sponsor/Owner is involved;
 - d) Rejection of future applications for AHP funding for projects in which the Sponsor/Owner is involved due to Sponsor/Owner capacity concerns; and,
 - e) Change in the project's assigned risk level to increase the frequency in which the project is audited.
2. In cases of extreme noncompliance, the FHLB may consider suspending or debarring the Project Sponsor, Owner, etc.

VII. Recapture

A. If AHP subsidies are drawn down and not used, or used in a manner inconsistent with the approved AHP application, and the inconsistency is not cured, the FHLB is required to recapture the subsidies. In such instances, the FHLB shall recover and apply the subsidy to the next competitive AHP offering:

1. From a Member:
 - a) The amount of any subsidies (plus interest, if appropriate) that, as a result of the Member's actions or omissions, is not used in compliance with the terms of the approved application and the governing regulations;
 - b) The amount of any subsidies (plus interest, if appropriate) recovered by a Member from the Sponsor of an ownership project or Owner of a rental



project that, as a result of the Sponsor's or Owner's actions or omissions, is not used in compliance with the terms of the approved AHP application and the governing regulations; or,

c) Upon receiving notification by the Member that all or some of the approved subsidy will not be used, the FHLB will recapture the unused portion of the funding.

2. From a Sponsor/Owner:

a) The amount of any subsidies (plus interest, if appropriate) that, as a result of the Sponsor's/Owner's actions or omissions, is not used in compliance with the terms of the approved AHP application and the governing regulations.

VIII. Settlements

A. Pursuant to 12 CFR 1291, if AHP subsidies are drawn down and not used, or used in a manner inconsistent with the approved AHP application and governing regulation, and the inconsistency is not cured within a reasonable amount of time, the FHLB is required to recapture the subsidies. In such instances, if the FHLB is unable to collect the AHP subsidies after "reasonable efforts" to collect have been made, the FHLB, in its sole discretion, may consider a settlement of less than the full balance of AHP subsidies that are subject to recapture or settle for no monetary recovery when recovery is doubtful and the cost to continue recovery efforts is material.

B. A settlement is used only in rare circumstances where the full AHP subsidies due are not repaid and cannot be recovered from the Member or the Sponsor/Owner through reasonable collection efforts. A settlement is not considered where other options of cure or modification are utilized.

C. In reviewing a settlement request, the FHLB will consider the following:

1. Facts and circumstances of the noncompliance which caused the need to recapture the AHP subsidies, including but not limited to:

a) Dishonesty, misrepresentation, potential fraud, or other misconduct on the part of the Member or the Sponsor/Owner;

b) Apparent disregard for compliance with the AHP Regulation or other AHP requirements;

c) Extent of the efforts, if any, undertaken by the Member or the Sponsor/Owner to mitigate the circumstances of the noncompliance;

d) Extent to which the Member or the Sponsor/Owner, as applicable, was responsible for the noncompliance;

e) Extent to which the project failure was attributable to a market failure;



- f) Extent to which the noncompliant party incurred losses as a result of the project failure or noncompliance;
 - g) Whether any benefit from the project or the project's assets would accrue or have accrued to the noncompliant party notwithstanding the project failure or noncompliance;
 - h) Estimated costs for the FHLB to recover the subsidy in relation to the amount due and the likelihood of recovery; and,
 - i) Extent to which all reasonable means of curing an issue of noncompliance and subsidy recovery have been exhausted and/or other options of repayment have been explored;
2. Analysis of the repayment ability of the noncomplying party or parties, including review of:
 - a) The financial condition of the Member and/or the Sponsor/Owner;
 - b) Any written guarantees for repayment or payment assistance;
 - c) Collateral (generally the project property) to determine ability to repay, including current valuation/appraisal of the collateral, and other liens against the collateral, etc.
 3. The reputational risk to the FHLB posed by the proposed settlement; and,
 4. Unusual or unique facts or circumstances regarding the project, Sponsor/Owner, or Member, which may exist and have been taken into account in arriving at the settlement.
- D. The FHLB will maintain documentation showing that the sum agreed to be repaid under the settlement is reasonably justified, based on the facts and circumstances of the noncompliance, repayment ability, including the degree of culpability of the noncomplying party or parties, and the extent of the FHLB's recovery efforts.
- E. All settlements are subject to approval by the FHLB's Board of Directors. In the event the FHLB settles with a Member or project Sponsor/Owner, a formal agreement regarding the resolution may be executed between all AHP parties. Any subsidy amounts repaid to the FHLB as a result of a settlement will be returned to the AHP funding pool and made available in either the current or the next AHP offering.
- F. In settlement cases, the FHLB, in its sole discretion, may subject the Sponsor/Owner to all appropriate sanctions as specified in the Suspension and Debarment Procedures.



Attachment D

Modification of Projects

The following outlines the FHLB's procedures on AHP project modifications. The FHLB reserves the right to modify the conditions under which an award of AHP subsidy was made at its discretion.

I. Modifications not Requesting an Increase in Subsidy

- A. The FHLB may approve modifications to the terms of an approved project, if one or more of the following apply:
1. Unusual or unforeseen conditions will not allow the project to be completed within the approved AHP application's commitment period;
 2. Unusual or unforeseen conditions will not allow fulfillment of all commitments made in the approved AHP application;
 3. Substantial changes to the project's scoring parameters, e.g. change in total number of project units, change in number of special needs units, etc.;
 4. Changes in the project's development or financial structure, e.g. major changes in funding sources, operating income or expenses, etc.; and/or,
 5. Changes to the project's development and/or operating budgets greater than 10 percent that cause the project to no longer meet the feasibility parameters set at application approval.
- Changes to the project's development and/or operating budgets greater than 10 percent that do not cause the project to exceed the feasibility limits set at application approval will require an explanation at time of disbursement, but not a modification. Changes to the project's development or operating budgets greater than 20 percent will not be approved. It is solely within the FHLB's discretion to allow or deny any modification proposed.
- B. Modification requests must be submitted in writing by the Member and the Sponsor. However, if the FHLB must close a project or is actively working with the Member and Sponsor to resolve an issue of noncompliance detected during the monitoring process, the FHLB may modify the project without a written request from the Sponsor and Member.
- C. Any modification request from the Member and Sponsor must include:
1. A completed AHP Modification Request Form;



2. A complete and detailed explanation of how the proposed change differs from the original application;
 3. An explanation of why the change is needed (cause beyond the control of the Sponsor, Member, or Developer);
 4. Indication of what steps have been taken to resolve the situation(s) requiring the change; and,
 5. A current, revised development budget (and operating budget for rental projects), if applicable.
- D. A modification may be approved by the FHLB provided that the project, as modified:
1. Would meet the eligibility requirements of §1291.5(c);
 2. Would continue to score high enough to have been approved in the funding period in which it was originally scored and approved by the FHLB; and
 3. There is “Good cause” for the modification and the issues causing the need for a modification are beyond the control of the Sponsor, Member, or Developer. (The FHLB may look at previous modifications requested or circumstances).
 4. For extension to the AHP commitment period, a project may be granted an extension for “Good cause” as determined by the FHLB and for an amount of time as deemed appropriate by the FHLB. Generally, the FHLB will not grant more than one commitment extension.

II. Modifications to Commitment Expiration

- A. The FHLB may make exceptions to the time limits on use of subsidy outlined in the FHLB’s Implementation Plan. Requests for commitment expiration extensions must be submitted in writing by the Member and Sponsor prior to the commitment expiration date and will be considered on a case by case basis.
- B. If a commitment expires while the FHLB has received and is processing a disbursement request, or while the FHLB is actively resolving an issue of non-compliance detected during monitoring, the FHLB may modify the commitment expiration date without a written request from the Sponsor and Member.
- C. Extensions may be granted if it can be demonstrated that circumstances beyond the control of the parties involved have delayed the draw of funds. It is solely within the FHLB’s discretion to allow or deny any modifications proposed. To that end, a request for commitment extension should include the following:
 1. A detailed explanation of the status of the project;



2. A detailed explanation of the delays in completing the project within its original Commitment Period; and,
3. Justification as to why the continued commitment of funds is necessary.

III. Modifications Requesting an Increase in Subsidy

- A. All projects that have not been fully disbursed may apply for an increase/change in AHP subsidy via the modification process. All requests will be approved on a first-come, first-served basis subject to the availability of funds, the requirements of these procedures and approval by the FHLB's Board of Directors.
- B. The FHLB deems any request for additional subsidy that exceeds 25 percent of the original subsidy award, or multiple requests that cumulatively total more than 25 percent of the original AHP award, as a material change in the project. Such projects would be prohibited from requesting additional subsidy via the modification process and instead would be required to reapply for AHP funding.

IV. Other

The intent of the modification process is to provide an alternative to de-obligating or recapturing any AHP subsidy awarded to a project in the event the project cannot comply with the parameters under which it received an award of AHP subsidy. Therefore, an organization should be aware that repeated modifications to its projects, even for different reasons, may adversely affect the FHLB's perception of that organization's ability to comply with the terms of its current, as well as future, AHP awards, which could result in:

- A. The denial of future modifications; or,
- B. The denial of points in certain scoring categories (e.g., special needs, homeless households, etc.) on future applications; or,
- C. The denial of future AHP applications due to sponsor capacity; or,
- D. Other actions the FHLB deems appropriate.



Attachment E

Definitions for the Affordable Housing Program

The following definitions describe terms and phrases specific to the competitive Affordable Housing Program. Definitions specific to the Welcome Home Program are found in Appendix B of this Plan. Appendix A of this Plan contains the Income Eligibility Guide which Members, Sponsors, and project Owners should use to qualify a household's participation in the AHP. The FHLB will use Appendix A: Income Eligibility Guide to verify the eligibility of all households participating in the AHP.

“Acquisition costs” means the cost to acquire land or buildings as part of an AHP project and includes both the purchase price and related costs. See Attachment F for further details on special types of acquisition costs.

“Adaptive reuse” means rehabilitation/conversion of an existing structure not originally intended for housing into use as housing; for example, conversion of warehouses, schools, hospitals, or churches into rental units.

“Affirmatively marketed” means marketing actions to provide information about the project to the broadest number of the targeted population in order to attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, gender, religion, familial status, or disability.

“Affordable” or “Affordability” means that:

1. The rent charged to a household for a unit that is to be reserved for occupancy by a household with an income at or below 80 percent of the median income for the county in which the unit lies, is no greater than 30 percent of the income of a household of the maximum income and household size expected to occupy the unit, under the commitment made in the AHP application assuming occupancy of 1.5 persons per bedroom or 1.0 person per unit without a separate bedroom – “Single-Room Occupancy (SRO)” or “Bed”;
2. The rent charged to a household for rental units subsidized with HUD Section 8 assistance or subsidized under another assistance program where the rents are charged in the same manner as under the HUD Section 8 program. If the rent complied with the regulation at the time of the household's initial occupancy and the household continues to be assisted through the Section 8 or another assistance program; or,
3. For ownership projects other than owner-occupied rehabilitation projects, the monthly payment of mortgage principal and interest plus taxes and insurance may not exceed 31 percent of the household's gross monthly income as determined at application intake.



“AMI” means the Area Median Income for the county in which the project is located as published annually by HUD for Multifamily Tax Subsidy Projects (MTSP), as adjusted for household size. Projects utilizing tax credits for the development of residential rental property located in an eligible rural area (as defined in section 520 of the Housing Act of 1949) may use the greater maximum of the area median gross income or the national non-metropolitan median income.

“Amortization period” means the number of years required to repay a loan in full.

“Amount significantly below market value” means the property was or will be transferred for 50 percent or less of the fair market value at the time of the acquisition, as documented by the value shown by an independent appraisal (required for related-party transactions) from a state-licensed or certified appraiser or a property value assessment shown by the property assessor for property tax purposes.

“Another source of funds” includes any other funding that the project will request or receive in addition to AHP, Low Income Housing Tax Credits, and Historic Preservation Tax Credits. Included in other sources would be cash contributions from the Member or Sponsor, homebuyer down payments (ownership projects), permanent debt, funding from a local, state, or federal government agency, foundation grants or loans, or other loans, grants, or contributions used to pay project development costs. The value of non-professional donated labor should not be included, nor should operating grants or any other funds used to pay for operations.

“Applicant intake” means activities involving taking applications, interviewing applicants, assisting applicants in completing questionnaires or applications, processing applicants’ applications, and determining eligibility.

“Applicant intake date” or “Application date” means for ownership projects, the date that a Sponsor qualifies a household for repairs on an AHP-assisted owner-occupied unit or for a mortgage loan that will be used to purchase a specific AHP-assisted unit. This date should be no more than 180 days from the date a Pre-approval Request is submitted to the FHLB.

“Assumed market rate” of homeownership loans, means the rate established pursuant to the AHP Implementation Plan.

“Bed” (see “Unit / Bed”)

“Below market value” (see “Amount significantly below market value”)

“Bridge loan” means a short-term loan from the Member to a project, evidenced by a note (and mortgage or deed of trust, if secured) from the Member, until permanent funding (e.g., tax credits or grants) is received.

“Capitalized costs” refers to funds deposited early in a rental project’s life for costs normally associated with operations but shown on the development budget, such as replacement,



operating, or lease-up reserves. Capitalized asset management fees and other fees or expenses generally considered operating expenses will be included with other capitalized reserves.

“Cash contribution” or “direct financial contribution” means a measurable contribution (at least \$500) of cash to the project from the Member or Sponsor. In-kind donations are not considered cash contributions. Any amount of cash contributed should be shown in the AHP application as “Another source of funds.”

“Cash flow” (see Net cash flow”)

“Closing costs” include charges generally summarized on line 1400 of the HUD-1 Settlement Statement or identified on the Closing Disclosure and are charges and expenses over and above the price of the property incurred by the buyer when transferring ownership of the property. Typical closing costs include fees for: property inspection, loan origination, rate discount, appraisal, credit report, mortgage insurance application, document preparation, attorney services, judgment search, abstracting, recording; title insurance (for mortgagor or owner); local taxes; survey, plat drawing; pre-paid interest for up to 30 days; initial insurance premiums; escrows of condo or homeowners association dues, transfer taxes, property taxes, flood insurance, and homeowner’s insurance.

“Closing cost assistance” means any grant or loan to help pay the costs of closing a mortgage.

“Commercial space” means any area in a residential development that is leased or intended to be leased to an entity and generates or will generate rental income to the project Owner. AHP funds cannot be used to pay for development costs associated with this space.

“Completion” and “project completion” means for:

1. Rental new construction or rehabilitation:

“Project completion” means that the construction or rehabilitation work has been completed, as evidenced by one of the following:

- a) Certificate of Occupancy;
- b) AIA document G704 Certificate of Substantial Completion;
- c) Certification by a licensed or certified general contractor that the work is substantially complete; or,
- d) Certification by a licensed or certified building inspector or other qualified individual approved by the FHLB that the work is substantially complete.

2. Rental Acquisition Only:

For projects involving the conveyance of ownership to a new ownership entity, completion means:



- a) The financing transaction has closed, as evidenced by a Closing Disclosure, comparable settlement statement or by a Note/Mortgage or Deed of Trust for the permanent transaction, if no Settlement Statement is completed.
 - b) If there will not be permanent debt on the project, completion is evidenced by the recorded warranty deed or executed long-term lease.
3. Owner new construction, acquisition rehabilitation for sale or owner-occupied rehabilitation:
- “Project completion” means that the construction or rehabilitation work has been completed, as evidenced by one of the following:
- a) Certificate of Occupancy;
 - b) Certification by a licensed or certified general contractor that the work is substantially complete; or,
 - c) Certification by a licensed or certified building inspector or other qualified individual approved by the FHLB that the work is substantially complete.

4. Ownership Acquisition Only:

For projects involving the conveyance of ownership to a new homebuyer, completion means:

- a) The financing transaction has closed, as evidenced by a Closing Disclosure or comparable settlement statement; or,
- b) If there will not be permanent debt on the project, the warranty deed has been recorded or a long-term lease has been executed.

“Contract rent” means the actual cost per unit to operate the housing, not including any social services or utilities. This may also be calculated as operating or rental subsidy paid to the project per unit plus the rent paid by the tenant for that unit.

“Construction by employees or community organization” means participation by the Member's employees or by a community organization, other than the Sponsor, in at least 40 hours of actual construction or rehabilitation of the housing units (e.g. painting, construction clean-up, minor construction, or similar activity).

“Construction loan” means a loan, as evidenced by a note (and mortgage or deed of trust, if secured) used to pay contractors during construction. The construction loan is usually paid off by the permanent loan and/or other funding at construction completion. To be eligible for points, the Member must provide the construction loan equal to at least 35 percent of the project's Construction/Rehab costs and be specified separately from any permanent loan.

“Construction / rehabilitation activities” are those activities directly related to building or rehabilitating units for housing and related common space.



“Consultant” means a paid advisor or other person providing technical assistance in developing a project or in submitting an application. Any fees paid to a consultant are considered part of “Developer fee.”

“Contractor” or “general contractor” means the party responsible for construction or rehabilitation, which might include supervising its own employees or volunteers, or employing subcontractors.

“County” means a geographic subdivision of a state or federal territory, usually assigned some governmental authority. Parishes and boroughs are called “county-equivalents” by the HUD, as are certain independent cities that are not parts of counties.

“Debt coverage ratio” means the ratio of a project’s annual net operating income less “Replacement reserves” divided by the total annual debt service from “Hard debt” (principal plus interest). Only “Hard debt” is included in determining whether a project meets this feasibility guideline.

“Deed in lieu of foreclosure” means a deed instrument in which a borrower conveys all interest in a property to the lender to satisfy a loan that is in default to avoid foreclosure proceedings. For purposes of the AHP retention requirements, transfer of a property through a deed in lieu of foreclosure will be treated as though the property had been foreclosed.

“Demand” (see “Market demand”)

“Developer” is the entity or person who will organize and plan the development, may supervise its construction, and manage all the business elements of the project, including arranging financing.

“Developer fee” means amounts paid for activities normally associated with the developer such as Developer Fee and Overhead (*organizational overhead*) and/or Consultants Fees, Application Preparer Fees or similar costs. Construction Management/Overhead is a separate cost in the hard costs budget and should not be added as Developer Fee and Overhead.

“Direct grant” or “grant” means provision of funds for a project with no requirement for repayment so long as the funds are used for the purposes intended for the time period required.

“Displaced/Displacement” means that one or more of the current residents will be required to move because of the project and will have to find other permanent housing.

“Donated” / “Donated property” mean property given without financial consideration, other than a nominal amount. A transfer or conveyance for \$1 (or even \$10) would be considered a donation if such value was placed on the transfer solely for legal, tax, or recording purposes. A long-term lease or ground lease for a term of at least 15 years provided without financial consideration or at a nominal amount also meets this definition. Note: Conveying land or property for less than its full value does not constitute a donation of that part of value for



which compensation is not received. For example, selling property for 80 percent of its value does not count as “donating” 20 percent of the property. Part of a property cannot be donated unless that part is individually identified and conveyed separately from other parts.

“Down payment assistance” means grants or loans used to reduce the first mortgage amount to the borrower.

“Elderly” means any person aged 60 or older, or for tax credit projects, any person defined as "elderly" by the applicable Tax Credit Qualified Allocation Plan.

“Eligible furnishings” are furnishings and appliances which may be funded by the AHP. These include stove/oven, refrigerator, washer, dryer, microwave and dishwasher. Other furnishings” such as desks, chairs, and computer equipment for the manager’s office; etc. are eligible project expenses that should be shown in the residential costs portion of Attachment A; however, AHP subsidy cannot be used to pay for them.

“Eligible outside funding” means grants or loans from federal, state, or local governments; grants or loans from private or public foundations; or tax credits. For example, Low-Income Housing Tax Credits; Historic Preservation Tax Credits; State Housing Finance Agency grants or loans; Softwood Lumber Grants; VA or RD capital grants or loans; CDBG; HOME; HUD McKinney grants; and other HUD funding.

“Eligible ownership interest” means an “Eligible Sponsor” in a rental project has an “Ownership interest” (including any partnership interest) or multiple “Eligible Sponsors” have a combined ownership interest of at least 51 percent.

“Eligible Sponsor” means a non-profit organization, state, political subdivision of a state, local housing authority, state housing agency, a Native American Tribe, an Alaskan Native Village, or the government entity for a Native Hawaiian Home Land. In order to receive points under the Project Sponsorship scoring category, the “Eligible Sponsor” for a rental project must have an “Eligible ownership interest” (including any partnership interest). For ownership projects, the “Eligible Sponsor” must be “Integrally involved” in the project in order to receive points under the Project Sponsorship scoring category.

“Equal Credit Opportunity Act” is codified at 15 USC 1691.

“Fair Housing Act” is codified at 42 U.S.C. §3604.

“First-time homebuyer” means an individual or household who has not owned a home during the three-year period prior to the purchase of a home, except that:

1. Any individual who is a displaced homemaker may not be excluded from consideration as a first-time homebuyer on the basis that the individual, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse;



2. Any individual who is a single parent may not be excluded from consideration as a first-time homebuyer on the basis that the individual, while married, owned a home with his or her spouse or resided in a home owned by the spouse; or,
3. Any individual or household who owns a home that:
 - a) Is not intended as a dwelling;
 - b) Was lost through natural disaster; or
 - c) Is “Manufactured housing” that was not originally assembled to meet nationally recognized standards or is not permanently affixed to a foundation that meets nationally recognized building code standards.

“Foreclosure” means a legal procedure by which mortgaged property is sold, upon default, in order to satisfy a debt. Foreclosures generally are governed by state law, and rules may vary between states. For purposes of the AHP retention requirements, transfer of a property through a deed in lieu of foreclosure will be treated as though the property had been foreclosed.

“Fully-indexed interest rate” in the Welcome Home Program means, on an adjustable-rate loan, the rate determined by adding the margin to an index level at the time the loan is made. The interest rate on an adjustable (sometimes known as variable) rate loan is tied to a benchmark interest rate, known as an “index.” (Popular indexes for loans are the prime rate, LIBOR, and various U.S. Treasury bill and note rates.) The index level varies according to market conditions, but the margin is usually a constant value. The “margin” is the mark-up over the index that the lender imposes. The initial interest rate, sometimes called a “teaser” rate, might actually be less than the index at the time the loan is made and is always less than the fully indexed rate (index plus margin).

For example, the fully indexed interest rate on an adjustable rate mortgage tied to the one-year LIBOR rate (the index) with a margin of 3.75 percent would be 5.75 percent if the LIBOR index was 2.00 percent at the time the loan was made.

The fully indexed rate is not affected by any annual or lifetime caps on adjustments based on the index. Instead, it reflects what the interest rate would have been at the time the mortgage was made based solely on the index at that time and the stated margin.

Fully indexed rate = Index (at the time the loan is made) + Margin (established at the time the loan is made).

Note: the “fully-indexed interest rate” is not the same as the “fully-indexed rate at maturity.” The fully indexed rate at maturity is based on the index at the time the loan is originated plus the maximum amount the interest rate could increase over the life of the loan. It is a worst-case calculation.

“General contractor” (see “Contractor”)



“Good cause” meaning substantial reason put forth in good faith that is not unreasonable, arbitrary, or irrational and is sufficient grounds or reason to take a certain action, as determined by the FHLB.

“Grant” (see “Direct grant”)

“Group home” means a public or private residence or other structure constructed or converted to serve as a home for unrelated persons who share a common characteristic, most often referring to homes designed for those with special needs or certain other characteristics who are generally not deemed capable of living alone or without proper supervision. Residents may have their own room or share rooms and share facilities such as laundry, bathroom, kitchen, and common living areas. Individual residents pay rent, or the Owner receives rental or operating subsidy on a per-resident basis. Residents have leases executed by or on behalf of them.

“Habitat-like” means a project in which:

1. Houses are sold to families at no profit, financed with Sponsor-provided, deeply discounted or no-interest first mortgage loans; and
2. The homeowners' monthly mortgage payments are used to build additional affordable houses.

“Hard debt” means debt for which there is a requirement for repayment and other credit terms indicating such debt arises from what the FHLB believes to be a truly arm’s length transaction. Deferred or forgivable debt, debt repayable to a “Related party” (including but not limited to, a loan from a Sponsor to an ownership entity in which the Sponsor has an “Ownership interest”), or debt which is to be repaid only from excess cash flow or upon certain other conditions, is not considered such hard debt and is not included in (and may be removed by the FHLB from) the calculation of the Debt Coverage Ratio, Net Cash Flow, and other AHP-related calculations.

“Homeless household” means a household made up of one or more individuals, who:

1. Resides in overcrowded housing; “overcrowded housing” means a housing unit occupied by more than one household or any housing unit with an average of more than two persons per sleeping area (including a living room as a sleeping area);
2. Is facing imminent loss of their home due to condemnation or eviction;
3. Lacks a fixed, regular, and adequate nighttime residence;
4. Individuals aging out of foster care;
5. Individuals fleeing or attempting to flee domestic violence or other dangerous or life threatening situation; or,
6. Has a primary nighttime residence that is:



- a) A supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill);
- b) An institution that provides a temporary residence for individuals intended to be institutionalized;
- c) A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings; or,
- d) A “mobile home” that does not meet the requirements of the National Manufactured Housing Construction and Safety Standards Act, Title VI, Public Law 93-383; 42 USC 5401, appearing at 24 CFR 3280, et seq., generally referred to as “pre-1976 mobile homes.”

“Homeownership/Homebuyer counseling” means a program provided by, or based on one provided by, an organization recognized as experienced in homeownership counseling. The counseling program must cover, at minimum, mortgage financing, credit-worthiness, household budgeting, and home maintenance. The FHLB encourages the counseling to include information on predatory lending.

“Household” means all related family members or all unrelated people who currently occupy an existing housing “Unit” or will occupy a housing “Unit” or “Bed” being developed, including unborn children, adoptive children, foster children, wards, lodgers, or employees who share the housing. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household.

“Household income” means the combined annual earned “Income” of all the occupants aged 18 and over expected to live in a given AHP-assisted dwelling unit at the time the household is qualified by the Sponsor or Member for participation in an ownership project or at initial occupancy of a rental unit. Unearned income is included for all occupants, regardless of age. Current circumstances will be used to anticipate “Income” and projected annual income will be calculated by annualizing current “Income” taking into account changes expected to occur during the year. “Household income” is determined using the methods for projecting and calculating annual income as outlined in Appendix A: Income Eligibility Guide.

“Income” means:

1. The full gross amount, before payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services; and
2. The net income from operation of a partnership, business, or profession; and
3. Interest, dividends etc.; and
4. Payments in lieu of earnings, such as unemployment benefits, disability compensation, worker’s compensation, and severance pay; and



5. The full gross amount of periodic payments from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, lotteries, trusts, and inheritances, and other similar types of periodic payments received; and
6. All regular pay, special pay, and allowances of a Member of the Armed Forces; and
7. Income from assets (if generating regular payments to the household); and
8. Welfare assistance, if designated for shelter or utilities; and
9. Regular contributions and gifts (monetary or not) from persons outside the household. This may include rent and utility payments paid on behalf of the household and other cash or non-cash contributions provided on a regular basis; and
10. Alimony, child support, etc.; and
11. For 2-4 unit dwellings, 85 percent of the projected gross income for such units.

Other inclusions and exclusions of income are outlined in Appendix A: Income Eligibility Guide.

“Integrally involved” means the Sponsor in an ownership project will be directly responsible for exercising control over the planning, development, or management of the project, providing or arranging financing for the applicants, and/or qualifying applicants. Generally, the Sponsor will take applications, review applicants’ backgrounds and project targeting requirements, and determine whether applicants will be served by the AHP project.

“Landscaping by a Member’s employees or by a community organization” means participation by the Member’s employees or by a community organization unrelated to the Sponsor or project, in at least 8 hours related landscaping development or grounds maintenance of the property (e.g. clearing land or lots; trimming, planting, or transplanting trees and/or shrubs; seeding or sodding lawns; preparing or refreshing planting beds; etc.).

“Low-income” means income at or below 60 percent of the area median income, as determined by HUD, adjusted for family size.

“Low-Income Housing Tax Credit” means a credit against federal income tax liability issued by a state housing finance agency under Section 42 of the IRS code. Such credits are issued to encourage the development of affordable rental housing.

“Management fee” means the amount paid to the Sponsor/Owner/Manager for management of the property as shown on operating budget.

“Manufactured housing” refers to a single-family residential dwelling built in compliance with the Federal Manufactured Housing and Construction Standards, as amended, also known as the HUD Code, after June 15, 1976. Manufactured homes may be built in multi-sectional or single section units and installed on an FHA Title II permanent foundation system. In



addition, the home and the lot must be taxable together as real property. For AHP eligibility purposes, a single section manufactured home must be Energy Star rated.

“Market demand” refers to a description of the market demand for the project. The description should refer to measurable demand based on waiting lists, market studies, etc., and be specific as to the type and number of units proposed and the characteristics of the population the project is intending to house. For example, if a project will have 20 two-bedroom units for elderly households, there must be specific demand for that kind of unit and population in the project area.

“Marketing / outreach” means activities related to promoting the availability of the housing proposed, such as events, announcements, and the development and distribution of special materials.

“Material party” means a person who has a financial interest, decision making authority, or influence in a transaction or project.

“Maximum interest rate” for the Welcome Home Program means the rate established pursuant to Part II B 11 b) (2) of the AHP Implementation Plan.

“McKinney” refers to a HUD grant for housing assistance for homeless persons. See www.hud.gov.

“Member” means a Member stockholder of the FHLB Cincinnati, which has full borrowing and voting rights and privileges. Members include commercial banks, savings and loan associations, savings banks, credit unions, insurance companies, and community development financial institutions.

“Mobile Home” refers to a residential structure manufactured prior to the enactment of the Federal Manufactured Housing and Construction Standards, also known as the HUD Code, on June 15, 1976. Mobile homes are not eligible for AHP subsidy.

“Moderate-income” means income at or below 80 percent of the area median income, as determined by HUD, adjusted for family size.

“Modification” means any material changes in the structure of the project, including but not limited to any new or increased sources of funds, failure to receive other project-related funds or achieve compensated tax credit utilization, or any other material changes in the project's scope, scoring, or terms as outlined in the originally approved AHP application. See Attachment D: Modifications.

“Modular Home” refers to a home built to the State or Local Code where the home will be located. Sectional units are built in a production facility, transported to the site, and assembled onsite.

“Multi-family building” means a structure with five or more dwelling units.



“Neighborhood stabilization plan” means a formal housing or community development plan adopted by a unit of government, generally the HUD Consolidated Plan, or other comprehensive plans. It does not mean letters of endorsement or support for the project or the Sponsor.

“Net cash flow” means the cash flow available to a project, which is calculated as net operating income less annual replacement reserves less total hard debt service.

“Net income” means income from gross rents plus operating subsidy less vacancy loss plus other income, including laundry, and/or parking income.

“Non-profit organization” means a Sponsor designated as a 501(c)(3) or (c)(4) not-for-profit organization by the IRS.

“Non-residential space” means any area beyond what is necessary to allow residents to enjoy normal housing amenities. *One* manager’s office and *one* community room may be included as residential, but additional management areas or common spaces would be considered non-residential under the AHP. Please note that space normally included as common areas under the tax credit program may be considered non-residential space under the AHP. For example, art rooms, “Social services” program spaces, units reserved for case managers or “Social services” counselors or providers, and other such spaces are considered non-residential space under the AHP, and AHP funds cannot be used to pay for these spaces.

“Operating reserves” means funds set-aside to cover unexpected fluctuations in actual operating expenses. These are “Capitalized costs” if shown on the development budget or are “Replacement reserves” if shown on the operating budget.

“Operating/Rental subsidy” means funds received outside of rental income to cover a project’s operational costs.

“Overcrowded housing” (see “Homeless household”)

“Ownership” means a fee simple interest in a property to be used as a primary residence. Owner-occupied units may include single-family detached units, condominiums, townhomes, duplexes, triplexes, or quadplexes. Ownership properties also include those in which there is a true ownership through a cooperative.

“Ownership cooperative” means a cooperative in which members own a share in a corporation that owns or controls the building(s) and/or property in which they live. Each shareholder is entitled to occupy a specific unit and has a vote in the corporation. Every month, shareholders pay an amount that covers their proportionate share of the expense of operating the entire cooperative, which typically includes underlying mortgage payments, property taxes, management fees, maintenance, insurance, utilities, and contributions to reserve funds. Such cooperatives may be market-rate or limited-equity cooperatives.



“Owner-occupied rehab” means a project in which AHP subsidy is used to rehabilitate housing units already owned by the resident. It does not include projects that acquire vacant housing units for rehab and resale.

“Ownership interest” means part or full ownership of the property, either directly or through a subsidiary or affiliated entity.

“Partnership agreement” refers to the formal agreement detailing the responsibilities of the various parties in a development funded through tax credits, including the general partner(s), limited partner(s), investor(s), developer(s), consultant(s), and others, relative to the amounts and timing of payments, management responsibilities, financial responsibilities, compliance with funding requirements, programmatic or other commitments, etc.

“Permanent loan” means a repayable, amortizing loan, with a loan term of at least 15 years to the project or homebuyer, evidenced by a note and mortgage or deed of trust.

“Permanent supportive housing” is long-term housing which includes supportive services for special needs or homeless households that enable residents to live as independently as possible in a permanent setting. The supportive services may be provided by the organization managing the housing or coordinated and provided by other service agencies.

“Predevelopment activities” refer to activities related to acquiring and developing land, developing plans, securing zoning and other government approvals, securing financing, etc.

“Project development costs” (see “Total project costs”)

“Property management” means all, or most, of the tasks associated with daily operations of a rental property, for example: marketing and outreach, applicant intake, executing and enforcing leases, collecting payments, preparing units for rent, routine maintenance, managing and maintaining common and public space, record keeping and accounting, and compliance and reporting.

“Provision of financing to project borrowers” means closing the first mortgages in the name of the Sponsor, Member, or other organization.

“Qualified Census Tract” means a tract defined as qualified by the HUD Qualified Census Tract Table Generator.

“Real Estate Owned” (REO) means property taken by the lender as the final step in the foreclosure process. The property ownership has been conveyed back to the lender.

“Rehabilitation Act” is codified at 29 USC 791.

“Related party” or “Related parties” means any party or parties related by family, business, or personal interest to a Sponsor, Member, or other party directly involved in an AHP project. Developer, tax credit syndicator, consultant, property manager, service provider, and contractor are all considered parties directly involved in an AHP project. Related parties



would include any persons related by family, business, or personal interest to any Member of the Sponsor's Board of Directors or staff, the Member's Board of Directors or staff, or the Board of Directors or staff of any other party directly involved in an AHP project.

“Relocation plan” means a formal plan and procedures for providing permanent housing for persons “Displaced” by a project.

“Rental” means, for purposes of the competitive application program, one or more dwelling units for occupancy by households that are not owner-occupants, including overnight and emergency “Shelters”, “Transitional housing” for homeless households, mutual housing, “Single-room occupancy” housing, lease-purchase, and units owned in a cooperative (other than a true “Ownership cooperative”).

“Replacement reserves” means funds set aside to cover some or all of the cost to replace assets as they are used up (for example, roof, plumbing, and appliances. These are “Capitalized costs” if shown on the development budget.

“Retention period” means:

1. Five (5) years from the “Completion” date for an AHP-assisted owner-occupied unit.
2. Fifteen (15) years from the date of project “Completion” for a rental project.

“Scattered site” means project units located at more than one physical location. This may involve multiple, noncontiguous lots in a common area or might even involve sites in multiple counties or states.

“Servicing loans” means receiving monthly payments of principal and interest and providing them to the Sponsor as the mortgage holder. A Member may also receive payments for escrow of taxes and insurance and remit the annually required payments.

“Shelter” means any facility, the primary purpose of which is to provide temporary housing for homeless persons in general or for specific populations of the homeless. If a project is providing only “Beds” instead of rental units (like apartments) and residents stay intermittently or for only short periods, it probably should be characterized as a "shelter" project. Rental projects that provide single rooms but allow residents to stay for longer periods are generally considered “Single-room occupancy (SRO)” projects and are not considered "Shelters." The distinguishing characteristics of a "Shelter" project are:

1. The purpose of the facility is to provide temporary housing for homeless persons in general or for specific populations of the homeless;
2. Residents stay intermittently or for only short periods of time;
3. “Beds” are provided instead of apartment units with bath and/or kitchen facilities; and,
4. Residents do not sign leases or pay any significant rent.



“Significant proportion,” with regard to donated or conveyed property, means at least 20 percent of land or units.

“Single-family building” means a structure with one to four dwelling units.

“Single-room occupancy” (SRO) means a unit (or a project) which provides living and sleeping space for the exclusive use of one occupant, but requires the occupant to share sanitary and/or food preparation facilities with occupants of other units. An SRO unit may not be occupied by more than one person. There is no limitation on the number of SRO units in an SRO facility. This definition is intended to be consistent with the HUD definition of SRO in the HUD Housing Choice Voucher Handbook (7420.10G), Chapter 17.

“Social services” are services and activities provided directly by the Sponsor organization to the general population to improve their general well-being. Such services may include daycare for children or adults, protective services for children or adults, special services to persons with disabilities, adoption counseling, case management, family planning, health-related services, transportation, foster care for children or adults, substance abuse counseling, legal services, home-delivered meals, congregate meals, independent/transitional living, special services for youth, employment services, or any other social services found necessary for the population.

“Social services agency” means an organization chartered or otherwise organized to provide a broad range of social services including at least three of the services listed above.

“Soft debt” means debt for which there is no requirement for repayment, which is deferred or forgiven, debt repayable to a “Related party” such as a loan from a Sponsor to an ownership entity in which the Sponsor has an “Ownership interest,” or debt that is to be repaid only from excess cash flow or upon certain other conditions and is not included in the calculation of “Hard debt.”

“Special needs” means any person or household member meeting the definition of “elderly” or any person or household member meeting one of the following additional definitions:

1. “Physically disabled” means any person: a) with a physical impairment that results in substantial functional limitations and who is receiving disability benefits from federal or state government; or b) who is deemed physically disabled by a licensed physician who attests that, by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning, or socializing.
2. “Mentally disabled” means any person: a) who is diagnosed with a psychiatric disorder and is receiving disability benefits from federal or state government; or b) who is deemed to have a comparable long-term mentally disabling condition by a qualified professional, such as a licensed psychiatrist, psychologist, or clinical social worker, who attests that, by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning, or socializing.



3. “Developmentally disabled” means any person: a) with a severe, chronic developmental disability who has been diagnosed with mental retardation and is receiving disability benefits from federal or state government; or b) who is deemed developmentally disabled by a licensed physician who attests that, by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning, or socializing.
4. “Co-occurring disabled” means any person: a) diagnosed as having both a psychiatric disorder as well as substance abuse/dependency (co-occurring issues) who is receiving disability benefits from federal or state government; or b) who is deemed to have a comparable long-term co-occurring condition by a licensed psychiatrist, psychologist, or clinical social worker, who attests that, by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning, or socializing.
5. “Physically or emotionally abused” means any person who is or will be residing in a place protecting such person from physical or emotional abuse.
6. “Chemically dependent” means any person with a history of substance abuse/dependency who is diagnosed as chemically dependent or receiving treatment for the abuse/dependency from a licensed physician, psychiatrist, psychologist, or clinical social worker or is receiving treatment in a recognized therapeutic program.
7. “Persons with AIDS” means any person with a medical diagnosis of Acquired Immune Deficiency Syndrome or any person who is medically diagnosed as HIV positive who is receiving medical care for the condition diagnosed.

“Special purpose housing” means a facility that provides permanent or transitory housing for unrelated persons who share a common characteristic, most often referring to homes designed for those with special needs or certain other characteristics. Residents have their own room or share a room or “Bed”, but share facilities such as laundry, bathroom, kitchen and common living areas, and sign leases and pay rent or the project Owner receives an “Operating/Rental subsidy”.

“Sponsor” means a not-for-profit organization, government agency, housing authority, state housing finance agency, Native American Tribe, Alaskan Native Village, the government entity for a Native Hawaiian Home Land responsible, or a for-profit organization for an AHP project. For-profit organizations are not eligible for points under the Project Sponsorship scoring category since they are not considered “Eligible Sponsors.”

“Substantial rehab” in the AHP application means repairs, replacements, improvements (including major movable equipment) and additions, the cost of which exceeds \$10,000 in “Construction hard costs” per unit, on average. The intent is to fund projects in which the rehab is more than cosmetic.



- “Tax credit syndicator” acts as a broker of tax credits for multiple developers and investors and establishes equity funds that finance multiple projects.
- “Temporary relocation” means that one or more current residents might have to move to other units in the project or to other housing outside of the project during construction or rehab but will return to the project after completion of the project.
- “Tenant position on Sponsor’s Board” means a resident of an AHP-funded project serving on the Board of Directors of the Sponsor (or the Sponsor’s parent organization) with full rights and voting privileges. The resident of the project must be currently leasing a unit in the project, must have been selected by other residents, and the Board must adopt procedures that describe the selection process, including eligibility and filling vacancies.
- “Tenant rent” means the rent paid monthly by the occupant according to the lease. Rent paid by the tenant may include or exclude utilities, but does not include any operating subsidies or rental subsidies such as Section 8 that is paid to the projects by any other source.
- “Third-party income documentation” is provided by an independent source to verify an individual’s income, such as wage statements, interest statements, and unemployment compensation statements. Examples of third-party sources include employers, the Social Security Administration, and the IRS, *not* Sponsors of an AHP project. The FHLB uses Appendix A: Income Eligibility Guide as a guide for acceptable “Third-party income documentation.”
- “Total development costs” means the sum of acquisition costs, hard costs, and soft costs shown on the development sources and uses *less* any “Developer Fee.”
- “Total number of units” refers to the total number of units in the project, including any market rate units, managers’ unit(s), and all AHP-assisted units. Unless structured differently, the number of units in a “Shelter,” “Group home” or “Special purpose housing” project means the total number of “Beds.”
- “Total project costs” means the sum of acquisition costs, hard costs, and soft costs shown on the development sources and uses *plus* Developer Fee.
- “Transitional housing” refers to housing programs assisting people who are ready to move beyond emergency shelter into a more independent living situation. Transitional programs allow individuals and families to more fully develop the stability, confidence, and coping skills needed to sustain permanent housing. Some transitional program participants live in apartment-style quarters, while others may be in group settings where several families or individuals share a household. The project must provide sufficient individual space for each household to develop and grow independently.
- “Tri-party agreement” refers to the formal agreement between the FHLB, the Member, and the Sponsor/Owner relating to the AHP project, the responsibilities of each, and the funding



approved. It also contains the requirements of the AHP regulation. If the regulations governing the AHP are amended, the amendments are incorporated by reference into existing agreements.

“Unit” or “Bed” means an individual dwelling or single-family home with its own private entrance, residential kitchen/cooking area, at least one full bath, and at least one sleeping area. A unit may be occupied by one or more persons. “Single-room occupancy (SRO)” dwellings are also considered units if the project provides a private entrance to each unit, units contain a sleeping area and food preparation space, a bath, or both, and only one person will occupy each unit. Community self-service cooking areas, and community sanitary areas, may also be provided with SRO projects.

A “Bed” is used in residential facilities such as “Shelters”, “Group homes”, and “Special purpose housing” projects that do not provide individual living areas with a bath and/or kitchen or food preparation space. A “Bed” may not be occupied by more than one person.

“Very low-income” means income at or below 50 percent of the area median income, as determined by HUD, adjusted for family size.

Note: The AHP descriptions, related documents, and the AHP on-line application may contain other terms or phrases not defined here. These terms or phrases may be associated with descriptions or definitions appropriate to the context in which they appear. These additional words and phrases and any descriptions and definitions appearing in the online application or elsewhere are incorporated herein by reference. Slight variations in the wording of definitions may be required by the context in which terms appear, and these variations should not be construed as different definitions. Any questions about the definitions stated here, in the online application, or elsewhere should be addressed to the FHLB for resolution.



Attachment F

Project Feasibility Guidelines

The AHP regulation requires an FHLB to adopt guidelines for determining development and operational feasibility. The FHLB has developed its feasibility guidelines after review and analysis of prior AHP application submissions; review of information from the other FHLB's; requirements, priorities, and guidelines of the state housing finance agencies in the district; the Report of the National Council of State Housing Agencies' Working Group on Housing Credit Allocation and Underwriting Recommended Practices; review and recommendations from an independent housing finance professional; and discussions with the FHLB's Affordable Housing Advisory Council.

The determination of feasibility is based primarily on information submitted in the AHP application, especially Attachment A: Sources and Uses of Funds; Attachment B: Rental Project Worksheet (Unit Mix); Attachment C: Project Cash Flow Analysis – Income Expense Statement; Attachment D: Sources and Uses of Funds for Habitat for Humanity projects; and related supporting documentation. For most of the requirements and guidelines described below, the AHP application performs preliminary calculations, compares the values for each project to the guidelines in the Feasibility Report, and indicates any values outside the guidelines. This information is intended only as a guide to assist the applicant during application preparation. During the final application review, values may be recalculated by the FHLB based on all of the financial information submitted and the final values are compared to the guidelines. The determination of project feasibility is based on this final review.

The project must meet all feasibility requirements and guidelines outlined here or provide explanations satisfactory to the FHLB for any values outside the guidelines. Projects that deviate from these parameters will undergo additional review and underwriting to determine the reason for, and the reasonableness of, any deviation. Based on this review and underwriting, staff may work with project Sponsors or owners to make adjustments to the financial information submitted at application or at disbursement to ensure that the information accurately reflects the nature and financial structure of the project. Any change to the financial parameters of the project between application and disbursement that cause exceptions to these guidelines which were not approved at AHP award, will be reviewed on a case-by-case basis and may result in a reduction of the AHP amount or a denial of the request.

The FHLB may also allow reasonable deviations from the guidelines, based on the nature, location, and type of the project and based on explanations provided by the Sponsor to justify such deviations. However, the Sponsor or project Owner is ultimately responsible for ensuring that financial information is correct and consistent and that the project's financial structure meets the FHLB's guidelines, or that any deviations are adequately explained, justified, and



documented. The FHLB assumes no obligation to reconcile conflicting information, accept incomplete information, or seek additional information or clarification that is not provided at time of application or disbursement request.

In administering the AHP and this Plan, and reviewing and evaluating Sponsors, projects and applications hereunder, the FHLB reserves the right to determine in its good faith discretion (exercised in a uniform and consistent manner) whether the project or any portion of the application in question meets all of the following: the requirements of this Plan, the intended uses of an AHP subsidy, the integrity of the program and the safe and sound operations of the FHLB and use of its assets.

I. Project Feasibility

- A. The project must be likely to be completed and occupied, based on relevant factors contained in these guidelines, including, but not limited to, the development budget, market analysis, and project Sponsor's experience in providing the requested assistance to households.
- B. A rental project must be able to operate in a financially sound manner, in accordance with these guidelines, as projected in the project's operating budget.
- C. Project feasibility will be reviewed and assessed at time of application, at time of disbursement, and may be completed at any project modification. The FHLB will determine the reasonableness of proposed or actual costs based on its experience with similar projects, similar locations, and similar populations being served. The FHLB's determination will be final and any costs determined not reasonable will be disallowed, not be reimbursed, and the AHP amount may be reduced or the application rejected.
- D. If any of the feasibility requirements for receiving AHP subsidy are more restrictive than requirements from other funding sources, the AHP requirements must be satisfied.

II. Determination of Project Viability

- A. The project must identify sources of funds, including AHP subsidy, sufficient to cover all reasonable costs identified, and sources and uses of funds must match. All costs and all funding must be shown on the Sources and Uses of Funds (Attachment A or Attachment D). There can be no costs identified for which there is insufficient funding and there cannot be funding identified in excess of reasonable costs. If funding is insufficient, the application may be rejected. If excess funds are identified, the AHP amount may be reduced, or the application may be rejected.
- B. The FHLB will determine the reasonableness of proposed or actual costs based on its experience with similar projects, similar locations, and similar populations being



- served. The FHLB's determination will be final, and any costs determined not reasonable will be disallowed and will not be reimbursed with AHP funds.
- C. If the project is providing any rehab of rental or ownership units, the rehab must bring the project into compliance with local codes.
 - D. Projects proposing rehabilitation of rental units must submit a detailed breakdown of anticipated costs, at time of application, based on estimates by a licensed or certified third-party architect, building inspector, general contractor, or other qualified individuals with prior approval by the FHLB. At time of disbursement, verification by one of the aforementioned qualifying parties of actual rehabilitation costs completed for rental and ownership projects must be submitted. Costs associated with the provision of third-party inspections may be included in the project's development budget as an AHP-eligible expense.
 - E. The project must demonstrate that the AHP subsidy will be used to benefit income-eligible and otherwise qualified recipients and that the benefit is always under the control of the Sponsor/Owner. No *intermediaries* who are not party to the AHP agreements can be involved in a project. AHP requirements and responsibilities belong solely to the Sponsor/Owner and cannot be transferred to another party. The Sponsor/Owner cannot lease the property to another party and/or transfer the responsibility for ensuring that all AHP requirements are satisfied. Under such a circumstance, the original Sponsor/Owner would be subject to Recapture of all or a portion of the AHP subsidy.

III. Reasonableness of Project Costs

- A. "Acquisition costs" must be shown on the Sources and Uses of Funds, if the property will be or was acquired within the last five years.
 - 1. Acquisition costs must be documented. Such documentation may include a HUD-1 Settlement Statement, Closing Disclosure, a purchase option, purchase contract, or deed with the purchase price indicated in the name of the Sponsor/Owner identified in the application.
 - a) Appropriate documentation of market value must be provided at time of disbursement for ownership projects and at time of AHP application for rental projects.
 - b) Market value may be documented either by the assessment for property tax purposes or an independent appraisal of the property performed by a state certified or licensed appraiser. An independent appraisal is required for all "Related party" transactions.



- c) Market value must be documented within a reasonable time from the date upon which the purchase price was agreed or conveyance was completed, generally within six months.
 - d) If no information is submitted to support the acquisition costs, the disbursement may be denied or the subsidy requested may be reduced or the AHP application rejected.
2. Acquisition costs must be reasonable. This means that the purchase price does not exceed the market value of the property at the time of conveyance and that any related costs are reasonable.
 - a) If the purchase price is not greater than the value shown as the assessment for property tax purposes, the costs shall be deemed reasonable.
 - b) If the purchase price is greater than the value shown as the assessment for property tax purposes, an independent appraisal of the property performed by a state certified or licensed appraiser dated within a reasonable period of when the price was agreed upon or the property was conveyed, generally within six months of conveyance, must be submitted. If the purchase price is not greater than the value shown in the independent appraisal, the costs shall be deemed reasonable.
3. If the project involves a restructuring of HUD or USDA (Rural Development) debt or an Assumption:
 - a) The costs may only reflect the outstanding debt on the property plus reasonable transaction costs, if the debt is being paid off via the development of the project. If the debt is not being paid off, the debt should not appear as an acquisition cost on the sources and uses of funds.
 - b) If the costs in such projects include any amounts paid for *exit taxes*, such amounts must be documented and justified to be deemed reasonable.
4. If the project involves a conveyance between “Related parties” and costs are equal only to the outstanding debt on the property plus reasonable transaction costs and the debt is being paid-off through the development of the project, the costs shall be deemed reasonable. If the project involves a conveyance between ‘Related parties’ and there is no outstanding debt or the debt is not being paid off, no acquisition costs may appear on the Sources and Uses of Funds, or these acquisition costs will be removed and the process noted in item b) below will be applied. The FHLB recognizes that such acquisition costs may be considered in eligible basis when an entity transfers its ownership interest to a single-purpose entity for tax credit projects, but, if the original ownership entity retains an



interest in the single-purpose entity, no acquisition costs can appear on the Sources and Uses of Funds.

- a) If the market value of the property is reflected on the Sources and Uses of Funds, as allowed under other funders' guidelines, and the acquisition costs are not greater than the value in the independent appraisal, the costs shall be deemed reasonable; however, these costs are not allowed under the AHP guidelines.
 - b) In such "Related party" conveyances where market value is reflected on the Sources and Uses of Funds, the developer fee will be limited to the maximum percentage of "Total Project Costs" less "Acquisition Costs" net of "Developer fee." Other feasibility parameters and scoring criteria affected by a "Related party" transaction where acquisition costs are not recognized will also be reassessed.
5. If the property is sold to a project by a Member providing AHP subsidy to the project, or property sold to the project upon which the Member holds a mortgage or lien, the market value of such property is deemed to be the "as-is" or "as-rehabilitated" value of the property, whichever is appropriate as reflected in an independent appraisal. If the acquisition costs are not greater than the value shown in the independent appraisal, the costs shall be deemed reasonable.
 6. The FHLB recognizes that a market value appraisal may not accurately reflect the full value of the property for projects that have subsidized rents or other subsidized financing. In addition to the assessed value for tax purposes and the appraised value, the FHLB may also consider the value of subsidy associated with a property and include that analysis in its determination of the reasonableness of acquisition costs for such properties.

B. Total Project Costs

1. Total costs as shown on the Sources and Uses of Funds are expected not to exceed \$185,000 per unit. For "Shelter" projects, "Group homes," and "Special purpose housing" that provide "Beds" instead of "Units," total project costs are expected not to exceed \$50,000 per "Bed."
2. Analysis of project costs will consider the geographic location of the project, development conditions, and other non-financial household or project characteristics.
3. AHP funds cannot be used to pay for "Commercial space" or "Non-residential space."



4. The value of donated land, materials, or professional labor/services provided by a “Related party” should not be included on the sources and uses of funds, even if that value is entered as a cost with an offsetting source of funds. Volunteer labor or sweat equity should never be included on the Sources and Uses of Funds (Attachment A or D) under any circumstances. All other donated land, materials or professional labor/services must show an offsetting source of funds associated with the value of each donation entered as a cost on the Sources and Uses of Funds (Attachment A or D).
 5. Even costs below the guideline must be determined to be reasonable. The guideline is not intended as a “safe harbor.” The FHLB may review costs per unit, costs per square foot, individual line-item costs, or use other measures to determine that development costs are reasonable.
- C. Other Specified Line Costs:
1. For projects that do not involve the conveyance of property to “Related parties,” the calculation of the developer fee percentage will be based on development costs defined as “Total project costs” net of developer fee, consultant fees, application preparation fees and similar costs, collectively defined as “Developer fee.”
 - a) Maximum of fifteen percent (15%) for rental and ownership projects involving new construction or acquisition plus rehabilitation;
 - b) Maximum of fifteen percent (15%) for rental projects involving only rehabilitation;
 - c) Maximum of ten percent (10%) for ownership projects involving rehabilitation of occupied units;
 - (1) If the Sponsor’s employees are performing owner-occupied rehab, and if the employee labor rates include administrative or overhead expenses, no amount will be allowed for developer fee.
 - (2) If the Sponsor’s employees are performing owner-occupied rehab, but the employee labor rates do not include administrative or overhead expenses other than the cost of employee benefits, the project is eligible for a developer fee up to the stated limit.
 - (3) If the Sponsor’s employees are not performing the rehab, that is the rehab is being done by volunteers and/or contractors, the project is eligible for a developer fee up to the stated limit.
 - d) Maximum of five percent (5%) for ownership projects involving only acquisition of properties by new eligible homebuyers.



- e) Maximum of twenty percent (20%) for rental or ownership projects involving new construction, acquisition and rehabilitation, rehabilitation of ownership units for resale to eligible homebuyers, or rental rehabilitation only. Sponsor must demonstrate that at least the amount of “Developer fee” over 15 percent is put back into the financing of the project in the form of deferred developer fee or owner equity.
2. For projects that involve the conveyance of property to “Related parties,” the calculation of the developer fee percentage will be based on development costs defined as “Total project costs” less “Acquisition costs” net of “Developer fee:”
 - a) Maximum of fifteen percent (15%) for rental and ownership projects involving new construction or rehabilitation;
 - b) Maximum of five percent (5%) for rental projects involving only acquisition by new owners.
 3. Tax credit equity should be at least \$0.90 per dollar of tax credit sold.
 4. Project soft costs, as shown on the Sources and Uses of Funds, cannot exceed 25 percent of total project costs. For rental projects receiving tax credits, project soft costs cannot exceed 30 percent of total project costs.
 5. Project hard costs contingency cannot exceed 10 percent for new construction, 15 percent for rehabilitation or adaptive reuse, and 20 percent for historic rehabilitation of total hard costs less hard costs contingency.
 6. Project soft costs contingency cannot exceed ten percent of total soft costs less soft costs contingency.
 7. “Capitalized costs” (including lease-up reserves, operating reserves, replacement reserves, asset management fees, and any other costs generally considered operating expenses but shown on the Sources and Uses of Funds) may not exceed the following limits, except under the limited circumstances described below:
 - a) For all rental projects, an amount equal to 12 months of total operating expenses, annual replacement reserve, and total annual hard debt service expense as shown on the operating budget.
 - b) For historic rehabilitation projects or those serving primarily special needs populations (excluding the elderly), an amount equal to 15 months of total operating expenses, annual replacement reserves, and total annual hard debt service expense as shown on the operating budget.
 - c) For HUD 202 or 811 projects, or for other projects for which a governmental entity (such as HUD, VA, or RD) requires, funds, and controls the use of



replacement reserves, the amount of such reserves may cause the total “Capitalized costs” to exceed the limits identified above.

- d) AHP subsidy cannot be used to pay for “Capitalized costs.”
 - e) Occupied rental rehab projects must document existing reserves and include them as a development funding source
8. Total Contractor Costs must be no more than 14% of total “Hard costs” as calculated by adding construction management/overhead, contractor profit, and general requirements divided by the total “Hard costs” net of these items.

D. Rehabilitation Costs for Owner-occupied Projects

- 1. Total “Hard costs” per unit must be between \$5,000 and \$50,000 per unit. Projects proposing “Hard costs” greater than \$50,000 per unit at time of AHP application must explain why it would not be better to demolish and replace the unit. Projects proposing “Hard costs” lower than \$5,000 per unit must justify that the rehabilitation is necessary or not used exclusively for cosmetic improvements.
- 2. The rehab must be appropriate for the homeowners being assisted. If special needs homeowners with physical disabilities are included in the project, there should be a priority for rehab that improves accessibility.
- 3. If the Sponsor’s employees are performing the rehab activities, labor rates for skilled trades and unskilled labor, and number of hours charged to the project, including administrative or overhead costs, must be reasonable and comparable to amounts charged to a private-pay customer for similar activities in the project area. At disbursement, the FHLB may require documentation of market rates for comparable labor and or the Sponsor’s indirect cost allocation plan.

IV. Affordability

- A. The contract rent (actual rent paid by the tenant plus any operating or rental subsidy, if applicable, not including utility allowance) charged for AHP-assisted rental units must not exceed 30 percent of the gross income for a household of the maximum income and size expected to occupy the unit (assuming occupancy of 1.5 persons per bedroom or 1.0 persons per unit without a separate bedroom). This requirement applies to all units occupied by “Income eligible” households.

Affordability is met if contract rents are established and subsidized with HUD Section 8 assistance or under another assistance program using the same rent structure as the HUD Section 8 program.

- B. For homeownership projects (except for owner-occupied rehab projects), the monthly payment of mortgage principal and interest, plus taxes, and insurance, must not



- exceed 31 percent of the household's gross monthly income as determined at application intake.
- C. Projects not meeting the "Affordability" guideline may be denied, or the AHP subsidy may be reduced.

V. Operational Feasibility (Rental Projects Only)

A. Operating Cash Flow

1. Project cash flow must be shown for the residential part of the project, separate from any cash flows from commercial or non-residential operations or from social services.
 2. The project should forecast positive residential "Net cash flow" over a full 15 years, as demonstrated on the operating budget submitted at time of application.
 3. The residential "Net cash flow" cannot be dependent on excess cash flows from commercial, non-residential, social services or other non-rental cash flows in order to meet this requirement.
 4. Non-residential cash flows must also be positive for the entire 15-year period, and the non-residential uses cannot depend on excess cash flow from the residential uses in order to be sustainable.
- B. If the project is relying on fundraising or other cash contributions for any significant part of the project's operating revenue, the Sponsor will be required to demonstrate a history of such fundraising, and the Sponsor's Board of Directors will be required to demonstrate a commitment of such funds for the entire 15-year operating period.
- C. In projecting residential operating income and expenses in years two through 15, an application must project reasonable increases for both income and expenses:
1. Generally, projected increases in income should not exceed three percent.
 2. Projected increases in expenses must be at least one percent greater than projected increases in income, except for projects with rental subsidy agreements that require income and expenses to be equal.
- D. Projects also receiving tax credits must submit the project pro forma as prepared by or for the tax credit investor/syndicator and as submitted to the tax credit allocating agency. The estimates of project costs and the projections of project income and expenses in the pro forma should match the financial information submitted as part of the AHP application, as well as match the AHP income targeting commitments.



VI. Reasonableness of Operating Costs (Rental Projects Only)

- A. The FHLB will determine the reasonableness of proposed or actual costs based on its experience with similar projects, similar locations, and similar populations being served. The FHLB's determination will be final.
1. Projects must show a vacancy rate between five and 10 percent, except for "Shelter," "Group home," and "Special purpose housing" projects, which may show zero vacancy. Loss of uncollected rent, bad debt, etc., is not permitted to be included on the project's income and expense statement or operating pro forma. Any anticipated losses should be included in the vacancy rate.
 2. "Replacement reserves"
 - a) All rental projects must show an annual replacement reserve on the operating budget.
 - b) Such reserves should not exceed \$400 per unit per year. Reserves per unit for "Shelter," "Group home" or "Special purpose housing" projects should not exceed \$200 per "Bed" per year.
 - c) For HUD 202 or 811 projects, or for other projects for which a governmental entity (such as HUD, VA, or RD) requires, funds, and controls the use of "Replacement reserves," the amount of such reserves may exceed the limits stated above. In such cases, satisfactory documentation from the governmental entity is required for any exception to be considered by the FHLB.
 3. AHP subsidy cannot be used to pay for replacement reserves or any other operating cost.
 4. Operating cost per unit as shown on the operating budget should not exceed \$5,000 per year. Operating cost per "Bed" for "Shelter," "Group home" or "Special purpose housing" projects should not exceed \$4,000 per year. Even costs below the guideline must be determined to be reasonable. The guideline is not intended as a "safe harbor." The FHLB may review costs per unit, costs per square foot, individual line item costs, or use other measures to determine that operating costs are reasonable.
- B. "Management fees"
1. Cannot exceed ten percent of "Net income," as shown on the operating budget unless satisfactory justification is provided to the FHLB.
 2. For HUD 202 or 811 projects and other governmental funded projects (such as HUD, VA, or RD), the government entity may require higher management fees.



In such cases, satisfactory documentation from the government entity is required for any exception to be considered by the FHLB.

- C. The “Debt coverage ratio” in the first full year of operations should not exceed 1.50 and must be between 1.00 and 1.10 in year 15. An exception will be made for projects subject to annual approval of rents by a government agency, such as USDA Rural Development, when acceptable verification is provided. The FHLB will also review the Debt Coverage Ratio (DCR) in subsequent years to determine it remains reasonable and sufficient to allow repayment of debt. In calculating a project’s DCR, the FHLB will only include “Hard debt” as defined in Attachment E: Definitions.
- D. For projects with no “Hard debt,” total operating expenses plus “Replacement reserves” should be equal to or greater than 80 percent of “Net income” in the first full year of operations.
- E. For permanent supportive housing projects only: if the project or the tenants will receive a utility allowance for the payment of utilities and the utility allowance is included in the contract rent on Attachment B, utility costs should be included on Attachment C on the Utilities for Apartments line item. Otherwise, utilities should not be included on Attachment C. Site security may appear on Attachment C as a housing expense; however, case management, social services, etc., should all be paid by another income source and should not appear on Attachment C as a housing expense, but can be included in the Social Service line items.
- F. Utilities should not be included in the contract rent on FHLB’s Rental Project Worksheet (Attachment B).

VII. AHP Limits

- A. Subsidy per unit limits
 - 1. Rental and ownership projects involving new construction, acquisition, or acquisition and rehabilitation may request no more than \$50,000 per AHP-eligible unit.
 - 2. “Shelter,” “Group home,” “Special purpose housing,” and owner-occupied rehabilitation projects may request no more than \$15,000 per AHP-eligible unit.
- B. Projects may not request funds in excess of \$1,000,000 or 75 percent of the total project costs, whichever is less.

VIII. Summary of Feasibility Guidelines

The following guidelines represent targets and parameters for use in determining feasibility of AHP projects. Projects that deviate from these parameters will undergo additional review and underwriting to determine the reason for, and the reasonableness



of, the deviation. Projects that are outside any of the guidelines may be rejected or the AHP subsidy request reduced.

Criterion (calculation)		Required Range – Limit
Rental Housing:		
Debt Coverage Ratio ((Net Operating Income – Annual Replacement Reserve) / Total Annual “Hard Debt” Service)	O R	1.50 maximum in year one and 1.00 to 1.10 in year 15 (for projects with permanent debt)
Expense to Income Ratio ((Total Operating Expenses + Annual Replacement Reserve) / Net Income)		≥ 80% (for projects without permanent debt)
Vacancy Ratio (Vacancy Loss / [Gross Residential Rents + Project-based Operating or Rental Subsidy])		5% - 10% (except for “Shelter,” “Group home,” and “Special purpose housing” projects, which may have 0% vacancy)
Capitalized Costs (Lease-up Reserve, Operating Reserve, Replacement Reserve, Asset Management Fees and any other costs on the development budget or Attachment A that could be categorized as operating expenses.)		
Historic Rehabilitation Projects or Those Serving Primarily Special Needs Populations (not elderly)		Maximum 15 months of Total Operating Expenses, Annual Replacement Reserve, and Total Annual Hard Debt Service
All Projects (except special needs and historic rehab projects)		Maximum 12 months of Total Operating Expenses, Annual Replacement Reserve, and Total Annual Hard Debt Service
Annual Replacement Reserve (Annual Replacement Reserve / Total Number of Units or Beds)		\$1 - \$400 per “Unit” per year \$1 - \$200 per “Bed” per year for “Shelter,” “Group home,” or “Special purpose housing” projects
Net Cash Flow (Net Operating Income – Annual Replacement Reserves – Total Annual “Hard Debt” Service)		Must be positive through year 15
Operating Cost per Unit (Total Operating Expenses / Total Number of Units or Beds)		Maximum \$5,000 per units Maximum \$4,000 per “Bed” for “Shelter,” “Group home,” and “Special purpose housing” projects
Management Fee Percentage (Management Fee / Net Income)		Maximum 10%
Tax Credit Sale Price per Dollar		Minimum \$0.90



Owner-Occupied and Rental Housing	
Total Project Cost per “Unit” ([Total Acquisition Costs + Total Hard Costs + Total Soft Costs] / Total Number of Units or Beds)	<p>Maximum \$185,000 for rental and ownership projects</p> <p>Maximum \$50,000 per “Bed” for “Shelter”, “Group home”, and “Special purpose housing” projects</p>
Total Soft Cost Percentage (Total Soft Costs / Total Project Costs)	<p>Maximum 25%</p> <p>Maximum 30% for tax credit projects</p>
Total Hard Costs per Unit for Owner-occupied Rehab Projects	Between \$5,000 and \$50,000
Hard Costs Contingency Percentage (Hard Costs Contingency / [Total Hard Costs – Hard Costs Contingency])	<p>Maximum 10% for new construction</p> <p>Maximum 15% for rehabilitation or adaptive reuse</p> <p>Maximum 20% for historic rehabilitation</p>
Soft Costs Contingency Percentage (Soft Costs Contingency / [Total Soft Costs – Soft Costs Contingency])	Maximum 10%
Total Contractor Costs ([Construction Management/Overhead + Contractor’s Profit + General Requirements] / [Total Hard Costs – Construction Management/Overhead – Contractor’s Profit – General Requirements])	Maximum 14%
Developer Fee Percentage (Total Developer Fee / [Total Project Cost – Total Developer Fee]; also see below)	<p>Maximum 15% for acquisition/new construction and acquisition/rehab projects</p> <p>Maximum of 10% for owner-occupied rehab projects (with other restrictions and limitations)</p> <p>Maximum of 5% for projects involving only acquisition of properties by new owners</p> <p>Maximum of 20% for acquisition/new construction and acquisition/rehab projects when any amount over 15% is returned to the project</p>
AHP Subsidy per Unit (AHP Requested / Number of AHP-assisted Units or Beds)	Maximum \$50,000 for traditional rental units and ownership units involving new construction, acquisition, or acquisition/rehabilitation



	Maximum \$15,000 for “Shelter”, “Group home”, “Special purpose housing”, or owner-occupied rehabilitation projects
Total AHP Subsidy Requested (AHP Requested / Total Project Costs)	\$1,000,000 or 75% of the Total Project Costs, whichever is less

IX. Financial Calculations:

From Attachment A:

Total Project Cost = Total Acquisition Costs + Total Hard Costs + Total Soft Costs (including Developer Fee)

Total Development Cost = (Total Acquisition Costs + Total Hard Costs + Soft Costs) – Total Developer Fee (including any Consultant Fees, Application Preparer Fees, and Similar Costs)

Total Developer Fee = Developer Fee and Developer Overhead + Consultant Fee + Application Preparer Fees and Similar Costs

Developer Fee Percentage = Total Developer Fee / Total Development Cost

Total Soft Cost Percentage = Total Soft Costs / Total Project Cost

Total Contractor Costs = (Construction Management/Overhead + Contractor’s Profit + General Requirements) / (Total Hard Costs – Construction Management/Overhead – Contractor’s Profit – General Requirements)

Total Hard Costs per Unit = Total Hard Costs / Total Number of Units or Beds

Hard Costs Contingency Percentage = Hard Costs Contingency / (Total Hard Costs – Hard Costs Contingency)

Soft Costs Contingency Percentage = Soft Costs Contingency / (Total Soft Costs – Soft Costs Contingency)

From Attachment C:

Net Income = (Gross Residential Rent + Project-based Rental or Operating Subsidy + Other Income) – Vacancy Loss

Net Cash Flow = Net Operating Income – Annual Replacement Reserve – Total Annual “Hard Debt” Service

Net Operating Income = Net Income – Total Operating Expenses (including Replacement Reserves)

Vacancy Ratio = Vacancy Loss / (Gross Residential Rents + Project-based Operating or Rental Subsidy)



Management Fee Percentage = Management Fee / Net Income

Debt Coverage Ratio = Net Operating Income / Total Annual “Hard Debt” Service

Expenses to Income Ratio = (Total Operating Expenses + Annual Replacement Reserves) / Net Income

Operating Cost per Unit = Total Operating Expenses / Total Number of Units or Beds

From Attachment D:

Developer Fee Percentage = Total Developer Fee / Total Development Cost

Total Soft Cost Percentage = Subtotal Soft Costs / Total Project Cost

From Attachment A and C:

Maximum Total Reserves for Historic Preservation or Projects Serving Primarily Special Needs:
(Total Operating Expenses + Annual Replacement Reserves + Total Annual “Hard Debt” Service) / 12 * 15 ≥ (Lease Up Reserves + Operating Reserves + Replacement Reserves + Asset Management Fees + Other Capitalized Reserves and Operating Costs)

Maximum Total Reserves: (Total Operating Expenses + Annual Replacement Reserves + Total Annual “Hard Debt” Service) / 12 * 12 ≥ (Lease Up Reserves + Operating Reserves + Replacement Reserves + Asset Management Fees + Other Capitalized Reserves and Operating Costs)



Attachment G

Retention Agreement Requirements

- I. Retention Agreement for Owner-occupied/Ownership Projects (AHP competitive grant and Welcome Home Program grant)
- II. Retention Agreement for Rental Projects (AHP Grant \leq \$750,000)
- III. Retention Agreement for Rental Projects (AHP Grant $>$ \$750,000)



I. Retention Agreement for Owner-occupied/Ownership Projects (AHP competitive grant and Welcome Home Program grant)

The language below should be inserted into the Warranty Deed or as a Restrictive Covenant to the Warranty Deed. If it is attached to the Warranty Deed as an addendum or attachment, the Warranty Deed must reference the addendum or exhibit. If recorded as a Restrictive Covenant, the document must reference the Warranty Deed.

Grantees, for and in consideration of receiving direct subsidy funds from the Federal Home Loan Bank of Cincinnati's (the FHLB Cincinnati) Affordable Housing Program (AHP), must maintain ownership in this property for a period of five (5) years (Retention Period) from the date of the recording of this deed.

- (i) The FHLB Cincinnati, whose mailing address is P.O. Box 598; Cincinnati, OH 45201-0598, is to be given notice of any sale, refinancing, foreclosure, conveyance by deed in lieu of foreclosure, assignment of the first mortgage to the Secretary of HUD, or change in ownership of the unit occurring prior to the end of the Retention Period.
- (ii) In the case of a sale or refinancing of the unit prior to the end of the Retention Period, an amount equal to a pro rata share of the AHP Subsidy that financed the purchase, construction, or rehabilitation of the unit, reduced for every year the seller owned the unit, shall be repaid to the FHLB Cincinnati from any net gain realized upon the sale or refinancing of the unit; unless:
 1. The unit was assisted with a permanent mortgage loan funded by an AHP advance;
 2. The purchaser is a very low- or low- or moderate-income household as defined in the applicable Federal Housing Finance Agency regulations for the AHP (in which case the retention period ends with the conveyance to such purchaser); or
 3. Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism, incorporating the requirements of clauses (i), (ii), and (iii) contained herein.
- (iii) The obligation to repay Subsidy to the FHLB Cincinnati shall terminate after any foreclosure or conveyance by deed in lieu of foreclosure or any assignment of the first mortgage to the Secretary of HUD.



II. Retention Agreement for Rental Projects (AHP Grant \leq \$750,000)

The language below should be inserted into the Warranty Deed or recorded as a Restrictive Covenant to the Warranty Deed. If it is attached to the Warranty Deed as an addendum, the Warranty Deed itself must reference the addendum or exhibit. If recorded as a Restrictive Covenant, the document must reference the Warranty Deed.

As a condition and in consideration of receipt of direct subsidy funds from the Federal Home Loan Bank of Cincinnati's (the FHLB Cincinnati) Affordable Housing Program (AHP), the Project Owner, for itself and all successors, agrees that:

- (i) The _____ ("Project's") rental units, or applicable portion thereof, must remain occupied by and affordable for households with incomes at or below _____ (insert levels committed to be served in the approved AHP Application) or as modified by FHLB for a period of fifteen (15) years ("Retention Period") from the date of the recording of this deed;
- (ii) The FHLB Cincinnati, whose mailing address is P.O. Box 598; Cincinnati, OH 45201-0598, is to be given notice of any sale, refinancing, foreclosure, or change in ownership of the Project occurring prior to the end of the Retention Period;
- (iii) In the case of a sale or refinancing of the Project prior to the end of the Retention Period, an amount equal to the full amount of the direct subsidy shall be repaid to the FHLB Cincinnati, unless the Project continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the AHP application (as stated above) for the duration of the Retention Period; and
- (iv) The income-eligibility and affordability restrictions applicable to the Project terminate after any foreclosure, deed in lieu of foreclosure, or assignment of the first mortgage to the Secretary of HUD.



III. Retention Agreement for Rental Projects (AHP Grant > \$750,000)

Unless otherwise approved in advance, and in writing, by the Federal Home Loan Bank of Cincinnati (the “FHLB” or the “FHLB Cincinnati”), all Affordable Housing Program (“AHP”) projects receiving more than \$750,000 in AHP subsidy will be subject to a promissory note and a real property security instrument (e.g. a mortgage, deed of trust, a deed to secure debt, or other appropriate security instrument under applicable law) between the Project Sponsor or Project Owner as mortgagor (as applicable based on the structure of the specific AHP project) and the Member as mortgagee, of a type that is customarily used by the Member in the jurisdiction where the real property is located.

- A. There must be a separate note and security instrument securing solely the AHP subsidy in connection with the Project.
 - 1. The note must have a zero percent (0%) interest rate;
 - 2. The note must have maturity period of 15 years; and,
 - 3. The note must specify that repayments of principal and interest must be paid forthwith to the FHLB.
- B. Members should use the form of note and security instrument that they would normally use to document a similar loan for their own account in the same jurisdiction where the AHP project is located. The Rider is a document designed to be attached to the Member's security instrument and recorded with such instrument.
- C. The minimum retention requirements of the AHP Regulations must be incorporated under a rider to the Member’s security instrument and must be recorded with such instrument. FHLB Cincinnati provides a sample AHP Rider only as a guide when preparing a project-specific rider to the security instrument. The FHLB makes no representation or warranty that a court will enforce these form documents in accordance with applicable state law. The FHLB strongly recommends that each Member have its counsel review the documents to address suitability and any state law requirements, including but not limited to consumer credit laws, notary requirements, usury laws, recording procedures and requirements, and requirements for mortgage states. The final note, security instrument and rider to the security instrument must meet the requirements of the Project’s jurisdiction.
- D. Members should incorporate the Rider into the security instrument by adding the following provision to the Member’s form of security instrument:

“Federal Home Loan Bank of Cincinnati Affordable Housing Program Retention Agreement Requirements. The Rider to Security Instrument – Federal



Home Loan Bank of Cincinnati Affordable Housing Program Retention Agreement (“Rider”) is attached hereto and by this reference made a part hereof. The provisions set forth in the Rider shall supersede any conflicting provision contained in this agreement, but only to the extent of such inconsistency.”

- E. Finally, the FHLB recognizes that the Department of Housing and Urban Development may require subordination of other security instruments. If that is the case, please contact the FHLB Cincinnati for a copy of a sample HUD/FHLB Cincinnati subordination agreement.



RIDER TO SECURITY INSTRUMENT
FEDERAL HOME LOAN BANK OF CINCINNATI AFFORDABLE HOUSING
PROGRAM RETENTION AGREEMENT

(Rental Project Receiving More Than \$750,000 in AHP Subsidy)

This Rider to Security Instrument is attached to and made part of the foregoing security instrument (the “Security Instrument”). In this Rider, the beneficiary of the Security Instrument is referred to as the “Lender” and the trustor or grantor under the Security Instrument is referred to as the “Borrower.” This Rider is a form of “retention mechanism agreement” referred to below.

RECITALS:

- A. Whereas**, pursuant to Section 721 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”), the Federal Housing Finance Agency (“Finance Agency”) is required to cause each Federal Home Loan Bank to establish an Affordable Housing Program (“AHP”) to assist members of each Federal Home Loan Bank to finance affordable housing for very low-, low-, and moderate-income households.
- B. Whereas**, the Federal Home Loan Bank of Cincinnati (“FHLB Cincinnati”) has also established an Affordable Housing Program Implementation Plan (as the same may be modified from time to time, the “**AHP Implementation Plan**”), and AHP policies, procedures, guidelines, and instructions covering, among other things, feasibility, funding, monitoring, and modifying affordable housing projects participating in the FHLB Cincinnati’s AHP (together with the Implementation Plan, collectively, as the same may be modified from time to time, the “**FHLB Cincinnati’s AHP Policies and Procedures**”; and together with the AHP Regulations, collectively, “**AHP Requirements**”);
- C. Whereas**, Lender, a Member of FHLB Cincinnati, submitted an application to FHLB Cincinnati (the “AHP Application”) for an AHP subsidy (defined below) in connection with the real property identified in the AHP Application and the improvements and tangible and intangible personal property associated or connected therewith, all of which is encumbered by the Security Instrument (the “Project”).
- D. Whereas**, pursuant to applicable regulations (including, without limitation, those contained in 12 CFR Part 1291) promulgated by the Finance Agency pursuant to FIRREA (the “AHP Regulations”), members of each Federal Home Loan Bank are required to provide for the repayment of any direct subsidy should said direct subsidy or the Project or a portion of the Project be improperly used.
- E. Whereas**, in connection with the Project, Borrower as “Project Owner” entered into an Affordable Housing Program Agreement (the “AHP Agreement”) with FHLB Cincinnati and Lender, pursuant to which Borrower and Lender agreed to be bound by the AHP



Regulations and perform certain monitoring functions with respect to the Project and related AHP Subsidy (defined below).

F. Whereas, Lender has advanced or agreed to advance the AHP Subsidy to Borrower in connection with Borrower’s purchase, construction and/or rehabilitation of real property described in the Security Instrument, and in connection with the AHP Subsidy, Borrower has executed the Security Instrument, which includes this Rider.

G. Whereas, the Parties desire to cause the Income and Affordability Restrictions and related covenants and restrictions required by the AHP Agreement to become recorded restrictions burdening the Project as defined below.

By signing the Security Instrument, Borrower hereby agrees as follows:

1. Project Information

Name and address of the
Project Owner:

Name and address of the
Project:

AHP Project Number:

Amount of the AHP Subsidy:

2. AHP Subsidy. The secured obligation described in and secured by the Security Instrument represents the “AHP Subsidy” used in connection with the purchase, construction or rehabilitation of the Project.

3. Definitions. As used in this Rider, the following capitalized terms have the following meanings:

“**Income and Affordability Restrictions**” means income limitations as amended or modified or adjusted annually according to the current applicable median income data



from time to time with the approval of FHLB Cincinnati and rent limitations such that the Project units are affordable for households with incomes at or below the levels committed to be served in the AHP Application.

“**Loan**” means the advance of funds evidenced by the Note.

“**Loan Documents**” means the Note, the AHP Agreement, the Security Instrument, and all other documents relating to or securing the Note, each as renewed, amended, modified, restated and extended from time to time.

“**Note**” means the promissory note secured by the Security Instrument.

All other capitalized terms not otherwise defined herein or in the Security Instrument shall be as defined in the AHP Agreement.

4. Covenants

- a. The Project's rental units, or applicable portion thereof, must remain occupied by and affordable for households with incomes at or below _____ (insert levels committed to be served in the approved AHP Application) or as modified by FHLB for a period of fifteen (15) years (“Retention Period”) from the date of the recording of this deed,
- b. Each of FHLB Cincinnati and the Lender is to be given notice of any sale or refinancing of the project occurring prior to the end of the 15-year AHP Retention Period,
- c. In the case of a sale or refinancing of the project prior to the end of the 15-year AHP Retention Period, an amount equal to the full amount of the direct subsidy shall be repaid to FHLB Cincinnati unless the Project continues to be subject to a retention mechanism agreement incorporating the income eligibility and affordability restrictions committed to in the AHP Application for the duration of the 15-year AHP Retention Period, and
- d. The income-eligibility and affordability restrictions applicable to the Project terminate after any foreclosure, conveyance by deed in lieu of foreclosure or any assignment of the first mortgage to the Secretary of HUD. However, any obligation to repay the AHP subsidy for any period of noncompliance arising prior to the foreclosure, deed in lieu, or assignment to the Secretary of HUD shall not be extinguished by such actions.
- e. In the event that the AHP Subsidy is disbursed to the Project Owner prior to completion of construction of the Project, then at all times prior to completion, (a) any sale of the property (or any portion thereof) to any person or entity shall be prohibited without the prior written consent of the Lender; and (b) any failure to develop the property in accordance with the AHP Agreement for the Project, or any other failure by the Project Sponsor to comply with said AHP Agreement, the



Retention Mechanism agreement, or any AHP Regulation, shall result in a default requiring repayment of the subsidy to FHLB Cincinnati.

- 5. Inconsistent Provisions.** The provisions of this Rider shall supersede any conflicting provision contained in the Security Instrument, but only to the extent of such inconsistency. No provision herein shall impair any obligation of Borrower under the AHP Requirements.

IN WITNESS WHEREOF, Borrower has caused this instrument to be executed and sealed the day and year first above written.

Borrower/Trustor

Notary

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date _____



Attachment H

Requirements for the Welcome Home Program

I. General Program Description

- A. The FHLB Cincinnati has established a set-aside of Affordable Housing Program (AHP) funds to help create homeownership through a program called the Welcome Home Program. Up to thirty-five percent of the accrual for the AHP will be set-aside for the Welcome Home Program (WHP). Per regulation, at least one-third of the funds will be used to assist first-time homebuyers.
- B. WHP funds are available to Members as grants to assist homebuyers. WHP grants are available per household on a “first-come, first-served” basis. Households are eligible only if the total household income is at or below 80 percent of Mortgage Revenue Bond (MRB) income limits, as adjusted for family size.

II. Member Eligibility

All Members are eligible to participate in the program and each Member is eligible to receive up to \$200,000 of WHP funds, subject to availability. Funds are not reserved for a Member, but rather all funds are reserved for specific homebuyers and specific properties on a “first-come, first-served” basis. As a result, funds typically are fully reserved before the majority of participating Members reach the \$200,000 per Member limitation.

III. Homebuyer Eligibility

- A. In order to receive WHP funding, homebuyers must meet all of the following eligibility requirements.
 - 1. Total household income must be at or below 80 percent of the MRB program income limits, as adopted by the appropriate state housing finance agency, adjusted for family size. The FHLB will determine eligibility based on 80 percent of current MRB income limits as of the program’s opening date for KY, OH, and TN posted on the FHLB’s website (www.fhlbcin.com).

The FHLB will determine household income in accordance with Appendix A: Income Eligibility Guide and will make the final determination of whether or not a homebuyer meets the income requirements of the program.
 - 2. Homebuyers must contribute at least \$500 of their own funds toward down payment and closing costs (60 percent of these funds may be received as a gift).



- a) Funds received from non-profit or other organizations, including state and local government agencies, for down payment assistance grants are not considered “gifts” and cannot be used to reduce a homebuyer’s required contribution.
 - b) Funds paid for items outside of closing, such as hazard insurance, taxes, application fees, and other items related to the purchase are considered as part of the homebuyer’s required \$500 cash contribution. Such items should be shown on the Closing Disclosure or with other documentation provided.
- B. First-time homebuyers must complete a homebuyer counseling program.
1. The counseling program must be provided by, or be based, on one provided by an organization recognized as experienced in homeownership counseling;
 2. The counseling program must cover, at a minimum, mortgage financing, credit-worthiness, household budgeting, and home maintenance; and,
 3. WHP funds cannot be used to pay more than \$300 of the costs related to counseling.
- C. Non-occupant co-signors and co-borrowers are not permitted. WHP funds are intended only for homebuyers who would qualify for the first mortgage based on their current household income, not relying on others as co-signors, co-borrowers, or guarantors, and not relying on any expected but uncertain change in job status or income or other circumstances. That is, the Member’s mortgage approval should not be contingent on some change in status or income or based on a reliance on some other party to pay or guarantee the payment of the first mortgage. Unless the Member is approving the first mortgage based solely on the homebuyer’s merit, the homebuyer is not eligible for WHP funds.

IV. Eligible Property

- A. In order for a property to receive WHP funds, the property must meet the following criteria:
1. One to four-units (Note: for any property with two or more units, 85 percent of the projected rent of the other units will be included in the homebuyer’s income for the purpose of determining eligibility.)
 2. “Manufactured housing” is eligible for WHP assistance if the housing meets the FHLB’s definition.
 - a) The dwelling is built on a permanent chassis and installed on a FHA Title II permanent foundation system.
 - b) The home and the lot must be taxable together as real property.



- c) WHP funds may not be used for any other type of manufactured or mobile homes.
 - d) Funds will not be reserved until proper documentation that the property meets the “Manufactured housing” definition is received; such documentation may include an FHA appraisal or an independent appraisal.
- B. The housing assisted with WHP funds must be subject to a legally enforceable restriction in the warranty deed or restrictive covenant to the warranty deed requiring that the FHLB be given notice of any refinancing, sale, foreclosure, deed in lieu of foreclosure or change in ownership of the unit prior to the end of a five-year retention period. In some instances, homebuyers may be required to pay back a pro rata amount of the WHP grant if the home is sold, refinanced, or otherwise conveyed during the five-year retention period. The specific “retention” language required is found in Attachment G and is available at the FHLB’s website (www.fhlbcin.com).
- C. WHP may be used only in transactions which convey full title to the homebuyer. WHP may not be used to initiate lease-purchase or land contracts.
- D. WHP may be used for new home construction. The WHP reservation is valid until December 1, 2017. Any construction must be complete, the first mortgage permanent loan must be closed (or the construction/permanent loan must be converted to a permanent loan) and funds must be requested no later than December 1, 2017.
- E. The FHLB reserves the right to determine whether a property is considered eligible.

V. Eligible Uses of Funds

- A. The following outlines eligible uses of WHP funds:
- 1. WHP funds may be used to fund reasonable down payment and closing costs incurred in conjunction with the acquisition of eligible property by eligible homebuyers as defined in these procedures. (Note: The reasonableness of the down payment and closing costs is determined at the FHLB’s discretion.)
 - 2. WHP grants may not exceed \$5,000 per homebuyer, based on documented need, as determined by the FHLB.
 - 3. WHP funds may be used in conjunction with other local, state, and federal funding sources and with the FHLB’s Community Investment Cash Advance programs. However, WHP funds may not be used with an existing or future award through the FHLB’s competitive Affordable Housing Program or through any of the FHLB’s voluntary housing programs.



4. A portion of the funds awarded may be used to pay for the reasonable costs of counseling (not to exceed \$300) for homebuyers purchasing AHP assisted housing if the cost is not covered by another funding source.
5. WHP is not intended for any purchases requiring any significant repair or rehabilitation.
 - a) Purchases using HUD 203(k) mortgages are not eligible for Welcome Home.
 - b) If more than \$500 from the buyer is to be escrowed for repairs, the property is not eligible for WHP funds without the advance written approval of the FHLB prior to closing. *Note: If the Closing Disclosure reflects escrows for repairs and the Member did not seek approval prior to reserving the funds, the Request for Payment of Reserved Funding may not be funded regardless of the amount of escrow or any funds brought to closing by the homebuyer.*
 - c) If any funds are escrowed for repairs, the funds must come either from the seller or from the buyer's own funds, in addition to the required \$500 homebuyer cash contribution.
 - d) If any funds are escrowed for repairs, WHP funds will not be disbursed until the Member certifies that:
 - (1) All repairs were required for mortgage approval as documented in the appraisal;
 - (2) All repairs have been completed; and
 - (3) All escrowed funds have either been disbursed or released.
 - e) All payments from escrow funds for repairs should be made only by the closing agent and such payments should be made directly to the materials and/or services providers. Under no condition should escrowed funds be paid to the homebuyer.
 - f) If any unused escrowed funds are paid or otherwise released to the homebuyer, the WHP grant will be reduced by a like amount, unless such funds were originally provided by the borrower. In lieu of releasing unused funds to the homebuyer, the unused funds may be applied as a prepayment of the first mortgage principal.

VI. Ineligible Uses of Funds

- A. WHP funds may not be used for any other purposes except those specifically stated above. WHP funds may not be used to pay for significant repairs (i.e. repairs in excess of \$500), pay off consumer debt, buy down the mortgage rate, etc. If the FHLB determines that funds were used for an ineligible expense, the grant will be



reduced by the amount of the ineligible expense unless the homebuyer brings adequate funds to the closing to meet the required \$500 homebuyer cash contribution and cover the amount of the ineligible expense.

- B. WHP funds may not be used for any loan with collateral other than the subject property. Blanket loans (loans with cars, boats, CD's, or other property secured as additional collateral) are not eligible.

VII. Requirements for Members

- A. The Member who reserves the WHP funds must originate the first mortgage in the Member's name, but is not required to close the loan in their name.
 - 1. After closing, the first mortgage may be sold or assigned.
 - 2. If a Member wholly owns a mortgage company and that company originates first mortgage loans only for the Member, the loans may be originated in that mortgage company's name and closed in the name of the mortgage company, Member or any investor.
 - 3. If a Member wholly owns a mortgage company and that company also originates first mortgage loans for financial institutions other than the Member, then that mortgage company must originate the first mortgage in the name of the Member in order to access WHP funds. However, the mortgage company may close in the name of the mortgage company, Member or any other investor.
 - 4. Seller financed mortgages are not acceptable.
- B. The stated first mortgage rate may not exceed the rate determined as defined in this document. If the stated mortgage rate exceeds the allowed amount, the loan is not eligible for WHP funds. The maximum mortgage rate for 2017 will be published in the 2017 WHP Guide on the FHLB's website and in the appropriate WHP documents prior to the opening of the program on March 1, 2017.
- C. The rate on any second mortgage cannot exceed the stated maximum rate permissible for the first mortgage by more than three and one-half percent (3.50%).
- D. WHP funds may not be used in transactions involving a second mortgage provided by an individual as seller. Second mortgages provided by formal organizations, including financial institutions, Community Development Financial Institutions, housing finance agencies, non-profit organizations, etc. are acceptable.
- E. WHP funds may not be used with interest-only mortgages. If used with adjustable rate mortgages, the mortgages should be underwritten at their fully indexed rates.
- F. WHP first mortgage loans must comply with applicable federal, state and local anti-predatory lending laws, regulations and orders designed to prevent or regulate abusive



- and deceptive lending practices and loan terms (collectively, “Anti-Predatory Lending Laws”).
1. Anti-Predatory Lending Laws may prohibit or limit certain practices and characteristics, including, but not limited to the following:
 - a) Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance;
 - b) Requiring mandatory arbitration provisions with respect to dispute resolution in the loan document; or
 - c) Charging prepayment penalties for the payoff of the loan beyond the early years of such loan.
 2. Any project including a loan that does not comply with all applicable Anti-Predatory Lending Laws will be ineligible for WHP assistance.
 3. The WHP transaction may not include single-premium credit life insurance. If the Closing Disclosure shows a charge for single-premium credit life insurance, no WHP funds will be disbursed.
 4. Members are responsible for avoiding all unlawful practices and terms prohibited by applicable Anti-Predatory Lending Laws for loans originated in connection with Welcome Home.
- G. The FHLB will not provide WHP assistance to any homebuyer with a permanent first mortgage that exceeds the annual percentage rate or points and fees thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (Federal Reserve Board Regulation Z).
- H. Members must take care to comply with all applicable civil rights and other fair housing laws and regulations. The Fair Housing Act prohibits discrimination on the basis of race, color, religion, sex, handicap, familial status, or national origin in the sale, rental or advertising of dwellings, in the provision of brokerage services, or in the availability of residential real estate-related transactions.
- I. Funds must be requested to assist the homebuyer to purchase the specific home by December 1, 2017. That is, the Request for Payment of Reserved Funding must be received by the FHLB by December 1, 2017 or the reservation will be cancelled. Under unusual or extraordinary circumstances, and at the FHLB’s discretion, the FHLB may extend the reservation beyond December 1, 2017.
- J. If WHP funds have been disbursed to the Member and the funds are misused, or if the housing is sold or refinanced during the five-year retention period, the FHLB may require repayment of all or a portion of the funds pursuant to the retention language in the warranty deed.



VIII. Reduction in WHP Amount

- A. If the homebuyer receives any cash back at closing, as indicated on the Closing Disclosure, the grant will be reduced by a like amount. However, instead of receiving cash back at closing, any otherwise excess WHP funds may be applied as a “prepayment” or as a “principal reduction” to the first mortgage and such use must be shown on the Closing Disclosure.
- B. Any funds, regardless of the amount, indicated on the Closing Disclosure as earnest money, whether paid by cash, check, or note, are considered a partial down payment and no amount of the earnest money can be refunded or returned to the homebuyer. If the Closing Disclosure indicates that earnest money has been refunded or returned to the homebuyer, the WHP grant will be reduced by the amount of earnest money refunded or returned.
- C. If any WHP funds appear to be used for an ineligible purpose, e.g., paying off consumer debt, the WHP grant will be reduced by a like amount. Any amounts paid for these kinds of items must come from the buyer’s own funds, in addition to the required \$500 homebuyer cash contribution.

IX. Funds Available for 2017

- A. For 2017, up to 35 percent (35%) of the FHLB’s accrual for the Affordable Housing Program will be set aside for WHP Program.
- B. At least one-third of the total amount available through the program is reserved for first-time homebuyers. The FHLB will track the use of WHP funds for first-time homebuyers and will impose no special requirements as long as this targeting is being met.
- C. Once all available funds have been reserved, the FHLB will no longer accept any new Reservation Requests.

X. Schedule for the 2017

- A. WHP funds will be available for reservation beginning on March 1, 2017, and will remain available until all funds have been reserved. Any Reservation Requests received before that date will be denied. The Reservation Requests and Requests for Payment of Reserved Funding can only be submitted through the “Members Only” page of our website at www.fhlbcin.com.

- XI. All WHP Requests for Payment of Reserved Funding must be submitted to the FHLB by 5:00 PM (ET) on December 1, 2017 or the reservation will be cancelled.



XII. Reserving WHP Funds

- A. Funds will be allocated on a “first-come, first-served” basis. Members are not guaranteed any specific amount of WHP funds.
- B. Funds will be reserved only for specific homebuyers purchasing specific homes and reservations cannot be transferred to other homebuyers or to other homes.
- C. A Reservation Request will not be reviewed unless it is submitted online and the following documentation is received by the FHLB.
- D. To reserve funds, the Member must:
 - 1. Access the FHLB’s “Members Only” website at www.fhlbcin.com. For assistance in accessing the “Members Only” website, please contact the “Members Only” Administrator at your institution or contact the FHLB’s Service Desk at 800-781-3090 (8:30 – 5:00 PM ET);
 - 2. Access the WHP section and complete a Reservation Request; and,
 - 3. Submit the following required documents to the FHLB by uploading them to the “Members Only” portal. Emailed or faxed documents will not be accepted.
 - a) A completed, signed, and dated loan application (generally a Uniform Residential Loan Application);
 - b) Third party documentation for all sources of current year income for all persons who will reside in the home. (See Guidelines for Determining Income); and,
 - c) An appraisal if the subject property is a “Manufactured home”.
- E. During periods of peak demand, it may take four weeks to review and approve a Reservation Request. If the information submitted is incomplete, it might take longer. Funds are not reserved and the loan should not close using WHP funds until the FHLB has given approval.
- F. A homebuyer is considered “enrolled” in the WHP at the time the Reservation Request is approved.
- G. Income eligibility will be determined based on income documentation required at the time the Reservation Request is submitted and will be based on an estimate of the household’s expected annual income for 2017 based on the household’s income information at the time the Reservation Request is submitted.
- H. The FHLB will perform a preliminary review of the Reservation Request and the documentation submitted to determine eligibility of the homebuyer, availability of



funds in the program, and availability of funds for the Member. If any of the information is incomplete, additional documentation or information may be required.

- I. Written notification will be provided to the Member as to the homebuyer's eligibility.
Note: Submission of the Reservation Request does not constitute a reservation of funds; funds are reserved only upon the written notification from the FHLB.

XII. Closing Instructions

The FHLB has provided specific instructions which Members, or their agents, should use in closing mortgages using WHP funds. That information is posted on the FHLB's website.

XIII. Disbursing Funds

- A. WHP funds will be disbursed only after completion of construction, if applicable, and after closing of the permanent first mortgage upon receipt of the following additional information.
- B. To request funds, the Member must:
 1. Access the FHLB's "Members Only" website at www.fhlbcin.com. For assistance in accessing the "Members Only" website, please contact the "Members Only" Administrator at your institution or contact the FHLB's Service Desk at 800-781-3090 (8:30 – 5:00 PM ET);
 2. Access the WHP section and complete a Request for Payment of Reserved Funding; and,
 3. Submit the following required documents to the FHLB by uploading them to the "Members Only" portal. Emailed or faxed documents will not be accepted.
 - a) A Closing Disclosure, signed by the buyer;
 - b) The Warranty Deed containing the AHP retention language for owner-occupied projects;
 - c) A fully executed Welcome Home Retention Language Acknowledgement for FHA loans. (Only required for FHA loans)
- C. Funds will be disbursed only to the extent they are required to fill the gap for down payment, closing costs, and counseling fees. Cash back to the homebuyer, including the return of earnest money, constitutes a reduction in the funding gap and will result in a reduction in the WHP grant. Therefore, instead of returning earnest money or cash to the homebuyer, the FHLB encourages the application of excess WHP funds in the form of a "prepayment" or "principal reduction" of the first mortgage, which must be shown on the Closing Disclosure.



- D. During periods of peak demand, it may take six weeks to review and approve a Request for Payment of Reserved Funding. If the information submitted is incomplete, it might take longer.

XIV. Repayment of WHP Funds

- A. Under certain circumstances, the recipient of WHP funds may have an obligation to repay part or all of the grant funds received. The provisions are stated in the retention language required to be included in the warranty deed for the property. Generally:
1. If the home is sold within the five-year retention period, the recipient of the WHP grant might be required to repay a pro rata portion of the WHP grant. If the home is sold to an income-eligible household, no repayment is required and the retention provision terminates.
 2. If the home is refinanced during the five year period, the recipient of the WHP grant may be required to repay a pro rata portion of the WHP grant. However, if the retention language remains in the warranty deed after the refinancing, no repayment is required even if the owner receives a net gain from the refinancing.
 3. If the home/mortgage is foreclosed, no repayment is required. Please note that a “deed in lieu of foreclosure” or an assignment of an FHA first mortgage to the Secretary of HUD is treated as a foreclosure.
- B. To determine the required payment, if any, the owner should contact the FHLB.
- C. Pursuant to the retention requirements, the owner is required to give the FHLB notice of any sale, refinancing, foreclosure or deed in lieu of foreclosure.

XV. Other WHP Documents

Other information about the WHP program, including required forms, instructions, and other documents, are provided on the FHLB’s website. This information is incorporated herein by reference.



Attachment I

Suspension and Debarment

I. Objective

To protect the integrity of the Housing & Community Investment Programs, including without limitation its Affordable Housing Program (“AHP”) [collectively the “HCI Programs” or just “Programs”] operated by the FHLB Cincinnati, by ensuring that only honest, ethical, application-compliant and operationally-compliant and otherwise responsible persons and organizations participate in these Programs.

Pursuant to 12 C.F.R. § 1291.8(g), the FHLB may Suspend or Debar a Member, project Sponsor, project Owner, or any other “Material party” to a project from participation in one or more of the Affordable Housing Programs (AHP) if such party shows a pattern of noncompliance, or engages in a single instance of flagrant noncompliance, with the terms of an application for one or more AHP subsidies or with the AHP regulations found at 12 C.F.R. part 1291 (collectively hereafter the “AHP Regulations”). Additionally, the FHLB has approved the extension of these procedures to participants in all HCI Programs.

II. Definitions

The following definitions are to be read consistently with those in 12 C.F.R. §1291.1 and the definitions contained in §1291.1 are incorporated herein.

“Board” – means the Board of Directors of the FHLB.

“Debarment” – means an action taken by the FHLB that, for a specific period of time, unconditionally excludes or disqualifies a person or company from participating in any applied for or granted HCI Programs or from receiving disbursements of funds (or further disbursement of funds) from any Project, whether or not yet operational.

“Excluded Parties List” – means the official listing of parties that are excluded from receiving Federal contracts, certain subcontracts and certain Federal financial and nonfinancial assistance and benefits, as published in www.epls.gov.

“Finance Agency” – means the Federal Housing Finance Agency.

“Member” – means any institution which has been approved for membership in the FHLB and has subscribed for and retains the stock of the FHLB.

“Other Parties” – may include, but are not limited to key persons who play a significant role in a Project.

“Owner” – means an entity that holds title to real estate related to a Project.



“Regulation” - means a Finance Agency regulation as published in the Code of Federal Regulations, or any modification or amendment thereof.

“Project” – means a specific project, regardless of date of completion, deemed by the FHLB as eligible for and which has been awarded or received subsidies under an HCI Program.

“Sponsor” – means an organization or public entity that:

1. Has an ownership interest (including any partnership interest in an AHP project), as defined by the FHLB in its AHP Implementation Plan, and
2. Is integrally involved in a Project, such as by exercising control over the planning, development, or management of the Project, or by qualifying borrowers as eligible and/or providing or arranging financing for the owners of the Project units

“Suspension” – means an action taken by the FHLB that, for a temporary period of time, conditionally excludes or disqualifies a person or company from participating in HCI programs or from receiving disbursements of funds (or further disbursement of funds) from any Project, whether or not yet operational. A suspension has a program wide effect, applying to all HCI Programs.

III. Process

A. Grounds for Suspension

The FHLB or the Finance Agency may suspend a Member, Sponsor, Owner or any other “Material party” from participation in any of the HCI Programs, including (without limitation) AHP, for any one of the following reasons:

1. Failure to comply with one or more applicable Program requirements;
2. Failure to meet one or more of the commitments made in the approved or modified Program application;
3. Failure to provide requested documents in a timely manner;
4. Consistent lack of progress towards completion of existing projects that result in numerous de-obligations and or extension requests;
5. Consistent pattern of noncompliance with approved or modified application commitments that result in numerous modification requests or cure periods;
6. Involvement in Projects which experience excessive vacancy, foreclosure, delinquent taxes resulting in Sheriff’s sale, retention compliance issues, etc.;
7. Suspicion that a crime--or some other serious cause affects a participant’s present responsibility may have occurred; or,



8. Any other performance or compliance issues, including those specified as Reasons for Debarment noted below, that the FHLB or Finance Agency believes warrant a suspension.

B. Reasons for Debarment

The FHLB or the Finance Agency may debar a Member, Sponsor, Owner or Other Party from participation in any of the HCI Programs, including (without limitation) AHP, for any one or more of the following reasons:

1. A demonstrated pattern of noncompliance or a single instance of flagrant noncompliance with a Regulation or the terms of an application for subsidy;
2. A required repayment of AHP or other subsidy is triggered due to noncompliance;
3. Commitment of fraud, mismanagement of properties, or other negligent actions that lead to the financial distress or foreclosure of a project;
4. Abandonment of a project;
5. Suspicion of fraud, antitrust violations, forgery, bribery, falsification of records, making false statements, making false claims, conspiracy, failure to comply with applicable related statutes (such as the Fair Housing Act, the Americans with Disabilities Act, etc.) and regulations thereunder, and other offenses indicating a lack of business integrity or business honesty that seriously and directly affects adversely a person's or entity's present responsibility or credibility;
6. Suspicion that a crime or some other serious cause may have occurred that affects a person's or organization's present responsibility;
7. Any other performance or compliance issues that the FHLB or the Finance Agency believe warrants debarment, including repeated suspensions from any HCI Programs;
8. Debarment, suspension, exclusion or disqualification by HUD or a state or federal government agency, or in case of inclusion on the Excluded Parties List; or,
9. Debarment or suspension by another participant in any HCI program.

For purposes of any of the above reasons for debarment or suspension, the improper conduct of any officer, director, shareholder, partner or employee (or of any other individual) of an entity shall be attributed to the entity for which they work when the improper conduct occurred in connection with that individual's performance on behalf of such entity.



IV. Notice of Suspension or Debarment

As part of the normal course of business, the FHLB may provide, separately or as part of any other communication, a written warning to the appropriate person or entity of the potential for suspension or debarment--but failure to do so will not affect the FHLB's ability to so suspend or debar a participant. Due to timing or the nature of the circumstances surrounding the matter, the FHLB may forego a written warning and immediately, upon approval by the Board or any subgroup of FHLB directors designated to act for the Board (or at the direction of the Finance Agency, all as noted herein), suspend or debar an entity or individual from access to or further funding from any HCI Programs. At a minimum, any notification will include the following:

- A. Notification of the suspension or debarment;
- B. The reason(s) for suspension or debarment;
- C. The repercussions of the suspension or debarment; and,

The effective and end date of the suspension or the effective and end date of the debarment (normally, unless otherwise specified by the Board, suspensions shall not be longer than twelve (12) months in duration and debarments not longer than three (3) years in duration).

V. Decision Making and Appeals Process

In the event the FHLB determines that an individual or organization warrants suspension or debarment from participation in any of the HCI Programs, a recommendation will be submitted to the Board or any subgroup of FHLB directors designated to act for the Board. The recommendation will be reviewed by the Board along with all relevant facts. A final determination to suspend or debar an entity or individual will only be effective upon the approval of such action by the Board and the twelve (12) months or three (3) year period shall commence on that date.

Upon approval by the Board, the FHLB will provide written or electronic notification of the Board's action to the affected parties. While the suspension or debarment period will commence upon approval by the Board, the suspended or debarred entities will have ten (10) calendar days from the date of notification to appeal the FHLB's decision. The person or entity may request the Board in writing to reconsider, revoke or modify the suspension or debarment for the reasons specified in the appeal. The Board or its designee shall consider the appeal within 60 calendar days of receipt of the appeal and may uphold, deny and/or modify the results of the appealed decision.

In addition to the Board, the Finance Agency has the authority to order the FHLB to suspend or debar a Member, Sponsor, Owner, and/or Other Party from participation in the AHP if such party shows a pattern of noncompliance, or engages in a single instance



of flagrant noncompliance, with the terms of an approved application for AHP subsidy or the requirements of the AHP regulation. In the case of Finance Agency-initiated suspension or debarment, Board action is not required. The FHLB will notify a Member, Sponsor, Owner, and/or Other Party of any such action ordered by the Finance Agency.

In the event that the FHLB's Credit Risk Management staff has concerns about the ongoing financial viability of a Member as documented in the FHLB's Credit Risk Watch List, or determines that failure to act endangers the Project's viability or the FHLB's assets allocated to or secured by the Project, the Member may be subject to immediate suspension without Board approval.

Additionally, upon the discovery of facts and circumstances that FHLB management believe may warrant a suspension or debarment, the FHLB may temporarily suspend an individual or entity until the Bank either completes its review of the matter or the Board has an opportunity to review the circumstances of the suspension or debarment recommendation. During this process, the FHLB may also suspend any pending disbursements (or further disbursements) on Projects involving the individual or entity, whether or not yet operational. Such temporary suspensions are subject to the approval of the Community Investment Officer and President & CEO (or his/her designee).

Finally, consistent with the FHLB's Attachment C - Monitoring Procedures, in the event that a Member, Sponsor, Owner, and/or Other Party is noncompliant with the applicable requirements, the person or entity may be subject to immediate suspension without Board approval.

VI. Reinstatement

A Member, Sponsor, Owner, and/or Other Party may have its suspension or debarment lifted under certain circumstances, subject to the approval of the Board or Finance Agency, as the case may be. (Note: in the case of suspension due to a noncompliance with the FHLB's monitoring requirements, resolving the issue of noncompliance may lift the suspension, without need for Board approval.) If a party has been suspended or debarred, the party may be reinstated upon submission to the Board of evidence (satisfactory to the Board in its sole discretion) that the issue(s) leading to the suspension or debarment has been resolved. All requests should be submitted to the FHLB in writing. The FHLB will review the request and submit it to the Board or Finance Agency, as the case may be, for review. After the Board has reviewed the request, the FHLB will notify the appropriate party, or parties, of the Board's decision.

In the event that an organization was debarred by the Finance Agency, the FHLB will submit the organization's request for reinstatement to the Finance Agency and will notify the organization of the Finance Agency's decision regarding reinstatement.



VII. Reporting

The FHLB will periodically report to the Board, the number of currently suspended and debarred individuals and entities, as well as the nature of their suspensions and debarments. Additionally, the FHLB will publish on its website (www.fhlbcin.com) a continually-updated list of those individuals or entities that are currently suspended or barred from participation in any of the HCI Programs.



Appendix A

Income Eligibility Guide

Table of Contents

- I. Income Eligibility Requirements
- II. Determining Household Size
- III. What is Household Income?
- IV. Whose Income Should be Included?
- V. Income Documentation
- VI. Annual Income
 - A. Income Inclusions
 - B. Income Exclusions
- VII. How is Household Income Calculated?
 - A. Annualizing Base Wage and Other Compensation
 - B. Average Base Hours
 - C. Hourly Wages or Shift Differentials
 - D. Other Compensation
 - E. Salaried Employment
 - F. Household Members with No Income
 - G. Health and Insurance Benefits
 - H. Vacation Day Pay-Outs
 - I. Seasonal Employment
 - J. Non-Employment (Unearned) Income
 - K. Self-Employment Income
 - L. Rental Income
 - M. Income from Assets
- VIII. Calculating Income from Pay Statements
 - A. Reviewing Pay Statements
 - B. Income Calculation Examples



I. Income Eligibility Requirements

This document sets forth the income eligibility guidelines for the Affordable Housing Program (AHP) and the Welcome Home Program (WHP) of the FHLB. Participating Members and Sponsors, project owners and management companies (herein identified as Sponsors) must use this Income Eligibility Guide to calculate a household's annual income and qualification for participation in the AHP or WHP.

Eligible households must have annualized income less than or equal to 80% of HUD AMI¹, based on household size for the county in which the AHP- or WHP-assisted housing is located. Additionally for AHP projects, households must fit within the income targeting requirements of the project providing the housing. For the AHP, a household is qualified based on the date an AHP Pre-approval Request is submitted for ownership projects and the date a household moves into a unit for rental projects. For the WHP, a household is qualified based on the year in which the Member's loan application was taken. FHLB will confirm household income for the specified year, household size, and property location.

II. Determining Household Size

“Household” size is based upon the number of people (related or unrelated) who will reside in the AHP- or WHP-assisted housing unit. Divorced or separated parents who have joint custody of their children should include the children in their household count, if the child or children will reside in the home at least 50% of the time. Additionally, if the parent can claim the child or children as dependent(s) on his/her tax return for the application year, the child or children should be considered in the household count. Parents who do not have custody should not include the child or children in their household count. Students who are considered dependents and are not living at home while attending school should be included in the household count. Unborn children, adoptive children, foster children, wards, lodgers, or employees who share the housing are also included in the household count. Persons living alone in a housing unit or a group of unrelated people sharing a housing unit such as partners or roomers are also counted as a household.

III. What is Household Income?

“Household income” means the combined annual earned “Income” of all the occupants aged 18 and over in a given dwelling unit when the household is qualified by the Member or Sponsor for participation in the AHP- or WHP-assisted housing. Unearned income is

¹ References to HUD AMIs refer to Multifamily Tax Subsidy Projects (MTSP) limits set by HUD for the AHP and Mortgage Revenue Bond (MRB) limits set by the appropriate state housing finance agencies for the WHP.



included for all occupants, regardless of age. Current circumstances will be used to anticipate “Income” and projected annual income will be calculated by annualizing current “Income.” “Household income” is determined using the Methods for Projecting and Calculating Annual Income as outlined in this Guide.

IV. Whose Income Should be Included?

Married individuals are not required to include their spouse’s income if a legal separation is documented or if a written statement is provided by the absent spouse explaining he or she will not be an occupant. Any financial support provided by the separated spouse to the qualifying household should be included as part of the household income.

Income for co-borrowers must be included in household income calculations.

Transactions including non-occupant co-signors, guarantors, or other non-occupying co-borrowers are not eligible for an AHP or WHP grant.

Please note that income of co-habitant partners/spouses must be included in household income, even if only one of the partners/spouses is on the rental or homebuyer application, lease, mortgage, or note. Also, income of temporarily absent family members such as active military must be counted if that person intends to reside in the home.

Household income is based on occupants, not applicants. Income is included in a household’s annual income calculation based on the following:

Household Member	Include Income?
Head of Household	Yes
Spouse	Yes
Co-Head / Co-Habiting Partner	Yes
Temporarily Absent Household Member	Yes, if they will reside in the home
Other Adult, 18 years or older	Yes
Full-time Student	No, UNLESS they are Head of Household, Spouse, Co-Head, Partner, or Co-Borrower
Dependent, 17 years or younger, including adoptive children	No, UNLESS they are receiving Social Security or Supplemental Security Income
Foster Child or Wards	No
Live-in Aide, Employees who share the housing, or lodgers	No



V. Income Documentation

The “third-party income documentation” must be dated the same year as the loan application, where applicable, for the WHP. “Third-party income documentation” must be dated within 180 days of submission to the FHLB for the AHP. Regardless of the income documentation provided, the name of the household member, employer name or income source, and the gross amount of income the household member receives must be clearly shown. The following is a list of acceptable “third-party income documentation.”

- At least two consecutive pay stubs
- Verification of Employment (VOE)
- Social Security, Supplemental Security Income or Veterans Administration benefits award letter or payment history from the Social Security Administration or other government/authorizing agency
- Two years’ most recent complete, signed federal tax returns (only acceptable for the AHP for self-employed household members or AHP Pre-approval Requests submitted prior to July 1)
- Previous years’ W-2s only for AHP Pre-approval Requests submitted prior to July 1(not permitted for the WHP unless match application year)
- Annuity or pension award letter or two consecutive bank statements verifying payments received from annuities, pensions, insurance policies, assets, etc. (bank statements cannot be used to verify any other income source)
- Alimony or child support agency printout, case documents, court order, divorce decree, or notarized statement from payer to payee
- Copy of appraisal or current lease for any rental property owned or if purchasing a 2-4 family dwelling
- Certification of Zero Income
- Benefit notification letter from authorizing agency for unemployment compensation, worker’s compensation, or disability income
- Copy of school transcript or letter from school to verify full-time student status

VI. Annual Income

The method used to determine the annualized income amount will vary depending on the type of income. However, all gross current pay from ALL sources must be considered in determining the annual income of a household. The income the Member or Sponsor uses to qualify a household can be very different than the income used to qualify for an AHP



or WHP grant. Sponsors and Members and Sponsors should utilize the Income and Affordability Workbook available at www.fhlbcin.com to calculate income if they are unsure of a household's qualification.

A. Income Inclusions

Below is a list of items included in household income. The list is not meant to be exhaustive, and there may be exceptions. Please contact the FHLB Cincinnati's Housing and Community Investment staff with any questions.

1. The full amount, before payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services; and,
2. The net income from operation of a partnership, business, or profession; and,
3. Interest, dividends, etc.; and,
4. Payments in lieu of earnings, such as unemployment benefits, disability compensation, worker's compensation, and severance pay; an,
5. The full gross amount of periodic payments from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, lotteries, trusts, inheritances, and other, similar types of periodic payments received; and,
6. All regular pay, special pay, and allowances of a member of the Armed Forces; and,
7. Income from assets (if generating regular payments to the household); and,
8. Welfare assistance; and,
9. Regular contributions and gifts (monetary or not) from persons outside the household. This may include rent and utility payments paid on behalf of the household and other cash or non-cash contributions provided on a regular basis; and,
10. Alimony, child support, etc.; and,
11. For 2-4 unit dwellings, 85 percent of the projected gross income for such units.

B. Income Exclusions

Below is a list of items excluded from household income.

1. Income from employment of children (including foster children) under the age of 18 years;



2. Payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the household, who are unable to live alone) or adoption assistance;
3. Lump-sum additions to household assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses;
4. Amounts received by the household that are specifically for, or in reimbursement of, the cost of medical expenses for any household member;
5. Income of a live-in aide;
6. The full amount of student financial assistance paid directly to the student, veteran, or to the educational institution;
7. The special pay to a household member serving in the Armed Forces who is exposed to hostile fire;
8. Temporary, nonrecurring, or sporadic income (including gifts). For example, amounts earned by temporary census employees whose terms of employment do not exceed 180 days;
9. Deferred periodic payments of Supplemental Security Income and Social Security benefits that are received in a lump-sum payment or in prospective monthly payments;
10. If a former household member is confined to a nursing home or hospital on a permanent basis, that person is no longer a member of the assisted household, and the income of that person is not counted;
11. Alimony or child support that the Member or Sponsor verifies is not being paid as agreed (documentation of non-payment must be provided);
12. Income from state or local employment training programs;
13. Stock options;
14. Vacation buybacks;
15. Gift cards;
16. Tuition reimbursement;
17. Amounts paid by a state agency to a household with a developmentally disabled family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled household member at home; or



18. Food stamps.

VII. How is Household Income Calculated?

Generally, the FHLB Cincinnati will use current circumstances to anticipate annual income as documented by third-party income documentation, unless there is some evidence to indicate an imminent change (e.g., notice of a pay increase on a certain date).

The FHLB Cincinnati may choose among several methods to determine the anticipated annual income. The following are two acceptable methods of calculating annual income:

1) Calculating projected annual income by annualizing *current* income; or 2) Using information available to average anticipated income from all known sources.

A. Annualizing Base Wage and Other Compensation

To annualize base wages, multiply base wages per period by the total number of pay periods per year. In order to accurately calculate the annual employment income, it is important to know how often the person is paid, *i.e.*, their pay schedule. The standard calculations listed below will be used, depending on the pay schedule. Note: This method cannot be used for irregular pay.

- Multiply hourly wages by 2080 hours;
- Multiply weekly wages by 52;
- Multiply bi-weekly wages by 26;
- Multiply semi-monthly wages by 24;
- Multiply monthly wages by 12.

B. Average Base Hours

1. If using a VOE, the base or regular hours should be expressed as a finite number. However, if the hours are expressed as a range, the high end of the range must be used in the calculation. For example, if the range on the form is 24-30, use 30 hours as the hours per week. The weekly hours should not exceed 40 (see “Other Compensation” section below for hours over 40). If the hours are not provided, the Sponsor or Member should use best efforts to have the VOE completed accurately. The default for regular average work-week hours will be 40, if not documented on the VOE.
2. If using pay stubs, calculate the average of all hours indicated on the two (2) most recent pay stubs. These pay stubs must be consecutively dated and for the same current position. Do not round the average hours. If the average hours exceed 40, use 40 hours to determine base pay and annualize overtime as indicated in the



“Other Compensation” section below. Consider holiday and vacation hours as regular hours and include those in the average.

C. Hourly Wages or Shift Differentials

1. When using an hourly pay schedule where an hourly wage is not disclosed on the paystub, find the hourly wage by dividing base pay by base hours.
2. If a person’s base or regular wage varies, such as when working in different positions during the same pay period, where possible, treat each base wage as a different position, and determine the annual income for that position before including it in the total annual income. For example, a nurse may work during the day and night, but be paid different wages for morning versus evening hours. The paystub or VOE may reflect hours worked by shift and the respective wage. Determine the annual income for the morning hours as one calculation, and the annual income from the evening hours as a separate calculation. Add these two annual amounts together to calculate total employment income.
3. If the different rates and positions are not broken out, but YTD hours are provided, find the average rate by dividing YTD base income by YTD hours. If YTD hours are not provided, then divide the sum of the wages on the two pay stubs by the sum of the hours on the two pay stubs.
4. When shift differentials are shown, treat the YTD income as other compensation and find the average of the YTD income, annualize, and add to the total household income.

D. Other Compensation

1. Income from overtime, tips, commissions, bonuses, or equivalent income must be used to calculate annual income. If pay stubs or VOE show YTD overtime or other compensation, the amount must be annualized and included in the annual income calculation.
2. When the documentation shows the YTD overtime or other compensation amount, determine the pay period average by dividing the YTD overtime or other income by the number of pay periods to date. To annualize income, multiply that average by the total number of pay periods in a full year. Add that result to the annual income from employment.
3. If the applicant does not expect to work additional overtime or receive “Other Compensation” on a regular and recurring basis, written verification of this fact must be provided by the employer.



E. Salaried Employment

Annual salary amounts will be used as base wages. Add to this amount any additional non-salary income such as overtime, bonuses, commissions, tips, etc. Non-salary income will be treated as other compensation and must be averaged, annualized, and added to the salary amount.

F. Household Members with No Income

If a household occupant aged 18 years or older is not employed or receiving income of any kind, he or she should complete and sign a Certification of Zero Income. The certification will act as verification that a household member has no income to report. The Certification of Zero Income is available at www.fhlbcin.com.

G. Health and Insurance Benefits

Some employers document health and/or insurance benefits by including the amount in the employee's YTD gross income. When annualizing the gross income, the amount of benefits can be excluded from the YTD gross income if the paystub shows a corresponding payroll deduction of the amount.

H. Vacation Day Pay-Outs

If a person receives a lump sum payment for unused vacation days annually, treat this as non-recurring income and subtract the payment from the YTD gross income.

I. Seasonal Employment

A VOE will be required for seasonal workers if the job has not yet started for the application year. The employer should document on the VOE the seasonal nature of the employment and the expected employment schedule. The employer should also indicate whether unemployment is available during the off-season. Use the calculation guidelines for employment income to determine annual seasonal income, while discounting the amount for off-season time. Two consecutive pay stubs are acceptable if the employment has begun for the application year. If a VOE or pay stubs are not available, W-2s for the most recent two years will be acceptable. The seasonal employment income will then be determined by averaging the gross wages on the W-2s.

J. Non-Employment (Unearned) Income

1. For other income received on a recurring or periodic schedule, calculate the annualized amount by multiplying the gross periodic amount by the number of periods in the year. For amounts that vary, calculate an average of the amount received to date and annualize it. Verification of non-employment income must be obtained when the household is qualified. For example, if the application is dated



2015, the documentation must show the amount of Social Security or Supplemental Security Income the household will receive in 2015.

2. For child support, only use the current ordered amount of support, and do not include amounts for arrears or past-due support. If child support is not received regularly, and this fact is documented, determine annual support by averaging the YTD child support received and annualizing it.

K. Self-Employment Income

1. A person owning 25% or more of a business or being paid via a 1099 is considered self-employed. Two years' most recent federal tax returns with all schedules are required to document self-employment income. The tax returns must be signed and dated or include the preparer's TIN information. IRS-issued transcripts for the most recent two years are also acceptable.
2. Qualifying income will be based on the average of the adjusted income plus depreciation from the two tax returns. If the borrower has fewer than two years of self-employment history, the average will be based on the number of self-employed months. If a business is started in the same year that the household is qualified, a Profit & Loss Statement is required, and the year-to-date income will be averaged and projected forward. A year-to-date Profit & Loss Statement is also required if the grant request is submitted after the tax filing date for the application year.

L. Rental Income

1. If the property being purchased is a two to four-unit property, rental income from the non-owner occupied units must be included in the household income calculation. A Small Residential Income Property Appraisal or current lease is required to confirm the gross monthly rent amount. When reviewing the appraisal, assume the buyer will occupy the largest unit and calculate 85% of the projected or current gross monthly for the remaining units. Annualize the rental income, and add the result to the total household income. If rental income is derived from a current (not expired) lease, calculate 85% of the gross monthly rent from the non-owner occupied units. Annualize the rental income, and add the result to the total household income. FHLB Cincinnati does not include the income of the tenants in household income to determine eligibility of the qualifying household.
2. If a homebuyer already owns rental property, two years most recent federal tax returns with all schedules or a current lease (not expired) is required. Add the gross rents received for each year together and divide by two, and then multiply the result by 85%. Do not subtract the mortgage payment or any other expenses. Add the result to the total household income. If a lease is provided, calculate 85%



of the gross monthly rent for the non-owner occupied units, annualize it, and add the result to the total household income.

M. Income from Assets

Assets will be considered as a source of income when the asset is generating regular payments to the household. For example, if a household member has savings and investments totaling \$300,000 and is receiving interest/dividends from these assets on a monthly or quarterly basis and this income can be documented with two years most recent federal tax returns with all schedules or with two consecutive monthly statements for all liquid assets, the interest/dividends payments are counted as income.

VIII. Calculating Income from Pay Statements

There is often more than one method to calculate projected income. FHLB Cincinnati uses the information provided on the pay statement to determine which method best captures all components of eligible income. The most frequently used methods include but are not limited to the following:

- Averaging the gross pay of two consecutive pay statements
- Using the base pay or annualizing the base pay rate
- Annualizing year-to-date (YTD) totals
- Other methodology as deemed appropriate by FHLB Cincinnati

Note: Each method can yield very different results. In some cases a combination of the above listed methods may be used to prove the household is income eligible. For example, you may use the base pay rate plus annualized year-to-date of irregular sources of income (i.e., overtime, bonus, etc.).



Pay Statement 1

Healthy Heart

Pay Date 1/16/15 - Regular

Healthy Heart, Inc
789 Anywhere Avenue
Cincinnati, OH 45215

Beverly Sunshine
2927 25th Street
Cincinnati, OH 45323

User ID
Employee ID
Department
Base Pay Rate

10291026
\$22.26

Pay Advice #
Period Begin Date
Period End Date
Pay Frequency

124578963
1/1/2015
1/14/2015
Bi-weekly

Taxes	State Codes	Marital Status	Allowances	Additional Amounts	Local Codes
Federal		Single	1		Loc 1:
Primary State		Single	1		Loc 2:
Secondary State			0		Loc 3:
Local			0		Loc 4:
Earnings	Rate	Hours	This Period	YTD	
SHIFTDIFF	33.98	0.20	\$6.71	\$74.00	
SHIFT	3.00	0.20	\$0.60	\$0.00	
ORIENT	22.26	62.40	\$1,389.00	\$3,017.28	
SHIFTDIFF	22.26	4.80	\$106.85	\$0.00	
SHIFT	3.00	4.80	\$14.40	\$0.00	
Mealing	22.26	7.70	171.40	171.40	
HOL PAID	22.26	4.80	\$106.85	\$213.70	
Total Earnings :			\$1,795.84	\$3,476.47	
Pre-Tax	This Period	YTD			
POS*	\$68.00	\$112.00			
DENTA P*	\$11.30	\$22.60			
TRIREALTH 401K	32.33	62.98			
Total Pre-Tax :	\$99.63	\$197.18			
Taxes	This Period	YTD			
Social Security Tax	72.80	140.36			
Federal Income Tax	\$25.06	\$48.45			
SITCR	224.17	420.56			
Cincinnati	\$50.09	\$96.13			
OH	30.30	70.16			
SUI	50.00	\$0.00			
Total Taxes :	\$408.22	\$774.68			
After-Tax	This Period	YTD			
PARKING	\$2.00	\$4.00			
CAFE CHG	\$40.21	\$76.48			
Total After-Tax :	\$42.21	\$83.48			
Net Pay	\$1,245.78	\$2,421.13			
Total Not Pay :					
Leave Balance Summary	Previous Balance	Earned	Used	Current Balance	Bank Max
GTB Balance	0.13	1.84	0.00	0.97	104.00
EIB Balance	12.37	2.77	0.00	15.14	1,240.00
Pay Summary	This Period	YTD			
Earnings	\$1,795.84	\$3,476.47			
Pre-Tax Deductions	\$99.63	\$197.18			
Federal Taxable Wages	\$1,696.21	\$3,279.29			
Social Security Taxable Wages	\$1,728.54	\$3,341.97			
Medicare (II) Taxable Wages	\$1,728.54	\$3,341.97			
State Taxable Wages	\$1,696.21	\$3,279.29			
Local Taxable Wages	\$1,728.54	\$3,341.97			
Total Taxes	\$408.22	\$774.68			
After-Tax Deductions	\$42.21	\$83.48			
Net Pay	\$1,245.78	\$2,421.13			



Pay Statement 2

Taxes		State Codes	Marital Status	Allowances	Additional Amounts	Local Codes
Federal			Single	1		Loc 1:
Primary State			Single	1		Loc 2:
Secondary State				0		Loc 3:
Local				0		Loc 4:

Earnings	Rate	Hours	This Period	YTD
Overtime			0.00	74.00
ORIENT	22.59	70.30	\$1,568.08	\$4,805.34
Meeting	22.59	3.20	72.29	243.89
HOL PAID	22.59	4.80	\$108.43	\$322.13
Total Earnings :			\$1,768.78	\$5,245.25

Pre-Tax	This Period	YTD
POS*	\$56.00	\$168.00
DENTA P*	\$11.30	\$33.00
TRHEALTH 401K	31.84	84.42
Total Pre-Tax :	\$99.14	\$296.32

Taxes	This Period	YTD
Social Security Tax	71.46	211.82
Federal Income Tax	\$24.67	\$73.12
SITOH	217.52	636.08
Cincinnati	\$48.90	\$144.03
SUI	35.73	105.91
Total Taxes :	\$398.28	\$1,172.96

After-Tax	This Period	YTD
PARKING	\$2.00	\$6.00
CAFE CHG	\$21.44	\$100.92
Total After-Tax :	\$23.44	\$106.92

Net Pay	This Period	YTD
Total Net Pay :	\$1,247.92	\$3,686.05

Leave Type	Previous Balance	Earned	Used	Current Balance	Bank Max
GTD Balance	9.97	1.80	0.00	11.77	104.00
FIB Balance	15.14	2.74	0.00	17.89	1,240.00

Pay Summary	This Period	YTD
Earnings	\$1,768.78	\$5,245.25
Pre-Tax Deductions	\$99.14	\$296.32
Federal Taxable Wages	\$1,669.64	\$4,948.93
Social Security Taxable Wages	\$1,701.48	\$5,043.35
Medicare (HI) Taxable Wages	\$1,701.48	\$5,043.35
State Taxable Wages	\$1,669.64	\$4,948.93
Local Taxable Wages	\$1,701.48	\$5,043.35
Total Taxes	\$398.28	\$1,172.96
After-Tax Deductions	\$23.44	\$106.92
Net Pay	\$1,247.92	\$3,686.05

A. Reviewing Pay Statements

- Identify that there are at least two consecutive pay statements that are dated within the time period FHLB Cincinnati requires, and contain the rate of pay and YTD totals. These pay statements are consecutive based on the Pay Date, Period Begin Date and Period End Date. They also identify the employer and the household member's name.
- Review the pay statements to determine which method best reflects the information to calculate projected income for the year.
- Enter the information into the FHLB Cincinnati Income and Affordability Workbook to verify the household's qualification.

Note: Pay Statement 1 includes various forms of irregular pay (Shift, Shift Differential, Meeting, etc.) that were not earned on Pay Statement 2. Pay Statement 2 also has various forms of irregular pay (Overtime, Orientation, Holiday, etc.) that were not earned on the previous statement. The number of



hours worked for each pay period varies as Pay Statement 1 has a total of 84.90 hours and Pay Statement 2 has a total of 78.30 hours. Also, there is an increase in the Base Pay Rate between Pay Statement 1 (\$22.26) and Pay Statement 2 (\$22.59).

Due to the varying factors of irregular pay, hours worked per pay period and change in pay rate the best method to calculate the projected income may not always be easy to identify. However, the goal is to find the method that best includes both regular and irregular earnings. Below are examples of the FHLB Cincinnati Income and Affordability Workbook for methods listed above.



Example 2

Use the base hourly rate listed on the most recent pay statement and the average hours earned per week. This calculation does not accurately include rate changes for Overtime or Shift Differential hours. Note: The average hours per week was calculated by adding the total number of hours listed on both bi-weekly pay statements and dividing by four (4), as each pay statement accounts for two weeks.

Project #: 201503-0000						Complete only if Pay Frequency = YTD				
Earned Income (Earned Income for all household members age 18 and older. Place non-base pay calculations on a separate line.)						YTD Pay Period		YTD Pay Period End		
<u>Homebuyer / Occupant</u>				<u>Amount per</u>		<u>Start Date</u>		<u>Date</u>		
<u>Name</u>	<u>Income Type</u>	<u>Pay Frequency</u>	<u>Hrs per Wk</u> <small>(if < or > 40)</small>	<u>Pay</u> <u>Frequency</u>	<u>Annualized</u>					<u>Wks</u>
Beverly Sunshine	Wages	Hourly	40.8	\$22.59	\$47,926.94					0.00
	Wages				\$0.00					0.00
Irregular Employ Income					\$0.00					0.00
					\$0.00					0.00
					\$0.00					0.00
					\$0.00					0.00
SubTotal					\$47,926.94					
<u>Homebuyer / Occupant</u>				<u>Amount per</u>		<u>YTD Pay Period</u>		<u>YTD Pay Period End</u>		
<u>Name</u>	<u>Income Type</u>	<u>Pay Frequency</u>	<u>Hrs per Wk</u> <small>(if < or > 40)</small>	<u>Pay</u> <u>Frequency</u>	<u>Annualized</u>	<u>Start Date</u>		<u>Date</u>		<u>Wks</u>
	Wages				\$0.00					0.00
	Wages				\$0.00					0.00
Irregular Employ Income					\$0.00					0.00
					\$0.00					0.00
					\$0.00					0.00
SubTotal					\$0.00					
Unearned Income						<u>YTD Pay Period</u>		<u>YTD Pay Period End</u>		
Periodic Payments (Income from child support, alimony, periodic payments from long-term care insurance, pensions, annuities, disability/death benefits; stipends, interest, dividends, unemployment, and other regularly-received payments.)						<u>Start Date</u>		<u>Date</u>		
<u>Homebuyer / Occupant</u>				<u>Amount per</u>						
<u>Name</u>	<u>Income Type</u>	<u>Pay Frequency</u>		<u>Pay</u> <u>Frequency</u>	<u>Annualized</u>					<u>Wks</u>
					\$0.00					0.00
					\$0.00					0.00
					\$0.00					0.00
					\$0.00					0.00
					\$0.00					0.00
SubTotal					\$0.00					
Income from Assets (If cumulative Assets greater than \$5,000. This includes interest earned on checking/savings/od/money market accounts; trusts; stocks and bonds; annuities where no regular payments are being made; etc.)										
<u>Homebuyer / Occupant</u>				<u>Income</u>						
<u>Name</u>	<u>Asset Type</u>			<u>from Asset</u>	<u>Asset Value</u>	<u>Annualized</u>				
						\$0.00				
						\$0.00				
SubTotal					\$0.00					
Total Household Income					\$47,926.94			62.40%		
Notes							Income Eligible			
Used base pay rate as listed on most recent pay statement and average number of hours worked per week to annualize income.										



Example 3

Use the YTD total as listed on the most recent pay statement provided. This calculation includes the various components of income but indicates the household is not eligible.

Project #: 201503-0000						Complete only if Pay Frequency = YTD		
Earned Income (Earned Income for all household members age 18 and older. Place non-base pay calculations on a separate line.)								
<u>Homebuyer / Occupant</u>				<u>Amount per</u>		<u>YTD Pay</u>		<u>YTD Pay</u>
<u>Name</u>	<u>Income Type</u>	<u>Pay Frequency</u>	<u>Hrs per Wk</u> (if < or > 40)	<u>Pay</u> <u>Frequency</u>	<u>Annualized</u>	<u>Period</u>	<u>Period End</u>	<u>Wks</u>
Beverly Sunshine	Wages	YTD		\$5,245.25	\$68,188.25	1/1/2015	1/28/2015	4.00
	Wages				\$0.00			0.00
Irregular Empl Income					\$0.00			0.00
					\$0.00			0.00
					\$0.00			0.00
					\$0.00			0.00
SubTotal					\$68,188.25			
<u>Homebuyer / Occupant</u>				<u>Amount per</u>		<u>YTD Pay</u>		<u>YTD Pay</u>
<u>Name</u>	<u>Income Type</u>	<u>Pay Frequency</u>	<u>Hrs per Wk</u> (if < or > 40)	<u>Pay</u> <u>Frequency</u>	<u>Annualized</u>	<u>Period</u>	<u>Period End</u>	<u>Wks</u>
	Wages				\$0.00			0.00
	Wages				\$0.00			0.00
Irregular Empl Income					\$0.00			0.00
					\$0.00			0.00
					\$0.00			0.00
					\$0.00			0.00
SubTotal					\$0.00			
Unearned Income								
Periodic Payments (Income from child support, alimony, periodic payments from long-term care insurance, pensions, annuities, disability/death benefits; stipends, interest, dividends, unemployment, and other regularly-received payments.)								
<u>Homebuyer / Occupant</u>				<u>Amount per</u>		<u>YTD Pay</u>		<u>YTD Pay</u>
<u>Name</u>	<u>Income Type</u>	<u>Pay Frequency</u>		<u>Pay</u> <u>Frequency</u>	<u>Annualized</u>	<u>Period</u>	<u>Period End</u>	<u>Wks</u>
					\$0.00			0.00
					\$0.00			0.00
					\$0.00			0.00
					\$0.00			0.00
SubTotal					\$0.00			
Income from Assets (If cumulative Assets greater than \$5,000. This includes interest earned on checking/savings/cd/money market accounts; trusts; stocks and bonds; annuities where no regular payments are being made; etc.)								
<u>Homebuyer / Occupant</u>				<u>Income</u>				
<u>Name</u>	<u>Asset Type</u>			<u>from Asset</u>	<u>Asset Value</u>	<u>Annualized</u>		
						\$0.00		
						\$0.00		
SubTotal					\$0.00			
Total Household Income					\$68,188.25			
Notes						Homebuyer Income as a		
Used the YTD total as listed on the most recent pay statement.						Percent of AMI		
						88.79%		
						Over Income		



Example 4

Use the base pay rate PLUS the Year-to-Date totals of the irregular income. This calculation includes both regular and irregular (Overtime, Shift, Meeting, Orientation, etc.) income.

Project #: 201503-0000						Complete only if Pay Frequency = YTD		
Earned Income <small>(Earned Income for all household members age 18 and older. Place non-base pay calculations on a separate line.)</small>								
<u>Homebuyer / Occupant</u>			<u>Hrs per Wk</u>	<u>Amount per</u>		<u>YTD Pay</u>	<u>YTD Pay</u>	
<u>Name</u>	<u>Income Type</u>	<u>Pay Frequency</u>	<u>(if < or > 40)</u>	<u>Pay</u>	<u>Annualized</u>	<u>Period</u>	<u>Period End</u>	<u>Wks</u>
Beverly Sunshine	Wages	Hourly		\$22.59	\$46,987.20			0.00
	Wages				\$0.00			0.00
Irregular Empty Income	Other	YTD		\$640.51	\$8,326.63	1/1/2015	1/28/2015	4.00
					\$0.00			0.00
					\$0.00			0.00
					\$0.00			0.00
SubTotal					\$55,313.83			
Homebuyer / Occupant						YTD Pay		
<u>Name</u>	<u>Income Type</u>	<u>Pay Frequency</u>	<u>Hrs per Wk</u>	<u>Pay</u>	<u>Annualized</u>	<u>Period</u>	<u>Period End</u>	<u>Wks</u>
	Wages				\$0.00			0.00
	Wages				\$0.00			0.00
Irregular Empty Income					\$0.00			0.00
					\$0.00			0.00
					\$0.00			0.00
					\$0.00			0.00
SubTotal					\$0.00			
Unearned Income						YTD Pay		
Periodic Payments <small>(Income from child support, alimony, periodic payments from long-term care insurance, pensions, annuities, disability/death benefits; stipends, interest, dividends, unemployment, and other regularly-received payments.)</small>						<u>Period</u>	<u>Period End</u>	<u>Wks</u>
<u>Homebuyer / Occupant</u>				<u>Amount per</u>		<u>Start Date</u>	<u>Date</u>	
<u>Name</u>	<u>Income Type</u>	<u>Pay Frequency</u>		<u>Pay</u>	<u>Annualized</u>			<u>Wks</u>
					\$0.00			0.00
					\$0.00			0.00
					\$0.00			0.00
					\$0.00			0.00
					\$0.00			0.00
SubTotal					\$0.00			
Income from Assets <small>(If cumulative Assets greater than \$5,000. This includes interest earned on checking/savings/cd/money market accounts; trusts; stocks and bonds; annuities where no regular payments are being made; etc.)</small>						Homebuyer Income as a		
<u>Homebuyer / Occupant</u>				<u>Income</u>		Percent of AMI		
<u>Name</u>	<u>Asset Type</u>			<u>from Asset</u>	<u>Asset Value</u>			
					\$0.00			
					\$0.00			
SubTotal					\$0.00			
Total Household Income					\$55,313.83	72.02%		
Notes						Income Eligible		
Used the base hourly rate plus YTD total of all irregular income (Overtime, Shift, Orientation, Meeting) as listed on the pay statements.								

Based on the information listed on the pay statements, using the average pays or annualized base pay were not the best methods, as they did not factor in irregular income. Also, annualizing the YTD total was not the best, as it projected a significantly higher income than indicated by the other methods. In this instance, using a combination of the base pay plus the annualized YTD total of the irregular income was the best method to capture all sources of income.



Appendix B

Definitions for the Welcome Home Program

The following definitions describe terms and phrases specific to the Welcome Home Program. Definitions specific to the competitive Affordable Housing Program are found in Attachment E: Definitions for the Affordable Housing Program.

“Amortization period” means the number of years required to repay a loan in full.

“Closing costs” are charges and expenses over and above the price of the property incurred by the buyer when transferring ownership of the property. Typical closing costs include fees for: property inspection, loan origination, rate discount, appraisal, credit report, mortgage insurance application, document preparation, attorney services, judgment search, abstracting, recording; title insurance (for mortgagor or owner); local taxes; survey, plat drawing; pre-paid interest for up to 30 days; initial insurance premiums; escrows of condo or homeowners association dues, transfer taxes, property taxes, flood insurance, and homeowner’s insurance.

“County” means a geographic subdivision of a state or federal territory, usually assigned some governmental authority. Parishes and boroughs are called “county-equivalents” by the HUD, as are certain independent cities that are not parts of counties.

“Deed in lieu of foreclosure” means a deed instrument in which a borrower conveys all interest in a property to the lender to satisfy a loan that is in default to avoid foreclosure proceedings. For purposes of the WHP retention requirements, transfer of a property through a deed in lieu of foreclosure will be treated as though the property had been foreclosed.

“Direct grant” or “grant” means provision of funds for a project with no requirement for repayment so long as the funds are used for the purposes intended for the time period required.

“Down payment assistance” means grants or loans used to reduce the first mortgage amount to the borrower.

“First-time homebuyer” means an individual or household who has not owned a home during the three-year period prior to the purchase of a home, except that:

1. Any individual who is a displaced homemaker may not be excluded from consideration as a first-time homebuyer on the basis that the individual, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse;
2. Any individual who is a single parent may not be excluded from consideration as a first-time homebuyer on the basis that the individual, while married, owned a home with his or her spouse or resided in a home owned by the spouse; or,
3. Any individual or family who owns a home that:



- a) Is not intended as a dwelling;
- b) Was lost through natural disaster; or
- c) Is “Manufactured housing” that was not originally assembled to meet nationally recognized standards or is not permanently affixed to a foundation that meets nationally recognized building code standards.

“Foreclosure” means a legal procedure by which mortgaged property is sold, upon default, in order to satisfy a debt. Foreclosures generally are governed by state law, and rules may vary between states. For purposes of the WHP retention requirements, transfer of a property through a deed in lieu of foreclosure will be treated as though the property had been foreclosed.

“Fully-indexed interest rate” in the Welcome Home Program means, on an adjustable-rate loan, the rate determined by adding the margin to an index level at the time the loan is made. The interest rate on an adjustable (sometimes known as variable) rate loan is tied to a benchmark interest rate, known as an “index.” (Popular indexes for loans are the prime rate, LIBOR, and various U.S. Treasury bill and note rates.) The index level varies according to market conditions, but the margin is usually a constant value. The “margin” is the mark-up over the index that the lender imposes. The initial interest rate, sometimes called a “teaser” rate, might actually be less than the index at the time the loan is made and is always less than the fully indexed rate (index plus margin).

For example, the fully indexed interest rate on an adjustable rate mortgage tied to the one-year LIBOR rate (the index) with a margin of 3.75 percent would be 5.75 percent if the LIBOR index was 2.00 percent at the time the loan was made.

The fully indexed rate is not affected by any annual or lifetime caps on adjustments based on the index. Instead, it reflects what the interest rate would have been at the time the mortgage was made based solely on the index at that time and the stated margin.

Fully indexed rate = Index (at the time the loan is made) + Margin (established at the time the loan is made).

Note: the “fully-indexed interest rate” is not the same as the “fully-indexed rate at maturity.” The fully indexed rate at maturity is based on the index at the time the loan is originated plus the maximum amount the interest rate could increase over the life of the loan. It is a worst-case calculation.

“Household” means all the people who currently occupy an existing housing “Unit” or will occupy a housing “Unit” or “Bed” being developed, including related family members and all unrelated people that reside in the unit, including unborn children and adoptive children, lodgers, foster children, wards, or employees who share the housing.



“Household income” means the combined annual earned and unearned “Income” of all the occupants aged 18 and over in a given dwelling unit at the time the household is qualified by the Member at time of loan application. Generally, current circumstances will be used to anticipate “Income” and projected annual income will be calculated by annualizing current “Income” taking into account changes expected to occur during the year. “Household income” is determined using the Income Eligibility Guide available at www.fhlbcin.com.

“Income” means:

1. The full amount, before payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services; and
2. The net income from operation of a partnership, business, or profession; and
3. Interest, dividends etc.; and
4. Payments in lieu of earnings, such as unemployment benefits, disability compensation, worker’s compensation, and severance pay; and
5. The full amount of periodic payments from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, lotteries, trusts, and inheritances, and other similar types of periodic payments received; and
6. All regular pay, special pay, and allowances of a Member of the Armed Forces; and
7. Welfare assistance, if designated for shelter or utilities; and
8. Alimony, child support, etc.; and
9. For 2-4 unit dwellings, 85 percent of the projected gross income for such units.

“Manufactured housing,” refers to a single-family residential dwelling built in compliance with the Federal Manufactured Housing and Construction Standards, as amended, also known as the HUD Code, after June 15, 1976. Manufactured homes may be built in multi-sectional or single section units and installed on an FHA Title II permanent foundation system. In addition, the home and the lot must be taxable together as real property. **For WHP eligibility purposes, a single section manufactured home must be Energy Star rated.**

“Maximum interest rate” for the Welcome Home Program means the rate established pursuant to Part VII C (3) of the AHP Implementation Plan.

“Member” means a Member stockholder of the FHLB Cincinnati, which has full borrowing and voting rights and privileges. Members include commercial banks, savings and loan associations, savings banks, credit unions, insurance companies, and community development financial institutions.

“Mobile Home” refers to a residential structure manufactured prior to the enactment of the Federal Manufactured Housing and Construction Standards, also known as the HUD Code, on June 15, 1976. **Mobile homes are not eligible for the WHP grant.**



“Modular Home” refers to a home built to the State or Local Code where the home will be located. Sectional units are built in a production facility, transported to the site, and assembled onsite.

“Ownership” means a fee simple interest in a property to be used as a primary residence. Owner-occupied units may include single-family detached units, condominiums, townhomes, duplexes, triplexes, or quadplexes. Ownership properties also include those in which there is a true ownership through a cooperative.

“Permanent loan” means a repayable, amortizing loan, with a loan term of at least 10 years to the homebuyer.

“Real Estate Owned” (REO) means property taken by the lender as the final step in the foreclosure process. The property ownership has been conveyed back to the lender.

“Rehabilitation Act” is codified at 29 USC 791.

“Retention period” means: Five (5) years from the date of the recording of the deed for a WHP-assisted owner-occupied unit.

“Third-party income documentation” is provided by an independent source to verify an individual’s income, such as wage statements, interest statements, and unemployment compensation statements. Examples of third-party sources include employers, the Social Security Administration, and the IRS.

Note: The Welcome Home Program description, related documents, and the Members Only on-line forms may contain other terms or phrases not defined here. These terms or phrases may be associated with descriptions or definitions appropriate to the context in which they appear. These additional words and phrases and any descriptions and definitions appearing in the online forms or elsewhere are incorporated herein by reference. Slight variations in the wording of definitions may be required by the context in which terms appear, and these variations should not be construed as different definitions. Any questions about the definitions stated here, in the online application, or elsewhere should be addressed to the FHLB for resolution.