

### **III. Attachment A**

#### **Definitions and Acronyms**

**Adaptive Reuse:** The conversion of a building from a non-housing use to a housing use, including the reuse of religious buildings for housing purposes. For example, a warehouse converted to apartments or condominiums, a hotel converted to apartment units other than overnight shelter units, school houses converted to apartments, or convents and monasteries converted to a housing use for the general public.

**Affordable:** (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 area, does not exceed 30 percent of the income of a household of the maximum income and size expected, under the commitment made in the AHP application, to occupy the unit (assuming occupancy of 1.5 persons per bedroom or 1.0 person per unit without a separate bedroom); or (2) The rent charged to a household, for rental units subsidized with Section 8 assistance under 42 U.S. C. 1437f or subsidized under another assistance program where the rents are charged in the same way as under the Section 8 program, if the rent complied with this § 951.1 of the AHP regulations at the time of the household's initial occupancy and the household continues to be assisted through the Section 8 or another assistance program, respectively.

**AHP or Program:** The Affordable Housing Program established pursuant to 12 U.S.C. 1430(j) and the AHP regulations.

**AHP Project:** A single-family or multifamily housing project for owner-occupied or rental housing that has been awarded or has received AHP subsidy under the competitive application program.

**Anti-Predatory Lending Laws:** Applicable federal, state and local anti-predatory lending laws and other similar credit-related consumer protection laws, regulations and orders designed to prevent or regulate abusive and deceptive lending practices and loan terms.

**AMI (also referred to as Median Income for the Area):** Area Median Income, see the definition of "Median Income for the Area"

**BIA:** Bureau of Indian Affairs

**Bank:** Federal Home Loan Bank of Des Moines

**Builder's Overhead:** An allowance for the portion of the builder's off-site (home office) overhead that is attributable to the project.

**Builder's Profit:** Payment to the builder typically based on the size of the project, the total development cost, and the risk associated with the project.

**CIA:** The Bank's Community Investment Advance Program.

**CIP:** A Bank's Community Investment Program established under section 10(i) of the Act, 12 U.S.C. 1430(i).

**Closing Costs:** Includes expenses over and above the price of the property incurred by the buyer when transferring ownership of the property. Representative closing costs include, but are not limited to, loan origination fee, loan discount fee, appraisal fee, credit report, mortgage insurance application fee, closing fee, document preparation, attorney fees, title insurance (for mortgagee or owner), judgment search fees, abstracting fees, Title Guaranty fees (in Iowa), recording fees, tax stamp fees, survey fees, plat drawing fees, pre-paid interest for up to 30 days, initial flood insurance premium, two months' escrow of mortgage insurance, escrow of property tax as appropriate for the jurisdiction in which the property is located, two months escrow of flood insurance, first year's premium on homeowner's insurance, first year's premium for mortgage insurance, property inspection fees. Homebuyer education classes or Financial Literacy Programs are an eligible closing cost expense from AHP funds only for buyers receiving AHP funding greater than that cost of the classes or programs. The amount that can be charged to AHP is limited to \$150 for a course requiring 8 hours or less (the typical Mortgage Insurance short course or in-house type of training) with a maximum of \$350 for a course that is more than 8 hours. The following are not eligible closing costs: single premium or monthly life and/or disability insurance coverage and escrow of principal and interest payments.

**Competitive Application Program:** A program established by the Bank under which the Bank awards and disburses AHP subsidy through a competitive application scoring process pursuant to the requirements of § 951.5 of the AHP regulations.

**Cost of Funds:** For purposes of a subsidized advance, the estimated cost of issuing Bank System consolidated obligations with maturities comparable to that of the subsidized advance.

**Debt Coverage Ratio (DCR):** The ratio of a project's annual net operating income divided by the total annual debt service (principal plus interest).

**Deobligation or Deobligated:** The process whereby committed AHP funds that were never disbursed to a member or were never disbursed by a member to an AHP project sponsor/owner are returned to the Bank.

**Direct Subsidy:** An AHP subsidy in the form of a direct cash payment.

**Eligible Household:** A household that meets the income limits and other requirements specified by the Bank for its competitive application program and homeownership set-aside programs, provided that, as a minimum threshold for eligibility for AHP subsidy: (1) In the case of owner-occupied and rental housing, the household's income may not

exceed 80 percent of the median income for the area; and (2) In the case of rental housing, the household's income in at least 20 percent of the units may not exceed 50 percent of the median income for the area.

**Eligible Project:** A project eligible to receive AHP subsidy pursuant to the requirements of the AHP regulations.

**Enrollment Date:** For purposes of determining a household's income eligibility under an owner-occupied project, the date the member receives the loan application or if in conjunction with a program such as, but not limited to, Habitat for Humanity or other empowerment program, the date of application in such program.

**Fair Market Value (FMV):** Generally, 1) the property value established by the city or county assessor's office; or 2) the market value as established by an independent appraisal of the property performed by a state certified or licensed appraiser as defined in 12 CFR 564.2(j) and (k) within six months prior to the date of the AHP application.

**Family Member:** Any individual related to a person by blood, marriage, or adoption.

**Funding Period:** A time period, as determined by the Bank, during which the Bank accepts AHP applications for subsidy.

**FHFB or Finance Board:** The agency established as the Federal Housing Finance Board.

**Financial Literacy Program (also referred to as Homebuyer or Homeowner Education or Counseling Costs):** An educational program that includes homebuyer or homeowner education and financial literacy instruction in ways to recognize and avoid predatory lending. This educational instruction must take place before loan closing and may be in the form of a face-to-face tutorial, a classroom or workshop session, a mortgage insurance company education program or an internet based curriculum as long as each education program includes a homebuyer education course as well as information on recognizing and avoiding predatory lending. Members are encouraged to offer their own in-house programs as long as there is trained staff.

**First-time Homebuyer:** An individual or an individual and his or her spouse who have not owned a home during the prior 3-year period except that – (A) any individual who is a displaced homemaker may not be excluded from consideration as a first-time homebuyer under this paragraph 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; (B) any individual who is a single parent may not be excluded from consideration as a first-time homebuyer under this paragraph on the basis that the individual, while married, owned a home with his or her spouse or resided in a home owned by a spouse; and (C) an individual shall not be excluded from consideration as a first-time homebuyer under this paragraph on the basis that the individual owns or owned, as a principal residence during such 3-year period, a dwelling unit whose structure is – (i) not on a permanent foundation

in accordance with local or other applicable regulations, or (ii) not in compliance with State, local, or model building codes, or other applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure. (iii) a mobile home, not attached to a permanent foundation, and which is not considered real estate by the state. The household may not own another residence even if that residence is rented.

In addition, recovering victims of catastrophic loss (e.g., the death of the family's principal wage earner, a failed self-employment business situation, loss of employment due to factory shutdown or an employer's reduction in force), victims of domestic violence that are legally separated from their spouses, and households who have purchased a home on a contractual basis but would otherwise qualify are also eligible as first-time homebuyers.

**General Requirements:** An allowance for the contractor's on-site overhead expenses, typically including items such as building permits, fencing around the site, temporary storage for materials, construction supervision, the job trailer, and temporary utilities.

**Habitable:** Suitable for occupancy, taking into account local health, safety, and building codes.

**Historic Rehabilitation:** The process of returning a property listed in or eligible for listing in the National Register of Historic Places to a state of utility, through repair or alteration, which makes possible an efficient contemporary use while preserving those portions and features of the property which are significant to its historic, architectural, and cultural values. Such rehabilitation must comply with the Secretary of Interior's Standards for Rehabilitation.

**Homeless Household:** The targeted population must be recognized as homeless under current HUD statutes, regulations or regulatory interpretations, or as defined by the State Housing Finance Agency, as documented by the applicant. For initial monitoring purposes, the pool of tenants a project with existing tenants at the time of AHP application can draw from is limited to those tenants who were homeless when they moved into the project on or after a date one year prior to the AHP application submission date (up through the date of Rental Monitoring Spreadsheet submission).

**Homeownership Set-aside Program:** A program established by the Bank under which the Bank disburses AHP direct subsidy pursuant to the requirements of § 951.6 of the AHP regulations.

**HUD:** The Department of Housing and Urban Development.

**Infill Housing:** The use of vacant land and property within a built-up area for further construction or development, typically utilizing existing infrastructure, especially as part of a neighborhood preservation program. Locations where the construction of new housing would be considered infill housing may include the following: A) Central City

of an MSA and some suburban locations on/in - 1) undeveloped land generally encircled by areas with existing infrastructure that has been in place for at least 10 years prior to the AHP application date or 2) areas with existing infrastructure in place on vacant land or where vacant buildings have been or will be demolished. B) Rural locations on/in - 1) areas with infrastructure in place on vacant land or where vacant buildings have been or will be demolished or 2) subdivisions generally encircled by areas with existing infrastructure that has been in place for at least 10 years prior to the AHP application date.

**Loan Pool:** A group of mortgage or other loans meeting the requirements of the AHP regulations that are purchased, pooled, and held in trust.

**LIHTC:** (Federal) Low-income Housing Tax Credit program.

**Low- or Moderate-income Household:** A household that has an income of 80 percent or less of the median income for the area, with the income limit adjusted for household size in accordance with the methodology of the applicable median income standard, unless such median income standard has no household size adjustment methodology.

**Low- or Moderate-income Neighborhood:** Any neighborhood in which 51 percent or more of the households have incomes at or below 80 percent of the median income for the area.

**Median Income for the Area:**

1. Rental Projects: The median income for the area, as published annually by HUD;
2. Owner-occupied Projects: The applicable median family income, as determined under 26 U.S.C. 143(f) (Mortgage Revenue Bonds) and published by a state agency or instrumentality;
3. Native American Service Area Projects:
  - a. Owner-occupied Projects: The applicable NAHASDA Income Guidelines or MRB income guidelines for owner-occupied projects. The sponsor or member must choose either the MRB Income Guideline or the NAHASDA Income Guideline.
  - b. Rental Projects: The median income for the area as published annually by HUD and adjusted for household size for each county, which includes NAHASDA Income Guidelines. The sponsor/owner must choose either the HUD Income Guideline or the NAHASDA Income Guideline.

**MRB:** Mortgage Revenue Bonds. The MRB median income for the area, adjusted for household size, as periodically published for use under the MRB program by the State Housing Finance Agency for the state in which the retention document will be recorded. If a city has a targeted area or MRB income determination, the Bank will use only the non-targeted area incomes. **NOTE:** The MRB numbers published by the state are generally 100 percent or more of median income and, therefore, must be reduced by the appropriate percentage of income targeted.

**Multifamily Building:** A structure with five or more dwelling units.

**NAHASDA:** Native American Housing Assistance and Self-Determination Act. Pub. L. 104-330, Oct. 26, 1996, 110 Stat. 4017, as amended, 25 U.S.C. §§ 4101 et seq.

**NAHASDA Income Limits:** The income limits published annually by HUD's Office of Native American Programs for the purpose of determining eligibility for assistance under programs funded by block grants under NAHASDA.

**Native American Service Area:** The area within which a Native American tribe operates affordable housing programs or the area in which a tribally designated housing entity (as designated for purposes of the Native American Housing Assistance and Self-Determination Act) is authorized by one or more Indian tribes to operate affordable housing programs.

**Non First-time Homebuyer:** An individual, or an individual and his or her spouse, who have owned a home during the prior 3-year period. Funds will not be made available to households that already own a home. Households must complete the sale of any existing residence prior to or simultaneously with receiving AHP Funds. Funding will not be allowed for second or vacation homes.

**Owner-occupied Acquisition/Rehabilitation:** The purchase, rehabilitation, and resale of an owner-occupied unit by a project sponsor.

**Owner-occupied Housing:** The purchase, construction, or rehabilitation of an owner-occupied project by or for very low-income or low- or moderate-income households. A household must have an income meeting the income targeting commitments in the approved AHP application at the time it is qualified by the project sponsor for participation in the project.

**Owner-occupied Project:** For purposes of the competitive application program, one or more owner-occupied units in a single-family or multifamily building, including condominiums, cooperative housing, and manufactured housing.

**Owner-occupied Unit:** A dwelling unit occupied by the owner of the unit. Housing with two to four dwelling units consisting of one owner-occupied unit and one or more rental units is considered a single owner-occupied unit.

**Ownership Interest:** For purposes of the competitive application program, any amount of ownership interest, including any partnership interest, in a rental project. Ownership interest includes a not-for-profit organization or public entity that owns a for-profit entity that is a partner/member in the partnership/limited liability company that owns a rental project.

**Permanent Housing:** Owner-occupied housing and long-term rental housing where the tenant household has a lease or similar form of occupancy agreement without limits on a household's length of tenancy as long as the tenant household abides by the conditions of the lease or occupancy agreement.

**Project Completion:** The date when all necessary title transfer requirements have been performed; all construction work is substantially complete; and all AHP funds have been disbursed to the project. In the case of rehabilitation of a unit currently occupied by the owner where there is no closing, commonly referred to as owner-occupied rehabilitation, project completion is defined as the date the AHP retention documents are executed by the homeowner.

**Purchase with Rehabilitation:** The rehabilitation of an owner-occupied unit as part of the homebuyer's purchase of that unit.

**Rehabilitation:** The labor, materials, tools, and other costs of improving existing buildings.

**Rental Housing:** The purchase, construction, or rehabilitation of a rental project, where at least 20 percent of the units in the project are occupied by and affordable for very low-income households. A household must have an income meeting the income targeting commitments in the approved AHP application upon initial occupancy of the rental unit, or for projects involving the purchase or rehabilitation of rental housing that already is occupied, at the time the application for AHP subsidy is submitted to the Bank for approval.

**Rental Project:** 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, and manufactured housing.

**Retention Period:**

1. 5 years from closing for an AHP-assisted owner-occupied unit, or in the case of rehabilitation of a unit currently occupied by the owner where there is no closing, five years from the date of project completion; and
2. 15 years from the date of project completion for a rental project.

**Revolving Loan Fund:** A capital fund established to make mortgage or other loans whereby loan principal is repaid into the fund and re-lent to other borrowers.

**Rural:** To be considered rural, a project must meet one of the following criteria – (1) Any housing located outside of a Metropolitan Statistical Area (MSA) where the population is 25,000 or less or (2) Any housing located in an area eligible for USDA Rural Housing Service programs. At the time an application for funds is submitted, the Bank will use the most current U.S. Census Bureau estimate of population, as published on the U.S. Census Bureau’s web site.

**Single-family Building:** A structure with one to four dwelling units.

**Sponsor:** A not-for-profit or for-profit organization or public entity that:

1. Has an ownership interest (including any partnership interest) in a rental project; or
2. Is integrally involved in an owner-occupied project, such as by exercising control over the planning, development, or management of the project or by qualifying borrowers and providing or arranging financing for the owners of the units.

**Sponsorship:** The AHP regulations state that for scoring purposes only sponsors who are a not-for-profit organization, a state or political subdivision of a state, a state housing agency, a local housing authority, a Native American Tribe, an Alaskan Native Village, or the government entity for Native Hawaiian Home Lands are considered in awarding points. Other entities, including for-profits, may sponsor an application and receive AHP funding but cannot receive points for such sponsorship. Please refer to the Bank’s Priority 2 scoring criteria in Attachment E.

**State:** A state of the United States, the District of Columbia, Guam, Puerto Rico, or the U.S. Virgin Islands.

**Subsidized Advance:** An advance to a member at an interest rate reduced below the Bank’s cost of funds by use of a subsidy.

**Subsidy:**

1. A direct subsidy, provided that if a direct subsidy is used to write down the interest rate on a loan extended by a member, sponsor, or other party to a project, the subsidy must equal the net present value of the interest foregone from making the loan below the lender’s market interest rate; or
2. The net present value of the interest revenue foregone from making a subsidized advance at a rate below the Bank’s cost of funds.

**Urban:** To be considered urban, a project must meet one of the following criteria – (1) Any housing located in a unit of general local government where the population is more than 25,000 or (2) Any housing located in an area that is not eligible for USDA Rural Housing Service programs. At the time an application for funds is submitted, the Bank will use the most current U.S. Census Bureau estimate of population, as published on the U.S. Census Bureau’s web site.

**Vacant or Abandoned:** A chronically vacant and uninhabitable property, including, but not limited to, a vacant property that because of its poor physical condition is a public nuisance or constitutes a blight on the surrounding area or is in violation of the applicable housing code such that it constitutes a substantial threat to the life, health, or safety of the public.

**Very Low-income Household:** A household that has an income at or below 50 percent of the median income for the area, with the income limit adjusted for household size in accordance with the methodology of the applicable median income standard, unless such median income standard has no household size adjustment methodology.

**Visitable:** In either owner-occupied or rental housing, at least one entrance is at grade (no steps) and approached by an accessible route such as a sidewalk, and the entrance door and all interior passage doors are at least 2 feet, 10 inches wide, offering 32 inches of clear passage space.

**Workforce Housing:** The purchase of owner-occupied housing for households with incomes between 50 and 80 percent of the median income for the area.