



AHP 2015 Implementation Plan

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.

Acquisition Rehabilitation: The acquisition and rehabilitation of property for residential use.

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. 1437 for 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 § 1291.1 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. 1291 and the AHP regulations.

AHP Project: A single-family or multifamily housing project for homeownership or rental housing that has been awarded an AHP subsidy under the competitive application program or an award of funds under the set-aside program to a member bank.

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: Area Median Income

Arm's Length Transaction: An arm's length transaction is one in which the buyers and sellers act independently and have no relationship to each other.

BIA: Bureau of Indian Affairs

Bank: Federal Home Loan Bank of Des Moines

Builder's Overhead: A builder's allowance for costs associated with a new construction or rehabilitation project that does not include the direct cost of wages or materials. Typical overhead costs may include an allowance for employee benefits and payroll taxes, job-site



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supervision, tools and equipment, mileage, general liability insurance, and office. See also, “Builder’s Profit” and “General Requirements”.

Builder’s Profit: Payment to the builder typically based on the size of the project, the total construction or rehabilitation cost, and the risk associated with the project.

Cash Back: Excluding reimbursement for eligible items paid outside of closing, a member may not provide cash back to a household at closing on a purchase money mortgage loan in an amount exceeding \$250. Cash back includes any loans or other obligations paid from loan and/or grant proceeds that are not for the direct purchase of the home. Down payment and earnest money do not qualify as eligible items paid outside of closing. The Bank, in its sole discretion, will determine eligible items paid outside of closing. A member must use any AHP direct subsidy exceeding \$250 that is beyond what is needed at closing for closing costs and the approved mortgage amount, as a credit to reduce the principal of the mortgage loan or as a credit toward the household’s monthly payment on the mortgage loan.

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 a homebuyer in purchase of a property, or by a homeowner securing financing for rehabilitation of their 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 homebuyers purchasing an AHP-assisted unit, where the homebuyer is receiving AHP funding greater than that cost of the classes or programs. The amount that can be charged to AHP is limited to \$250 for a course requiring 8 hours or less with a maximum of \$450 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, escrow of principal and interest payments, or payments of personal obligations of the households including personal loans, judgments, or liens. In addition, processing fees for providing an AHP subsidy is not an eligible closing cost. The Bank, at its discretion, will determine ineligible costs.



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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 § 1291.5 of the AHP regulations.

Consumer-Driven Project: Identifies Homeownership Projects including: (1) down payment and closing cost assistance in connection with a homebuyer purchase of an Owner-occupied Unit on the open market; or, (2) projects that include the rehabilitation of Owner-occupied Units.

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.

Developer's Fee: Typically, the compensation to the developer for the time and risk involved to develop and administer the project. It is typically based on the size of the project, the total development cost and the risk associated with the project.

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

Disabled: Any person who has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such impairment. In general, a physical or mental impairment includes hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex, and mental retardation that substantially limit one or more major life activities. Major life activities include walking, talking, hearing, seeing, breathing, learning, performing manual tasks, and caring for oneself.

Elderly: An elderly person is a household composed of one or more persons at least one of whom is 62 years of age or more. In a rental project, this would include one or more persons at least 62 years of age at the time of initial occupancy.

Eligible Household for a Rental Project: 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. Additionally, the household's income in at least 20 percent of the units may not exceed 50 percent of the median income for the area.



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Eligible Household for a Homeownership Project under the Competitive Application

Program: 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.

Eligible Household for a Homeownership Project under the Set-aside program(s): A household must have an income at or below 80 percent of the median income for the area at the time the household is accepted for enrollment by the member in the Bank's Homeownership Set-aside Program, with such time of enrollment by the member defined by the Bank in its AHP Implementation Plan.

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 a set-aside program, 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 to 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 transaction.

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

FHFA or Finance Agency: The Federal Housing Finance Agency is the Federal Home Loan Bank System's regulator located in Washington, DC.

Federally Assisted Housing: Any rental housing currently receiving HUD Section 8 project based rental assistance, Public Housing Authority/Housing and Rehabilitation Authority (PHA) units, HUD 202 or 811 operating subsidies, or U.S. Department of Agriculture Rural Development ("RD") 514, 515 or 516 rental assistance. For Public Housing Authority/Housing and Rehabilitation Authority units:

- 1) Units owned and operated under the Annual Contributions Contract (ACC) will be considered as Federal Assisted units under this definition.
- 2) Units being replaced on a one for one basis for existing units being taken out of the PHA inventory where the new units are included in the ACC will be considered Federal Assisted units under this definition



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- 3) PHA units being sold to a non-profit and financed with Low Income Housing Tax Credits (LIHTC) will not be considered Federal Assisted units but will receive points under the LIHTC preservation criteria.

Financial Literacy Program: An educational program that includes homebuyer education and financial literacy instruction in ways to recognize and avoid predatory lending. This instruction must take place before loan closing in transactions including home purchase 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 and sponsors may offer their own in-house programs as long it is conforms to [National Industry Standards for Homeownership Education and Counseling](#).

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: (a) 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; or (b) a mobile home that does not meet the definition of a Manufactured Housing in this Implementation Plan and which is not attached to a permanent foundation, and which is not considered real estate by the state.

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.

In all cases the household may not own or be an investor in another residence even if that residence is rented.

Foreclosed Property: Property that can be demonstrated to be in a foreclosure process (including deed in lieu of foreclosure) or has been acquired through such process by an institutional or corporate seller and not by an individual. The foreclosure process would include borrowers that have received a Notice to Cure Default and wish to negotiate a sale. Situations such as a "Short Sale" would be considered a foreclosure process. This would refer to a



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foreclosure of a note and mortgage or a note and deed of trust. Foreclosure Property would not refer to properties either forfeited through installment contract sale or tax forfeiture.

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

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 applicable State Housing Finance Agency (SHFA) or Tribally Designated Housing Entity (TDHE) and as documented by the applicant.

Homebuyer or Homeowner Education or Counseling: Pre-purchase or post-purchase homeownership education adopting curriculum and standards of the [National Industry Standards for Homeownership Education and Counseling](#). Homebuyer education or pre-purchase education includes as curriculum: accessing readiness to buy a home, budgeting and credit, financing a home, selecting a home, and maintaining a home and finances. Homeowner education or post-purchase education includes as curriculum community involvement, budgeting for homeownership, maintaining a home and home improvement, financing and sustaining homeownership, and avoiding delinquency and foreclosure. See also **Financial Literacy**.

Homeownership Project: In the AHP competitive program established pursuant to the requirements of § 1291.5 of the AHP regulations, the acquisition, construction, or rehabilitation of an Owner-occupied Unit 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. For purposes of the competitive program, a Homeownership Project would include an Owner-occupied Unit in a single-family or multifamily building, including condominiums and manufactured housing. Projects that include cooperative ownership or "lease-to-own" terms of sale or equivalent terms would be treated as Rental Projects for purpose of competitive application and monitoring.



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Homeownership Set-aside Program: A program established by the Bank under which the Bank disburses AHP direct subsidy pursuant to the requirements of § 1291.6 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.

Labor Burden: The cost of a company to have an employee, aside from the salary the employee earns. Labor burden costs include benefits that a company must pay, or chooses to pay, for employees included on their payroll. These costs include but are not limited to payroll taxes, pension costs, health insurance, dental insurance, and any other benefits that a company provides an employee.

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.

Manufactured Housing: A manufactured home (formerly known as a mobile home) is built to the Manufactured Home Construction and Safety Standards (HUD Code) and displays a red certification label on the exterior of each transportable section. Manufactured homes are built in the controlled environment of a manufacturing plant and are transported in one or more sections on a permanent chassis.



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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 limits 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.

New Construction: The construction of entirely new owner-occupied or rental units on sites not previously occupied, or projects that demolish an existing structure and build entirely new owner-occupied or rental units on that site.

Owner-Occupied Rehabilitation: Rehabilitation of an Owner-occupied Unit.

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.

Permanent Housing: Rental housing where the tenant household has a renewable 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 Date: For owner-occupied projects, the project completion date is the date as determined by the Bank that all construction or rehabilitation is complete, all AHP funds are disbursed or unused funds deobligated, and all Retention Agreements are in place. If the project included the sale of AHP assisted units to eligible homebuyers, sale of all units must be closed. For Rental projects, the Project Completion Date is the latter of the date a Certificate of Occupancy is issued or the date that AHP funds are disbursed. In areas that do not issue a



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Certificate of Occupancy, the Project Completion Date shall be the later of the date that the last unit in the project is suitable for occupancy or the date that AHP funds are disbursed.

Public Housing Authority/Housing and Rehabilitation Authority units:

- Units owned and operated under the Annual Contributions Contract (ACC) will be considered as Federal Assisted units under this definition.
- Units being replaced on a one for one basis for existing units being taken out of the PHA inventory where the new units are included in the ACC will be considered Federal Assisted units under this definition
- PHA units being sold to a non-profit and financed with low Income Housing Tax Credits (LIHTC) will not be considered Federal Assisted units but will receive points under the LIHTC preservation criteria.

Rehabilitation: The labor, materials, and other costs of repairs, improvements, replacements, alterations, and additions to existing buildings. The Bank's subsidy for rehabilitation should be used to accomplish the objective of maintaining or improving affordable housing, defined as housing that is targeted to the low-and-moderate income markets. Repairs or improvements inconsistent with the objective of maintaining or improving affordable housing are not eligible as a rehabilitation cost. This includes luxury items and repairs, improvements, replacements, alterations, and additions for recreational or commercial use, or for rental units that are part of an owner-occupied unit. The Bank, in its sole discretion, may deny any subsidy request that is inconsistent with that objective.

See Section II.G.5. **Feasibility Guidelines for Homeownership Projects** for more information in regard eligible and ineligible rehabilitation for owner-occupied rehabilitation projects.

Rental Housing: In the AHP competitive program established pursuant to the requirements of § 1291.5 of the AHP regulations, 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 at or below 50 percent of area median income (AMI). 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, a project including one or more Rental Units including overnight and emergency shelters, transitional housing for homeless households, single-room occupancy housing, and manufactured housing. Cooperative housing projects and "lease-to-own" projects would be treated as Rental Projects for purpose of competitive application and monitoring.



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Rental Unit: A dwelling unit occupied by households that are not owner-occupants. Dwelling units in cooperative housing projects and “lease-to-own” units would be treated as Rental Units for purpose of competitive application and monitoring.

Retention Period:

- Five 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 rehabilitation assistance was provided the owner; and
- Fifteen years from the date of project completion for a rental project.

Rural: To be considered rural, housing must be in an area eligible for USDA Rural Development housing programs. USDA property eligibility is provided on the USDA website for owner-occupied (USDA Single Family) and rental (USDA Multi Family) housing: <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

Self Help: A construction or rehabilitation project that includes the skilled onsite supervision of households that will contribute to the construction or rehabilitation of their own homes and the homes of other households in the project. It is a contribution through labor, as opposed to a financial contribution.

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

Sponsor-Driven Project: Identifies Homeownership Projects including new construction or acquisition rehabilitation. In a Sponsor-driven Project the sponsor, or the sponsor’s affiliates if the sponsor is a qualified resource development and support organization, must be integrally involved in the project by exercising control over development activities including acquisition of land and/or buildings, the construction or rehabilitation of owner-occupied units, and sale of the completed owner-occupied units to owner-occupant homebuyers. See definitions for Acquisition Rehabilitation and New Construction herein.

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 Scoring Criteria (Priority 2) in Section II.H.

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:



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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.

Sweat Equity: Value-enhancing improvements made by homeowners themselves to their properties, in a construction or rehabilitation project. It is a contribution through labor, as opposed to a financial contribution.

Urban: To be considered urban, housing must be in an area ineligible for USDA Rural Development housing programs. USDA property eligibility is provided on the USDA website for owner-occupied (USDA Single Family) and rental (USDA Multi Family) housing:
<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

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. For homeownership projects this would include single family buildings that have been abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, and the property has been vacant for at least 90 days.

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.