2017

AFFORDABLE HOUSING PROGRAM

IMPLEMENTATION PLAN

FHLB DES MOINES

I. Background and Program Summary

The Affordable Housing Program (AHP) Implementation Plan (IP) outlines sections of the AHP regulation (12 C.F.R. 1291) where the Federal Home Loan Bank of Des Moines ("Bank") is required to implement policy governing the AHP competitive program and its homeownership down payment program(s). On November 9, 2016, the Bank's Advisory Council and Board of Directors reviewed and approved the 2017 IP, which will take effect on January 1, 2017.

A. Diversity and Inclusion

The Bank is committed to a culture of diversity and inclusion among the Bank's directors, employees, grant recipients and suppliers. Diversity encompasses many visible characteristics such as race, gender, age and less obvious characteristics like personality style, ability, education, ethnicity, religion, job function, life experience, life style, sexual orientation, geography, regional differences, socioeconomic status, work experience and family situation. Differences will be valued and respected, enabling the Bank to more effectively fulfill its mission, realize its vision, live its values and achieve its financial goals.

B. AHP Funding Rounds

In 2017, the Bank will offer its members one competitive AHP funding round. The funds will be provided to members in the form of a direct subsidy or as a subsidized advance for affordable housing projects that meet program ranking, eligibility, and feasibility criteria as determined by the Bank in its sole discretion.

Competitive program applications, also known as AHP applications, will be submitted through an online application system beginning on June 1, 2017, and are due to the Bank no later than June 30, 2017. A Sponsor will partner with a member to submit an AHP application (refer to the definition of "Sponsor" in Section IV: Definitions and Acronyms). A calendar with important dates will be posted to the Bank's website.

The Board is responsible for approving the highest-ranking AHP applications, plus four alternates. AHP funds will be committed to eligible projects in descending order of rank until all available funds in the round are committed.

Homeownership Down Payment Programs, which provide funds for down payment, closing cost, homeownership counseling, and/or rehabilitation assistance to eligible households, will be provided to Bank members on a first-come, first-served basis beginning January 3, 2017.

II. AHP Competitive Program

A. Minimum Eligibility Standards

Projects receiving AHP subsidy pursuant to the Bank's competitive program must, at a minimum, meet the eligibility requirements of this section.

1. General Standards

a) AHP subsidy must be used exclusively for the purchase, construction, or rehabilitation of affordable homeownership or rental housing. Refer to the definitions of "Homeownership Project" and "Rental Housing" in Section IV. Inpatient drug and alcohol treatment centers, nursing homes, skilled nursing and medical care facilities are not eligible for funding.

b) Rental projects must ensure that at least 20% of the units in the project are occupied by and affordable to very low-income households, which are defined as households who are at or below 50% of the area median income (AMI).

c) AHP applications will be accepted only from a member of the Bank as of the time the application is submitted.

d) The application must be complete so the Bank is: (1) able to determine that the proposed AHP project meets the eligibility requirements of this section, and (2) may evaluate the application pursuant to the Bank's project feasibility guidelines as adopted in this IP, Section II. G. and scoring guidelines in Section II. H.

e) Revolving loan funds and loan pools are not eligible for funding.

2. Time Limit for AHP Subsidy Use

Project progress toward completion and ongoing compliance with the terms of the AHP Subsidy Agreement will be monitored through Semi-annual Progress Reports.

a) Disbursement of Funds

Within 12 months of the date of application approval, the project must have received a disbursement of all or a portion of the AHP subsidy, or must be using the AHP commitment to procure other financing.

If this time limit is not met, the AHP commitment may be canceled.

The Bank, in its sole discretion, may extend the 12-month time limit for disbursement of AHP funds provided that reasonable progress is being made toward obtaining other funding or toward project completion. The following are examples of the types of factors the Bank will consider when evaluating an extension to the 12-month time limit for disbursing funds:

- Applications have been made to other funding sources.
- The homeownership project is likely to be complete within 24 months or the rental project is likely to be complete within 36 months.

b) Project Completion

Within 24 months of application approval, homeownership projects are expected to be complete as defined by the "Project Completion Date," (refer to Section IV). Within 36 months of application approval, rental projects are expected to be complete.

If the respective time limit is not met, the AHP commitment may be canceled, in which case the member will return to the Bank any AHP funds previously disbursed to the project, if applicable.

The Bank, in its sole discretion, may extend the time limit for project completion. Any extension granted will be limited to the time period necessary to resolve the specific circumstance that caused the project delay. The following are examples of the types of factors the Bank will consider when evaluating such an extension:

- Percentage of the project completed to date
- Timing of other funding application due dates and requirements of other funding sources
- Weather-related construction delays
- Natural disasters or local conditions that cause delay
- Legal requirements or community challenges

3. Prepayment, Cancellation, and Processing Fees

AHP subsidies may not be used to pay for any of the following:

a) Prepayment fees imposed by the Bank on a member for a subsidized advance that is prepaid, unless:

- The project is in financial distress, which cannot be remedied through a project modification pursuant to the AHP regulations;
- The prepayment of the subsidized advance is necessary to retain the project's affordability and Income Targeting commitments;
- Subsequent to such prepayment, the project will continue to comply with the terms of the approved AHP application and the AHP regulatory requirements for the duration of the original retention period;
- Any unused subsidy is returned to the Bank and made available for other AHP projects; and
- The amount of AHP subsidy used for the prepayment fee may not exceed the amount of the member's prepayment fee to the Bank.

b) Cancellation fees and penalties imposed by the Bank on a member for a subsidized advance commitment that is canceled.

c) Processing fees charged by members for providing AHP direct subsidies to a project.

4. Counseling Costs/Homebuyer or Homeowner Education/Financial Literacy Programs

AHP subsidies may be used to pay for counseling costs only where:

- Such costs are incurred in connection with counseling of homebuyers who actually purchase an AHP-assisted unit; and
- The cost of the counseling has not been covered by another funding source, including the member.

Refer to the definition of "Financial Literacy Program" and "Homebuyer or Homeowner Education or Counseling" in Section IV: Definitions and Acronyms.

5. Refinancing

A project may use AHP subsidies to refinance an existing single-family or multifamily mortgage loan, provided that the refinancing produces equity proceeds and such equity proceeds up to the amount of the AHP subsidy in the project shall be used only for the purchase, construction, or rehabilitation of housing units meeting the eligibility requirements of the AHP regulations. AHP funds cannot be used to refinance existing projects in cases where no equity is taken out of the project and the refinancing results in a lower debt service cost for the project because, in this circumstance, the use of the AHP subsidy would not result in the purchase, construction, or rehabilitation of AHP-eligible housing.

6. Calculating Subsidy to Reduce Interest Rate

a) Lender Loans: Where an AHP direct subsidy is provided to a project to write down the interest rate on a loan extended by a member, sponsor, or other party to a project, the net present value of the interest foregone from making the loan below the lender's market interest rate must be calculated as of the date the application for AHP subsidy is submitted to the Bank.

b) Subsidized Advances: Where an AHP subsidized advance is provided to a project, the net present value of the interest revenue foregone from making a subsidized advance at a rate below the Bank's cost of funds must be determined as of the earlier of the date of disbursement of the subsidized advance or the date prior to disbursement on which the Bank first manages the funding to support the subsidized advance through its asset/liability management system, or otherwise.

7. Retention

a) Homeownership Projects: Members are required to ensure that an AHP-compliant retention agreement, as described in the AHP regulations and summarized in this section, is in place for each AHP-assisted owner-occupied unit associated with the member's participation in the AHP competitive or set aside programs. The retention period for Homeownership Projects is 5 years from the date of closing of an AHP-assisted unit, or in the case of rehabilitation of a unit currently occupied by the AHP-eligible household where there is no closing, 5 years from the date that the full amount of rehabilitation assistance was provided to the owner, as defined in Section IV (see "Retention Period").

Consistent with the terms of an AHP-compliant retention agreement, the Bank or its designee is to be given notice of any sale or refinancing of the unit occurring prior to the end of the five-year retention period. 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 month the seller owned the unit, shall be repaid to the Bank from any net gain realized upon the sale or refinancing, unless:

- The unit was assisted with a permanent mortgage loan funded by an AHP subsidized advance;
- The unit is sold to a very low-, low-, or moderate-income household; or
- Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism.

b) Rental Projects: Members are required to ensure that an AHP-compliant retention agreement, as described in the AHP regulations and summarized in this section, is in place for each AHP-assisted Rental Project associated with the member's AHP portfolio. The retention period for Rental Projects is fifteen (15) years from the date of project completion, as defined in Section IV (see "Project Completion Date").

c) Consistent with the terms of an AHP-compliant retention agreement, the Bank or its designee is to be given notice of any sale or refinancing of the Rental Project occurring prior to the end of the 15-year retention period. In the case of a sale or refinancing of the Rental Project prior to the end of the retention period, an amount equal to the full amount of the AHP subsidy shall be repaid to the Bank, 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 for the duration of the retention period.

NOTE:
In cases where the AHP funds are structured as a loan from the member or any other party to the Sponsor, any repayment of the AHP funds made during the 15-year retention period including principal and/or interest payments, must be returned to the Bank.

8. Fair Housing, Anti-Predatory Lending, and Housing Accessibility

a) The project, as proposed, must comply with any applicable federal and state laws on fair housing and housing accessibility, including, but not limited to, the Fair Housing Act, the Rehabilitation Act of 1973, the Americans with Disabilities Act of

1990, and the Architectural Barriers Act of 1969. The project also must demonstrate how it will be affirmatively marketed.

b) The Bank requires that AHP projects comply with applicable 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:

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

c) Any project including a loan that does not comply with all applicable anti-predatory lending laws will be ineligible for AHP assistance. Additionally, the Bank will not provide AHP assistance 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). 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.

9. AHP Limits per Project, per Unit, and per Household

The Bank limits each AHP project to a maximum grant amount of $750,000 and a maximum AHP subsidy of $40,000 per AHP eligible unit. Applicants may submit more than one AHP application per round; however, each applicant’s grant request must be for distinctly different projects, as determined by the Bank, or both applications will be subject to the project maximum limit. Applications from the same sponsor may be characterized as different projects if they are for different project types, have distinctly different features, or serve different geographies. Projects that are similar except for income targeting, special needs targeting, or AHP subsidy per unit may not represent different grant requests.

In a Homeownership Project, a household may not (1) receive more than one AHP subsidy award from the same competitive funding round or (2) receive a competitive AHP subsidy award in conjunction with funds from the Bank’s homeownership Down Payment Programs. Generally, a household previously awarded AHP funds should not be provided an additional AHP subsidy award until and unless the retention period has expired on the previous award or the previous award has been recaptured by the Bank.

B. Application Scoring

Applications submitted to the Bank for AHP funding consideration are scored based upon the requirements outlined in Section II. H. of this Implementation Plan.

C. Median Income Standards

1. Homeownership Projects

Homeownership Projects must use, on a household by household basis, the median income for the area as published annually by HUD and adjusted for household size for each county or MSA. Projects that serve households that are eligible for assistance from a Tribally Designated Housing Entity may use the greater of the HUD or NAHASDA income guidelines.

2. Rental Projects

Rental Projects must use, on a household by household basis, the median income for the area, including the Multifamily Tax Subsidy Projects (MTSP) income limits as published annually by HUD and adjusted for household size for each county or MSA. Projects that serve households that are eligible for assistance from a Tribally Designated Housing Entity may use the greater of HUD's MTSP or the NAHASDA income guidelines.

HUD and NAHASDA income limits are available on the Bank's website.

D. Disbursement of AHP Funds

AHP disbursement requests will be accepted only from current members of the Bank, and must include required documentation (i.e., feasibility workbook, scope of work, retention document, etc.) and all applicable supporting documents (i.e., funding agreements, organizational documents to verify nonprofit status, etc.). The member may coordinate with the Sponsor to secure applicable documentation. The Bank, in its sole discretion, reserves the right to require additional documentation prior to any disbursement of AHP funds.

At least the following conditions must be satisfied before the AHP will be disbursed:

- 100% of the dollar amount of the project's total sources of funds must be approved.
- Site control must be secured either by option, purchase agreement, site ownership or an executed lease, in which case the term of the lease must be equal to or greater than the AHP retention period.
- If the AHP subsidy is being disbursed for a homeownership project including the purchase of an owner-occupied unit, the purchase must be closed. For projects including new construction or rehabilitation, the construction or rehabilitation must be complete. The Bank will sample documentation of completed units at disbursement.
- A member may not provide cash back to a household at closing on the mortgage loan in an amount exceeding $250, except for reimbursement of eligible items paid outside of closing. Cash back would include reimbursement of down payment, deposits, or earnest money. Cash back would also include any loans, collections, judgments, or other financial obligations of the household paid to facilitate the home purchase that is not a typical closing cost. If the settlement statement or other closing documents show cash back to the homebuyer in an amount greater than $250, then the member must provide documentation showing that the cash back was used to pay down the principal

of the mortgage loan or as a credit toward the household's monthly payment on the mortgage loan.

Projects that have changed from the time of application approval will be reviewed by the Bank for continued compliance with AHP's eligibility, feasibility, and need for subsidy requirements. The revised project must demonstrate the continued need for AHP funds. Projects that have changed may need to be re-scored and modified (refer to "Project Modifications" below for more information).

AHP disbursement requests may be denied at any time if it is determined by the Bank, in its sole discretion, that: (1) the sources and uses have changes from the approved application and the project no longer demonstrates a need for subsidy; (2) the project may not meet the commitments made in the approved AHP application or may not meet the letter or intent of the AHP regulation or policies; (3) the project sponsor or member have not maintained compliance for projects in their Bank AHP portfolio; or (4) the project sponsor or member may not be able to meet the terms and conditions of the AHP Subsidy Agreement, regulation, or policies.

E. AHP Project Modifications

Any request for additional AHP subsidy for an existing AHP award must be made through a new AHP application that will be evaluated against the Bank's current feasibility guidelines in effect at the time of application.

The sponsor and the member must promptly report to the Bank any material changes in the project, including but not limited to, any new sources of funds, failure to receive other project-related funds, or any other changes to the project's scope or terms (i.e., number of units, resident incomes, etc.).

The Bank, in its sole discretion, may approve a written modification to the terms of an approved AHP application if there is or will be a change in the project that would change the score that the project received in the funding period in which it was originally approved provided that:

- The project, incorporating any such changes, would meet the eligibility requirements of the AHP regulations;
- The project, as reflective of such changes, continues to score high enough to have been approved in the funding period in which it was originally scored and approved by the Bank; and
- There is good cause for the modification, and the analysis and justification for the modification are documented by the Bank in writing.

F. AHP Competitive Program Project Monitoring

Monitoring requirements for competitive AHP Sponsors, members, and the Bank are described in this section.

1. Semi-annual Progress Reports

From the time of application approval until the time of project completion, the member and Sponsor will report semi-annually to the Bank about the project's progress toward completion, and will identify factors, if applicable, that may delay or jeopardize the project's development and/or continued ability to comply with the terms and conditions of the AHP award.

The Bank will send a request for the member and Sponsor to complete a Semi-annual Progress Report in March and September, and will require that the report is completed and returned to the Bank in a timely fashion.

2. Initial Monitoring Requirements

Homeownership and rental projects are required to provide documentation to support the Bank's analysis of the project's compliance with AHP's initial monitoring requirements.

a) Homeownership Projects

i) The Bank will take steps necessary to determine, based on a review of the documentation for a sample of units for each project prior to project completion, that satisfactory progress is being made towards project completion in compliance with the commitments made in the approved AHP application, Bank policies, and regulation; and

ii) Within one year of the Project Completion Date as defined in Section IV, the Bank will conduct initial monitoring.

iii) Documentation obtained in sampling prior to project completion and at initial monitoring will be used to determine that:

- AHP subsidies were used for eligible purposes according to the commitments made in the AHP application;
- Household income is accurately reported and compliant with the Income Targeting commitments made in the AHP Agreement;
- The project's actual costs were reasonable in accordance with the Bank's project cost guidelines, and the AHP subsidies were necessary for the completion of the project as currently structured;
- AHP-assisted units are subject to deed restrictions or other legally enforceable agreements or mechanisms meeting the requirements of the AHP regulations; and
- Services and activities committed to in the approved AHP application have been provided in connection with the project.

b) Rental Projects

i) The Bank will take steps necessary to determine that the project is completed and occupied in compliance with the commitments made in the AHP application.

ii) Within one year and 150 days of the Project Completion Date as defined in Section IV, the Bank will conduct initial monitoring to determine that:

- The AHP subsidies were used for eligible purposes according the commitments of the approved application, including but not limited to, its AHP scoring commitments;
- The final documentation of development costs, rents and operating expenses for the first full year after project completion must demonstrate that the project is feasible for 15 years and needs AHP funds;
- Household incomes and rents comply with the Income Targeting and rent commitments made in the AHP Agreement;
- The project's actual costs were reasonable in accordance with the Bank's project cost guidelines, and the AHP subsidies were necessary for the completion of the project as currently structured;
- The project is subject to a deed restriction(s) or other legally enforceable agreement(s) or mechanism(s) meeting the requirements of the AHP regulations; and
- The services and activities committed to in the approved AHP application have been provided in connection with the project.

c) Homeless Project Monitoring Requirements

The Bank will monitor all projects that committed to reserve at least 20 percent of the project's units for homeless households in the approved AHP application for compliance during initial monitoring. When the request for AHP monitoring information is made, documentation must be available demonstrating that the percentage of units reserved for homeless households committed to in the approved AHP application (20%, 50%, or 75%) are occupied by households qualified as homeless or are vacant awaiting occupancy by homeless households. The Bank will review homeless documentation for 25 percent of the total number of units identified in the AHP Subsidy Agreement or two (2) units, whichever is greater. For initial monitoring purposes, a project with existing homeless households at the time of AHP application can use those households who would have met the definition of homelessness when they moved into the project on or after one year prior to the AHP application submission date through the date of the Rental Monitoring Spreadsheet (RMS) submission.

3. Rental Long-term Monitoring Requirements

NOTE
Homeownership projects are not subject to AHP long-term monitoring requirements.

The Bank and project owners shall monitor Rental Projects, according to the following requirements:

a) Requirements for Project Owners non-Low Income Housing Tax Credit projects:

In the second year after completion of a rental project and annually thereafter until the end of the project's retention period, the project owner must:

- Certify to the Bank that (1) tenant rents and incomes are in compliance with the rent and Income Targeting commitments made in the AHP application; (2) the project is still financially feasible including the project does not have excess vacancy, is current on debt payments, taxes and insurance; (3) the project has not been sold or refinanced; (4) the project remains habitable; and (5) any other information that adversely affect the ongoing operations of the project.
- Maintain documentation regarding tenant rents and incomes and project habitability available for review by the Bank to support such certifications.

b) Requirements for the Bank:

The Bank will adhere to the following long-term monitoring requirements:

i) The Bank will review the RMS provided by project owners regarding tenant rents and incomes.

ii) The Bank will review documentation maintained by the project owner regarding tenant rents and incomes and project habitability to verify compliance with the rent and Income Targeting commitments in the AHP application and project habitability, according to the following schedule:

- $100,000 and under – For projects receiving $100,000 or less of AHP subsidies, the Bank will review annual certifications by the project owner;
- $100,001 to $250,000 – For projects receiving $100,001 to $250,000 of AHP subsidies, the Bank will review project documentation for a sample of the project's units at least once every six years;

- $250,001 to $500,000 – For projects receiving $250,001 to $500,000 of AHP subsidies, the Bank will review project documentation for a sample of the project's units at least once every four years; and
- Over $500,000 – For projects receiving over $500,000 of AHP subsidies, the Bank will review project documentation for a sample of the project's units at least once every two years.

c) Requirements for Project Owners with Low Income Housing Tax Credit projects:

In the second year after completion of a Rental Project and annually thereafter until the end of the project's retention period, the project owner must certify annually to the Bank that:

- The tenant rents and incomes are in compliance with the rent and income targeting commitments made in the AHP application; and maintain documentation regarding tenant rents and incomes available for review by the Bank to support such certifications.
- The project has not been notified of a compliance issue by the Low Income Housing Tax Credit Administrator.
- The project has not been sold or refinanced.

4. Sampling Plan

Sampling homeownership documentation, and, for rental projects, income and rent documentation, helps to streamline the initial and long-term monitoring processes. Sampling results may indicate that a project is out of compliance. In that event, the Bank, in its sole discretion, may require documentation for additional units.

a) Homeownership Projects

i) The Bank will review the following documentation for a minimum of 10%, and not less than three, of the completed units in a project:

ii) Sampling will typically occur prior to project completion when funds are requested for disbursement. At its discretion, the Bank may conduct additional sampling during initial monitoring.

- Calculation of Income Worksheet documenting household income;
- Third-party documentation verifying household income;
- Copy of the filed retention document;

- Property settlement statement for transactions including home purchase;
- Property appraisal for transactions including home purchase;
- Documentation of scope of work and cost of construction or rehabilitation if applicable;
- Additional documentation at the discretion of the Bank based on project type and commitments in the AHP application.

iii) New Construction or Rehabilitation Escrow

In the case of a Homeownership Project that includes acquisition of an owner-occupied unit, and settlement costs include escrow for new construction or rehabilitation, the acquisition will not be regarded as complete until escrow is closed and funds are paid out. For those projects including escrow for new construction or rehabilitation, sample documentation will include:

- Paid receipts or lien waivers for the entire escrowed amount; or
- Documentation that escrowed funds have been applied to the principal amount of the first mortgage.

b) Rental Projects

The Bank will select Rental Units from the RMS that is completed by the project Owner/Sponsor. The Bank will review third-party income documentation for a minimum of 10%, and not less than three, Rental Units in the Rental Project to ensure the project meets the income targeting and rent commitments approved in the AHP Application.

NOTE:
Annual Adjustment of Targeting Commitments – The HUD and NAHASDA income limits are updated annually and made available by the Bank. For purposes of determining compliance with the Income Targeting commitments in the AHP Subsidy Agreement, such commitments shall be considered to adjust annually, according to the current applicable median income data. A rental unit occupied by a tenant who qualified under the Income Targeting restriction of the project at the time the tenant moved into the unit may continue to count toward meeting the Income Targeting commitment of an approved AHP application, despite increases in income, as long as the rent remains affordable for the targeted income level of the unit (i.e., the rent does not exceed 30 percent of the applicable 50, 60, or 80 percent targeted median income level committed to in the AHP application).

5. Monitoring by a Contractor

The Bank, in its sole discretion, may contract with a third-party to carry out the Bank's monitoring obligations set forth in this section.

6. Site Visits

The Bank, in its sole discretion, may conduct site visits for projects to supplement typical monitoring and anti-fraud procedures. The purpose of the site visit is to confirm that AHP funds are used in conformance with commitments of the AHP application, AHP Subsidy Agreement, regulation and policies. A site visit may be required to resolve issues arising from:

- Lack of response or evasion: A Sponsor or other entity is not cooperative in providing monitoring information requested by the Bank, or is evasive in providing specific information regarding the project.
- Incomplete or insufficient information regarding the use of AHP funds or Income Targeting: The Sponsor or other entity provides incomplete or insufficient information, and is unable or unwilling to provide the specific information requested by Bank staff.
- Misuse of funds or suspicion of fraud: The Bank suspects or has evidence that the Sponsor or other entity may have misused AHP funds, misrepresented factual information, or falsified income verifications or other documentation.
- Complaints: The Bank has received egregious complaints about the Sponsor or another entity's administration of the AHP project.

If, based on the site visit, Bank staff determines that the project is not operating in compliance with the approved AHP application, AHP Subsidy Agreement, AHP regulation, monitoring procedures, or there has been misuse of funds, the Bank will take appropriate remedial action for non-compliance. (see below).

7. Signatures on Compliance and Monitoring Certifications

Member certifications submitted to the Bank must be signed by an individual who is authorized to borrow funds from the Bank or their official AHP designee, as listed on the member's Authorized Personnel Form on file with the Bank.

Sponsor certifications submitted to members and/or the Bank Sponsors must be signed by a person(s) with the appropriate legal authority.

8. Reuse of Repaid AHP Direct Subsidies in Same Project

AHP direct subsidy, including any interest, repaid to a member or Sponsor via an AHP competitive or homeownership Down Payment Program must be repaid by such parties to the Bank. Retention by a member or project sponsor or owner of repaid AHP direct subsidies for subsequent reuse is prohibited by the Bank.

9. Remedial Actions for Non-Compliance

In the event that the Bank determines that an AHP project is not in compliance with the AHP regulations or the commitments made in the approved application and is unlikely to return to compliance with said regulations or commitments within a reasonable period of time, the Bank will take action consistent with section 12 C.F.R. 1291.8 of the regulations, which may include full recapture of the AHP subsidy.

Additionally, the project sponsor and/or member may be restricted from participating in the Bank's community investment programs and/or from receiving disbursement of AHP subsidy for an unrelated project in their AHP portfolio.

10. Suspension and Debarment

The Bank may suspend or debar a member, project sponsor, or project owner from participation in the Program if such party shows a pattern of noncompliance, or engages in a single instance of flagrant noncompliance, with the terms of the AHP application, Agreement, regulations, or policies.

G. Competitive Program: Feasibility and Need for AHP Subsidy Guidelines

1. General Feasibility Guidelines for Rental and Homeownership Projects

a) Pre-application Assistance

The Bank strongly advises all applicants to submit a pre-application to receive technical assistance from Bank staff prior to submitting a final application. Please contact the Community Investment department at 800-544-3452, ext. 1173 for further information.

b) Member Underwriting

The Bank's feasibility guidelines are designed, in part, to evaluate a need for AHP subsidy and are therefore not meant to supplement the member's lending underwriting criteria. As such, the Bank's approval of the application may not be relied upon for lending purposes.

c) Project Reasonableness

The Bank, in its sole discretion, will determine the reasonableness and feasibility of a project. Notwithstanding a project's adherence to the Bank's feasibility guidelines, it may be determined to be ineligible for an AHP award if its developmental feasibility, market demand, Sponsor capacity, or other factors are determined to be insufficient to complete the project reasonably on-time and on-budget and/or to ensure its ongoing compliance with its proposed commitments for the duration of the monitoring period.

d) Demonstration of Project Feasibility

The Bank performs a comprehensive review of AHP projects at the time of application, disbursement, modification (if applicable), and initial monitoring in light of the feasibility guidelines in effect at the time of that review, except that tax credit pricing standards for rental projects are evaluated as of the time that the syndication commitment took effect.

A project may be ruled infeasible, and therefore ineligible to receive an AHP award, even if it meets AHP feasibility guidelines if the Bank determines that the project is not actually justified or reasonable.

e) Feasibility Exceptions

The Bank, in its sole discretion, may allow exceptions to the AHP feasibility guidelines, in which case it is likely that third-party documentation will be required to substantiate the legitimacy of the circumstances that serve as the basis for the exception. Such third parties may include, but are not limited to, the applicable state housing finance agency, a state or local government funder, USDA, HUD, etc.

f) Sources and Uses of Funds:

The project's estimated sources of funds shall equal its estimated uses of funds, as reflected in the project's development budget. The difference between the project's sources of funds and uses of funds is the project's need for AHP subsidy, which is the maximum amount of AHP subsidy the project may receive.

A project's sources of funds may include conventional financing, funds from other agencies, cash donations, and sponsor or owner cash or equity. It may not include the estimated market value of in-kind donations and voluntary professional labor or services or the value of sweat equity.

g) Reasonableness of Costs:

The Bank will determine if a project's costs, as reflected in the uses of funds, are reasonable, in accordance with the Bank's project cost guidelines, taking into consideration the geographic location of the project, development conditions, and other non-financial household or project characteristics.

h) Reasonableness of Fees:

The Bank has established limits for developer fees, consultant fees, and professional fees.

i) Developer Fee:

Refer to the Rental Project Development Budget and Homeownership Project Development Guidelines as outlined in Sections H.3.c. and H.5.d. for information about the Bank's limits to developer fees.

A Sponsor may be required to explain why a Developer Fee is not included on a project's uses statement, and may be required to provide evidence that the Sponsor's financial condition is sufficient such that a Developer Fee is not needed.

j) Developmental Feasibility:

The project must be likely to be completed and occupied, based on relevant factors contained in the Bank's project feasibility guidelines, including, but not limited to, the development budget, market analysis, and Sponsor's experience in providing the proposed housing.

k) Operational Feasibility of Rental Projects:

A Rental Project must be able to operate in a financially sound manner in accordance with the Bank's project feasibility guidelines and as projected in the project's operating pro forma. The Bank, in its sole discretion, may rule a project infeasible even if it meets feasibility guidelines if the Bank determines that the project has an unreasonable amount of cash flow and therefore does not reflect a need for the AHP subsidy. For example, if a project has a total cash flow in the first five years that is equal to or above the AHP subsidy request then it will likely be ruled infeasible.

l) Financing Costs:

The rate of interest, points, fees, and any other charges for all loans that are made for the project in conjunction with the AHP subsidy shall not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms, and risk.

m) Need for Subsidy:

The Bank will deny AHP funds to an application, even if the application's score was high enough to be funded, if the Bank, in its sole discretion, determines that the project does not meet the Bank's established feasibility guidelines, the project does not demonstrate a need for AHP subsidy, or proposed costs are not reasonable and customary in light of industry standards for the project's type, location, and long-term financial needs. In addition, the Bank, in its sole discretion, may determine that certain development costs or operating expenses are not eligible for funding. To make these determinations, the Bank may request an independent third-party review of any aspect of a project's feasibility or proposed costs, to be completed at the Sponsor's expense.

To demonstrate a need for subsidy, a project, or units in a project, may not be substantially completed, as determined by the Bank, before approval for AHP funds. The Bank defines substantial completion of a new construction or acquisition rehabilitation project as the completion of more than 50% of the construction or rehabilitation work. For a Homeownership Project that includes the purchase of an owner-occupied unit or the rehabilitation of an owner-occupied unit, an individual unit will not be eligible for AHP funds if it has been purchased or rehabilitation work, respectively, has been complete before the AHP funds were approved.

The Bank may reduce the amount of the AHP award in part or in full if additional project funds are secured and/or if the project's final costs are lower than expected. In cases where the AHP subsidy has been disbursed, the member will collect from the Sponsor the AHP funds as applicable.

The Bank reviews projects that were previously approved for AHP funding at the time of disbursement, modification (if applicable), and initial monitoring in light of the feasibility guidelines in effect at the time of that review, except that tax credit pricing standards for rental projects in effect at the time of AHP application approval are applied if a syndication commitment was in place at the time of AHP application. The Bank, in its sole discretion, may allow exceptions to the current feasibility guidelines for previously approved projects with adequate explanation and documentation of approval by the applicable State Housing Finance Agency or similar funding agency, such as USDA or HUD.

n) Project Feasibility:

In order to analyze the feasibility of a project, the Bank reviews the following areas:

1) The Bank's experience with the member and Sponsor

A member and Sponsor's performance meeting the terms and conditions of a previously approved AHP application(s) will be considered when evaluating an AHP application.

The Sponsor must be qualified and have a demonstrated ability to perform its responsibilities as committed to in the AHP application, and to provide timely and accurate monitoring information for the duration of the monitoring period. The Bank, in its sole discretion, may request documentation in addition to what was provided with the application to determine the Sponsor's capacity.

2) Market demand for the proposed units

Documentation must demonstrate that current and, as applicable, ongoing market demand exists to satisfy all of the AHP commitments, including but not limited to, those related to Income Targeting and, as applicable, the project's obligations to serve homeless and special needs households.

3) Readiness to proceed

Some or the entire AHP subsidy must likely be drawn down by the project or used by the project to procure other financing commitments within 12 months of the date of approval of the application for AHP subsidy funding the project. See previous Sections II A 2 for Minimum Eligibility Standards and Timing of Subsidy Use.

Application budgets that contain significant amounts of "other sources" of funding may not be able to demonstrate a readiness to proceed. "Other sources" means items such as unidentified fundraising sources or capital campaigns where commitments are not identified. In these cases, the Sponsor may be asked to provide information indicating whether it has raised similar amounts of money in the past and to demonstrate it has fundraising capacity. The Bank reserves the right, in its sole discretion, to reject a project if it appears unlikely that funds can be raised in the amounts listed in a timely manner.

4) Acquisition Costs

If the proposed project budget includes the acquisition of vacant land and/or existing buildings, documentation justifying the proposed acquisition price is required prior to the disbursement of any AHP funds. If available at the time of AHP application submission, such documentation must be attached as an applicable exhibit. Acceptable documentation of acquisition costs may consist of one of the following:

- An appraisal of the property's as-is value completed by an independent, state certified or licensed appraiser within six months prior to the date of application for AHP funds or six months prior to the date of purchase agreement signing,
- Verification of the property's current assessed value, or
- A comparative market analysis completed by an independent, qualified professional.

In addition, the acquisition must be an Arm's Length Transaction. If it is not, the Bank, in its sole discretion, may determine what costs and fees are acceptable and whether or not the project qualifies to receive an AHP subsidy. For projects where the sponsor is using LIHTC to recapitalize and rehabilitate the property, all net proceeds from the sale of the property must be reinvested into the project to be eligible for an AHP subsidy.

5) Disclosure of member institution financing for the project, including:

- Any equity the member is committing to the project prospectively, i.e. as a limited partner in a LIHTC project, with calculations of cents per dollar of tax credit invested and the member's estimate of the member's internal rate of return, as applicable.
- The details regarding any debt the member is providing as construction, bridge, or permanent financing and the reasonableness of interest rates, points, fees, and any other charges involved.

6) Cost of Property and Services Provided by a Member Institution

The purchase price of property or services, as reflected in the project's development budget, sold to the project by a member or a subsidiary of a member, providing AHP subsidy to the project, or in the case of property, upon which such member holds a mortgage or lien, may not exceed the market value of such property or services as of the date upon which the purchase price for the property or services was agreed. In the case of real estate owned property sold to a project by a member providing AHP subsidy to a project, or property sold to the project upon which the member or subsidiary of 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 determined by the Bank, and subsequently reflected in an independent appraisal of the property performed by a state certified or licensed appraiser, acceptable to the Bank, performed within six months prior to the date the Bank disburses AHP subsidy to the project.

2. Rental Project Feasibility Guidelines

a) Documentation

Rental Projects must provide documentation to substantiate how development costs and the pro forma rents and expenses were determined. Such documentation may consist of comparable data from various databases, requirements of other funding resources in the project, cost studies published by independent sources, comparisons with completed comparable projects in the area, or guidelines of the appropriate State Housing Finance Agency.

Project costs may vary based on the number and size of units. Feasibility guidelines will include benchmarks for projects of 24 units or less and for projects over 24 units.

The Bank has included development cost and operating guidelines which may be exceeded with explanations that are reasonable and satisfactory which may be accepted at the Bank's sole discretion.

b) Supportive Services

AHP funds may not be used to directly or indirectly pay for supportive services or excessive administrative costs. Although some agencies will accept supportive service costs as a portion of the pro forma, the Bank does not allow supportive service costs to be included in the pro forma. The Bank requires the supportive services costs to be separated from the real estate budget and shown on a separate supportive service budget. Both the support services pro forma and the real estate pro forma must demonstrate that there is sufficient income to cover the supportive services or housing expenses, respectively.

c) Donations

Projects that rely on donations for the support of the operating pro forma must be able to demonstrate they have a track record of raising the funds necessary to support the project. It is vital that the owner is able to demonstrate the financial capacity to retain the project as affordable housing for the retention term. Financial capacity is demonstrated by both a track record of raising adequate funds as well as having a balance sheet that reflects good fiscal management. It will be difficult to fund projects in which the owner's financials demonstrate year-to-year shortfalls in raising adequate funds for operations.

d) Verification of Tenant Income

Projects must be able to provide Third-party verification of tenant income. For "shelters", the income verification may consist of in-take forms or self-certifications since little or no third-party verification of household income is available. The Bank examines applications that propose limiting occupancy in all units to tenants at or below 50 percent of the AMI, especially in rural areas, to ensure a market exists to support the proposed income targeting levels. The Bank may require additional documentation to justify the market assumptions made in such an application.

NOTE:
It is important that the applicant take into account the various income levels of persons that may occupy the housing units at any given time, throughout the entire retention period, when establishing the project's Income Targeting in the application.

e) Project Operating Expenses

Projects serving high percentages of very low-income tenants tend to demonstrate above average operating expenses. The Bank recognizes that the ability to reach and adequately serve very low-income populations often results in projects with little or no operating cash flow. These projects often receive virtually all of their funding through government assistance programs, donations, or both. These funding sources rarely make distinctions between real estate operating expenses and support services. These projects may rarely collect rent from the tenant. The housing expenses will also generally contain expenses for 24-hour staffing and security, which significantly raise the cost of the operating expenses for the housing. The lack of sufficient net income from operations may result in the inability to obtain financing. This lack of borrowing capacity may be enough to establish the need for AHP funding. The Bank reviews this type of project to ensure operating costs are high due only to the cost of serving the housing needs of the targeted tenant population.

3. Rental Project Development Budget

a) Sources and Uses Statement

All Rental Projects must provide a sources and uses statement. A complete listing of all the sources of funds and their financing terms and uses of funds must be identified in the Sources and Uses Statement. The project's total sources must equal its total uses. The list of sources must reflect all funds to be used in the project, including estimates of funds the Sponsor intends to use but that are not yet committed to the project. The list of uses of funds must detail all project costs, including, but not limited to, the following: hard costs, soft costs, developer fees, financing fees, overhead costs, contingency reserves, lease-up reserves, capitalized reserves, and any other costs of the project. Fees and costs should fall within certain ranges described in this document.

b) Per Unit Development Cost

The Bank will utilize industry construction cost data to determine whether the construction or rehabilitation costs appear reasonable on a per square foot basis or other basis of measurement as determined by the Bank.

c) Developer and Consultant Fees

i) Acquisition/Rehabilitation or Adaptive Reuse Projects: Projects may include a combined developer's fee and consultant's fee generally no greater than 8 percent of the property acquisition cost plus 15 percent of other development costs excluding acquisition cost, developer's fees, consultant's fees and capitalized reserves. Calculated as follows:

Total allowable developer and consultant fees = (8% x property acquisition cost) + (15% x {other development costs - acquisition cost, developer's fees, consultant's fees and capitalized reserves})

For acquisitions that are not an Arm's Length Transaction, the Bank in its sole discretion will determine whether the costs and fees are acceptable, as well as whether the project has a need for the AHP subsidy.

ii) New Construction Projects: Projects may include a combined developer's fee and consultant's fee no greater than 15 percent of the project's total development cost, excluding the developer's fees, consultant's fees, and capitalized reserves.

iii) Because a developer may elect not to take any developer's fee on a project, the Bank has not set any minimum fee. However, a developer who does not include a developer's fee in a project's budget may be asked to justify why a fee will not be taken and to provide evidence that the developer's financial condition is sufficient that such a fee is not needed.

d) General Requirements and Builder's Overhead and Profit

Projects that include rehabilitation and/or new construction must provide a cost breakdown. The cost breakdown must itemize in detail all hard costs related to the project, including general requirements and builder's overhead and profit (see definitions for "General Requirements", "Builder's Overhead", and "Builder's Profit" in Section IV). General requirements, builder's overhead and profit are limited to an aggregate total of 20 percent of the total construction cost for projects including 24 or fewer units and an aggregate total of 16 percent of the total construction cost for projects including more than 24 units, excluding any budgeted contingency. Any project including general requirements above 8 percent, overhead above 2 percent, and/or profit above 6 percent of the project's total construction cost must provide additional explanation justifying such costs.

e) Contingency

Since unforeseen costs are encountered in virtually all construction or rehabilitation projects, an adequate contingency budget is key to ensuring funds will be available to complete the project. Projects that might justify a smaller or no contingency budget include those where only acquisition or minor rehabilitation will be undertaken. On the other hand, adaptive reuse of historical properties may require a higher contingency budget due to the potential for greater unforeseen costs. The Bank has established the following contingency budget limits: 10 percent maximum for new construction projects, 15 percent maximum for rehabilitation and adaptive reuse projects, and 20 percent maximum for historic rehabilitation projects, to be calculated as a percentage of the project's total development cost, exclusive of the construction and soft cost contingency budgets, acquisition costs, developer's and consultant's fees, and capitalized reserves.

f) Professional Fees

Combined architect, engineer, and attorney fees are limited to a maximum of 12 percent of the project's total development cost, exclusive of those specific costs. Projects including any individual professional fee line items greater than 4 percent of the project's total development cost must provide additional explanation justifying the costs.

g) Capitalized Reserves

A project may include capitalized operating and/or replacement reserves in its budget. The Bank has established the following limits for Capitalized Reserves:

Reserve Type	Minimum	Maximum	Calculation
Lease-up Reserves: Used to cover expenses prior to stabilized occupancy	$0	75%	Total operating expense plus replacement reserves and all debt service less cash flow notes during the absorption period identified in the market study.
Rental Assistance Reserves: Used to offset the loss of income from a rental assistance commitment	$0	100%	Amount required per lender/syndicator documents.
All other reserves	0 months	12 months	Total operating expense plus replacement reserves and all debt service less cash flow notes.

The need for such reserves should be explained in the application. Documentation of reserve requirements placed upon the project by other funding resources, including a tax credit syndicator, must be provided to the Bank if requested.

h) Low Income Housing Tax Credit Equity

The sale of Low Income Housing Tax Credit (LIHTC) is expected to generate a minimum of $.75 per dollar in equity proceeds. No maximum has been established. Projects including a below-market price for tax credits will be required to provide justification of the estimates used in their budgets. A LIHTC worksheet, showing the project's eligible basis and tax credit calculations, must be provided as part of the application for AHP funds.

Rental Project Development Budget	AHP Feasibility Guideline
Per Unit Development Cost	The Bank will utilize industry construction cost data to determine whether the construction or rehabilitation costs appear reasonable on a per square foot basis or other basis of measurement as determined by the Bank.
Developer's and Consultant's Fees (combined total)	Maximum: Acquisition/Rehabilitation or Adaptive Reuse Projects: No greater than 8 percent of the property acquisition cost plus 15 percent of other development costs excluding acquisition cost, developer's fees, consultant's fees and capitalized reserves. New Construction Projects: No greater than 15 percent of the project's total development cost, excluding the developer's consultant's fees, and capitalized reserves
General Requirements and Builder's Overhead and Profit (combined total)	Maximum: Projects including 24 or fewer units: 20% of total construction cost (excluding construction contingency) Projects including more than 24 units: 16% of total construction cost (excluding construction contingency)
Contingency	Maximum: As a percentage of total development cost (excluding construction and soft cost contingency budgets, acquisition costs, developer's and consultant's fees, and capitalized reserves) 10% for new construction 15% for rehabilitation or adaptive reuse 20% for historic rehabilitation
Professional Fees Architect, Engineer, and Attorney (combined total)	Maximum: 12% of total development cost (excluding architect, engineer, and attorney fees)
Capitalized Reserves	Maximums: Lease-up Reserves: 75% of total operating expenses plus replacement reserves and debt service less cash flow notes. Rental Assistance Reserves: 100% of the amount required by the syndicator. All other reserves: 12 months of total operating expenses plus replacement reserves and debt service less cash flow notes.
LIHTC Equity	Minimum: $.75 per dollar

4. Rental Project Pro forma

The operating pro forma must cover a minimum of 15 years of projected income and expenses, and demonstrate that the project will remain operationally feasible throughout those 15 years. The pro forma must contain sufficient detail indicating the income to be generated by the project, vacancy or collection loss assumptions, and all operating costs of the project, including management fees, real estate taxes, insurance, maintenance costs, mortgage or debt service payments, operating reserves, replacement reserves, partnership fees, and any other disbursements funded from cash flow. All supportive service revenue and expenses must be reported in the Supportive Services Pro Forma; they must not be included in the Housing Pro Forma.

The Bank has established the following feasibility guidelines as the minimum and maximum ranges for determining a project's feasibility and need for AHP subsidy:

a) Stabilized Vacancy Rate

The Bank has established a maximum stabilized vacancy rate to begin in year two of 10 percent of gross income. The Bank will require projects with a stabilized vacancy rate over 10 percent of gross income to justify the feasibility of the project. An explanation is also required when a project shows a lack of or a very low vacancy rate.

b) Revenue and Expense Escalators

Revenue Escalators and Expense Escalators must be greater than or equal to two percent and less than or equal to four percent. The Expense escalator may not be less than the Revenue Escalator.

c) Property Management Fees

Management fees are limited to either 12 percent of net revenue or $55 per unit per month. The Bank will require projects with management fees greater than 12 percent of net income or $55 per unit per month to justify the fee. The Bank may also ask nonprofit organizations that elect to take no or a minimal management fee to provide sufficient evidence of the organization's financial condition to document why such a fee is not needed.

d) Replacement Reserve Payments

Replacement reserve deposits are expected to be included in every pro forma in order to ensure the long-term sustainability of the property.

Replacement reserve guidelines are based on the property type and are outlined below:

Project Type	Minimum per Unit Per Year	Maximum per Unit per Year
New Construction	$250	$400
Acquisition/Rehabilitation	$300	$500

Projects that operate on a per bed or per bedroom basis, such as emergency shelters or group homes, must justify the reasonableness of its proposed replacement reserve payments.

As determined by the Bank in its sole discretion, a first-year operating statement that reflects a low or even zero replacement reserve payment may not constitute an exception to this guideline in certain circumstances such as, but not limited to, when the first-year replacement reserve payment is capitalized as part of the development budget or when units' expenses are subsidized by another funder's guarantee of operating subsidy.

e) Per Unit Operating Cost

The per unit operating cost of a project is determined as follows: (Total Operating Expenses – Property Taxes – Operating Reserves) ÷ Number of Units. The Bank allows a minimum annual operating cost of $1,250 per unit. Projects that anticipate annual per unit operating expenses of less than $1,250 must provide detailed justification for the amount of the projected expenses. Projects including annual per unit operating expenses greater than $5,000, except for Alaska and Hawaii where the maximum is $8,000, must provide additional explanation justifying such costs. The Bank judges estimated expense levels for reasonableness on a case-by-case basis, based on the type of project and the nature of the population to be served. Whenever possible, a project's actual operating history should be used to justify proposed operating costs. The Bank recognizes operating expenses may vary based on many factors, including, but not limited to, the geographic location of the project and the nature of the housing to be provided.

f) Debt Coverage Ratio/Cash Flow

The debt coverage ratio for a project is calculated as follows: Net Operating Income ÷ Total Debt Service Payments. The Bank examines the debt coverage ratio over the first five years of the pro forma. The Bank will accept a debt coverage ratio up to a maximum of 1.40 or a pro forma where anticipated cash flow does not exceed 15 percent of gross income. Projects in which the debt coverage ratio or cash flow exceeds these limits must provide justification why additional debt cannot be supported.

Although the Bank's review focuses on the first five years of the pro forma, the entire pro forma is reviewed, at least in part to ensure no front loading of debt or expenses is included in an effort to skew the project's debt coverage ratio to meet the feasibility guidelines. Cash flow to the owner of a project should be limited to a reasonable return on the owner's investment in the project or be an amount small enough that substantive additional financing could not be justified. For projects that are anticipated to generate some amount of cash flow, excess funds may be used to pay back debt required to be repaid from available cash flow or placed in the project's reserve accounts, if adequate justification of the need for such reserves is provided. As noted earlier, a project may be ruled infeasible even if it meets the feasibility guidelines for debt coverage ratio and cash flow as a percentage of gross income if the Bank, in its sole discretion, determines that the cash flow is not reasonable and justified or the project does not show a need for the AHP subsidy.

Rental Project Pro forma	AHP Feasibility Guideline
Stabilized Vacancy Rate	Maximum: 10% of gross income
Property Management Fees	Maximum: Either 12% of net revenue or $55 per unit per month
Replacement Reserve Payments	Minimum: $250 per unit per year new construction $300 per unit per year acquisition rehabilitation Maximum: $400 per unit per year new construction $500 per unit per year acquisition rehabilitation Projects that will operate on a per bed or per bedroom basis, such as emergency shelters or group homes, must justify the reasonableness of its proposed replacement reserve payments.
Per Unit Operating Cost	Minimum: $1,250 per unit per year (excluding property taxes and operating reserve payments). Maximum: $5,000, per unit per year except for Alaska and Hawaii where the maximum is $8,000.
Debt Coverage Ratio/Cash Flow	Maximum: 1.40 or a pro forma where anticipated cash flow does not exceed 15% of gross income.

5. Homeownership Project Feasibility Guidelines

Homeownership Projects may include: (1) Consumer-Driven down payment and closing cost assistance for the acquisition of owner-occupied units, including rehabilitation associated with the purchase; (2) Consumer-Driven owner-occupied rehabilitation projects; or (3) Sponsor-Driven projects including new construction or acquisition and rehabilitation for resale. See the definitions for Homeownership Project, Consumer-Driven-Project, and Sponsor-Driven Project in Section IV: Definitions and Acronyms. Projects that include cooperative ownership of owner-occupied units, or projects that include "lease -to-own" terms of sale, should make application as Rental Housing and comply with rental feasibility guidelines.

The Bank's subsidy should be used to accomplish the objective of providing, maintaining or improving affordable housing defined as housing that is targeted to the low-and-moderate income market. The Bank, in its sole discretion, may deny any subsidy request that is inconsistent with that objective.

a) Sources and Uses of Funds

All applications must provide a statement of sources and uses of funds. A complete listing of all the sources of funds and uses of funds must be identified in the statement. Sources of funds must equal uses of funds. Sources and uses of funds not associated with the project should not be included in the sources and uses of funds statement. The AHP subsidy for a project, or a specific unit in a project, cannot exceed the total of the uses of funds minus other available funding sources.

A project's sources and uses of funds statement should include only owner-occupied units included in the project. It should not include market rate units or other homeownership unit outside of the project, rental units, or commercial space. If a project includes rental or commercial space, a separate sources and uses of funds must be created and attached to the application.

i) The sources of funds must include all permanent cash sources of funds to be used in the project, including estimates of funds the sponsor intends to use but that are not yet committed to the project. Sources of funds may include but are not limited to:

- Permanent mortgages, such as the homebuyer mortgage to purchase an owner occupied unit
- Grant funding from other agencies
- Cash donations
- Sponsor cash contribution
- Homebuyer or homeowner cash contribution

Interim c financing that will be paid from a permanent funding source should not be included in permanent sources of funds, but information should be provided in the application if these funds are needed to complete the project.

The uses of funds statement must include all cash costs of the project, including, but not limited to, the following: building or land acquisition, construction or rehabilitation costs, developer's fees and consultant's fees, professional services and fees, financing costs, soft costs, and homebuyer costs including closing costs and counseling costs. Cost and fees should fall within certain ranges described below.

i) Sponsor Provided Mortgage Financing

In the case of Homeownership Projects where the sponsor extends permanent financing to the homebuyer, the sources of funds shall include the present value of any purchase note the sponsor holds on the unit. If the note carries an interest rate below the market rate, the present value of the note shall be determined using a market rate, as determined by the Bank, to discount cash flow from debt service. If the note carries a market rate of interest commensurate with the credit quality of the buyer, the present value of the note equals the face value of the note.

b) Maximum Development Costs

Project costs include Development costs and Homebuyer costs. Development costs may include the cost of building or land acquisition, new construction or rehabilitation costs, developer's fee and consultant's fee, soft costs including professional services and fees, and interim financing costs. Homebuyer costs including closing costs and counseling costs must be listed separately from Development cost.

Development costs should be typical of the project type selected. Sufficient information should be provided in the AHP application for the Bank to assess the reasonableness of costs. The Bank, in its sole discretion, will determine if a project's costs are typical and reasonable.

i) For projects including new construction or acquisition rehabilitation: The Bank generally accepts a project's construction or rehabilitation costs if supported by major construction cost indices used to analyze and compare historical costs of a base dwelling unit to actual costs, including R.S. Means Residential Cost Data, Marshall & Swift, or other cost data as determined by the Bank.

ii) For projects including purchase of an owner-occupied unit: The net purchase price of the owner-occupied unit (the purchase price after pre-purchase subsidies for construction or rehabilitation) should not exceed the lesser of fair market value of the unit or the applicable State Housing Finance Agency maximum purchase price limits in non-targeted areas. Limits for the Bank's District are available on the Bank's website.

iii) For down payment and closing cost assistance projects that include rehabilitation associated with the purchase of a unit and owner-occupied rehabilitation projects: Rehabilitation costs should not exceed local usual and customary costs for the locality. Sponsors should provide explanation of how the per unit cost of the project was determined and relates to the applicable standards for the locality. The rehabilitation work should conform to the Bank's Eligible and Ineligible Rehabilitation guidelines described later in this section.

iv) For all projects, the Bank may, with adequate explanation, consider applicable factors impacting the project's development cost, including but not limited to market conditions, the nature of the project, number of bedrooms, size of units, and/or location in high cost areas in determining the reasonableness of proposed development costs.

c) Minimum Rehabilitation Costs

For Sponsor-driven acquisition rehabilitation projects and Consumer-driven owner-occupied rehabilitation projects, rehabilitation cost should be $5,000 or more per unit, not including Developer's Fee or other soft costs. This is deemed the minimum cost to accomplish the replacement or repair of at least one principal fixture or component of an existing structure by a qualified contractor. In all cases, the rehabilitation cost should appear reasonable to accomplish the scope of rehabilitation described in the AHP application.

d) Developer and Consultant Fees

See the definition of Developer's Fee in Section IV: Definitions. The compensation of Developer's and Consultant's Fees paid from all funding sources must be included in sources and uses of Funds. AHP funds should not be included to pay a Developer's Fee and Consultant's Fee if compensation from other sources, together with the amount paid from AHP, would provide compensation in excess of feasibility guidelines. Maximum Developer's and Consultant's Fees for Homeownership Projects are:

Project Type	Developer Fee Eligible	Developer Fee %	as a % of
Consumer-driven Down Payment	No	N/A	N/A
Consumer-driven Owner-Occupied Rehab	Yes	12%	Total Development Cost minus Developer's and Consultant's Fee
Sponsor-driven New Construction	Yes	15%	Total Development Cost minus Developer's and Consultant's Fee
Sponsor-driven Acquisition Rehab	Yes	12%	Total Development Cost minus Developer's and Consultant's Fee

e) General Requirements, Builder's Overhead, and Profit

Projects that engage a general contractor to complete new construction or rehabilitation may include the contractor's general requirements, builder's overhead, and profit in development costs (see definitions for "General Requirements", "Builder's Overhead", and "Builder's Profit" in Section IV: Definitions).

If the Sponsor acts as the general contractor, builder overhead and profit must be included in the Developer's Fee in the uses of funds statement. General requirements expense may be included in the development costs.

If the Sponsor is providing the construction labor, it may include an overhead charge for labor in construction or rehabilitation costs (see Construction Labor and Labor Burden below).

Builder's general requirements, overhead, and profit are limited to an aggregate total of: (1) 20 percent of the total construction cost for projects with 24 or fewer units, and (2) an aggregate total of 16 percent of the total construction cost for projects including more than 24 units.

Any project including builder overhead in excess of 2 percent, general requirements above 8 percent, and/or profit above 6 percent of the project's total construction cost must provide additional explanation justifying such costs.

f) Construction Labor Costs and Labor Burden

Projects in which the Sponsor provides their own construction or rehabilitation labor may charge a reasonable amount for labor and labor burden. See the definition of "Labor Burden" in Section IV: Definitions. Cost should be included in construction or rehabilitation cost in the construction rehabilitation cost breakdown. The applicant must provide information in the application of their labor cost, as well as information on local reasonable and customary labor costs. Information required includes the hourly rate for wages, and the additional labor burden expressed as an hourly rate. The Bank will make a determination of the reasonableness of the cost on a case-by-case basis.

Typically, construction labor cost that materially exceeds the prevailing wage under Davis-Bacon or related regulation would not be acceptable without reasonable explanation.

Charge for labor burden must be related to the cost of labor and not to other overhead or profit. Generally, labor burden in excess of 35% of the cost of construction labor would not be reasonable without satisfactory justification. The Bank calculates labor burden as follows: Labor Burden/ (Construction Labor + Labor Burden).

g) Contingency

Projects that include new construction or rehabilitation costs may estimate a hard cost contingency up to 10 percent of the construction or rehabilitation cost.

The Bank calculates the Contingency Cost percentage as follows: Contingency/ (Total Construction Cost – Contingency).

Development Budget	AHP Feasibility Guideline
Development Costs for new construction and acquisition rehabilitation projects.	A project's construction or rehabilitation costs should be supported by major construction cost indices used to analyze and compare local usual and customary costs of a base dwelling unit to actual costs.
Development Costs for owner-occupied rehabilitation projects.	Local usual and customary costs as demonstrated by actual costs.
Minimum Rehabilitation Cost	For projects including rehabilitation, minimum cost is $5,000 per unit and accomplish the repair or replacement of at least one principal fixture or component of a structure.
Net Purchase price for owner-occupied units.	Should not exceed the lower of the appraised value or State Housing Finance Agency purchase price limits for non-targeted area.
General Requirements and Builder's Overhead and Profit	Projects in which the sponsor is acting as developer may charge only general requirements. Sponsor's overhead and profit should be included in Developer Fee. Maximum: Projects including 24 or fewer units: 20% of total construction cost (excluding construction contingency). Projects including more than 24 units: 16% of total construction cost (excluding construction contingency).
Construction Labor Costs and Labor Burden	Projects in which the sponsor provides construction labor to the project may charge a reasonable charge for that labor plus labor overhead (see definition of Labor Burden). Wage for labor should not materially exceed the prevailing wage under Davis-Bacon or related regulation. Overhead should not exceed 35% of the labor cost.
Contingency	10% of construction or rehabilitation costs.

h) Homebuyer/Homeowner Costs

i) Affordability of Housing Costs

Projects that assist a household with the purchase of an owner-occupied unit need to make sure that house payments including principal and interest, tax, insurance, and association dues or fees if applicable, do not exceed the housing cost ratios as accepted by typical affordable housing programs including such programs as FHA, Fannie Mae, Freddie Mac or USDA.

ii) Homebuyer/Homeowner Closing Costs

All Closing Costs must be representative, eligible costs, as defined in Section IV: Definitions and Acronyms. Only typical and reasonable Closing Costs of a home purchase or a home rehabilitation transaction may be paid from AHP funds. Filing fees for AHP Retention Agreements (Deed Restriction) may be included in closing costs.

iii) Homeownership Education Costs

Homeownership Education classes or Financial Literacy Programs are eligible as closing costs for projects that assist a household with the purchase of an owner-occupied unit and the cost is not paid from another source. The amount that can be charged to AHP is limited to a maximum of $250 for a course requiring 8 hours or less with a maximum of $450 for a course that is more than 8 hours. See the definitions of "Closing Cost", "Homeownership Education or Counseling", and "Financial Literacy Program" in Section IV: Definitions and Acronyms.

All Homebuyer Education costs paid from AHP must be a part of a project using AHP funds for the purchase of an owner-occupied unit.

HOMEBUYER/HOMEOWNER COSTS	AHP Feasibility Guideline
Affordability of Housing Costs	For projects that include loans, total payments cannot exceed the housing cost and/or housing cost plus debt ratios as accepted by typical affordable housing programs including FHA, Fannie Mae, Freddie Mac or USDA.
Homebuyer/Homeowner Closing Costs	No maximum, but all costs must be eligible (see definition in Section IV).
Homeownership Education Costs	Maximum $250 for 8 hours or less and $450 for more than 8 hours if paid from AHP funds. Only for households that purchase an owner-occupied unit.

i) Income Determination Guidelines for Homeownership Projects

i) Household Income Verification

For purposes of verifying income qualification and targeting for homeownership projects, annual household income from all sources received by all adult household members must be verified and included in income calculation. This includes income received by all household members age 18 and older. Income from the employment of household members under the age of 18 is not counted in the calculation of total household income.

A household will be income qualified as of the date that the member or sponsor enrolls the household to receive AHP assistance. Please refer to the definition of "Enrollment Date" in Section IV.

Income documentation must be collected on all adult household members to verify income. The Bank will publish guidelines for income verification and forms for the calculation of annual household income on its website. The AHP project sponsor and the member must ensure that the Bank forms are completed in their entirety per Bank guidelines.

ii) Co-signer(s) income when AHP is used for home purchase

For transactions that include home purchase the income of non-resident co-signers or co-borrowers must be included in the calculation of household income to determine eligibility if the purchaser is a student or the co-signers and/or co-borrowers will be included as titleholders to the property.

j) Consumer-Driven Owner-occupied Rehabilitation: Eligible and Ineligible Activities

The following is an illustrative list of the eligible and ineligible rehabilitation activities that may be performed in Consumer-Driven owner-occupied rehabilitation projects. This list is not inclusive of all possible eligible or ineligible rehabilitation activities. Projects that wish to perform rehabilitation activities that are not listed under "Eligible Rehabilitation" or that are listed under "Ineligible Rehabilitation" require approval from the Community Investment Department. The Bank, in its sole discretion, will determine the eligibility or ineligibility of rehabilitation projects.

7) Eligible Rehabilitation:

i) Repair directed toward an accumulation of deferred maintenance, and/or needed replacement of principal fixtures and components of existing structures, including but not limited to:

- Roof repair or replacement, including gutters and downspouts. Fiberglass or asphalt shingles for sloped roofs and rolled or rubber membrane roof for flat roofs are acceptable. All other roof materials are at the discretion of the Bank.
- Repair or replacement of mechanical systems (furnace, air conditioning, water heater).
- Upgrade to minimum 100 Ampere electrical service, electrical repairs, and needed replacement of fixtures.
- Upgrade plumbing service, plumbing repairs, and needed replacement of fixtures.
- Structural repairs and reconstruction including foundation or chimney repair and repairs due to termite damage or to treat for termites.
- Exterior siding repair or replacement and exterior paint.
- Repair or replacement of entrance doors and windows.
- Repair or replacement of porches and decks to fix code or safety violation.
- Repair or replacement of floor coverings. Basic carpeting or vinyl floor coverings are acceptable. All other floor coverings or flooring materials are at the discretion of the Bank.

- Interior wall and ceiling repair, drywall, interior doors and trim, and paint.
- Removal of unsightly blight, dilapidation or deterioration due to deferred maintenance, such as tear down of dilapidated garages or sheds.
- Garage repair.
- Functional landscaping for redirection of water away from foundations, or retaining walls to prevent soil erosion.
- Tree and brush trimming and removal to prevent roof or siding damage, for safety, or to cure blight.
- Sidewalk and driveway repair or replacement.
- Smoke detectors and dead bolt locks for safety and home security.

ii) Improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, siding, wall and attic insulation, weather stripping, and conversion, modification, or replacement of heating and cooling equipment;

iii) Connection of residential structures to water distribution lines, local sewer collection lines, or septic system;

iv) Improvements to increase the efficient use of water through such means as water savings faucets and shower heads and repair of water leaks;

v) Inspection and testing for and remediation or abatement of lead based paint, asbestos, or other environmental hazards;

vi) Improvements designed to remove material and architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons to buildings. This may include remodeling kitchens and bathrooms for wheelchair access, lowering kitchen cabinets, installing wider doors, exterior ramps, and provision for at grade access.

8) Ineligible Rehabilitation:

Costs unrelated to correcting deferred maintenance or a deficiency or to ensure the safety and habitability of the home are typically ineligible unless there is a reasonable demonstrated need consistent with an affordable housing agenda.

i) Materials should always be basic materials, except for eligible improvements including energy or water efficiency.

ii) Payment for appliances is typically ineligible and at the discretion of the Bank.

iii) Rehabilitation that includes discretionary repairs, additions, alterations, improvements, recreational, commercial, or rental units is always ineligible.

- Decks and patios are considered recreational, unless replacement of a deck is required to fix code or safety violation, or is required for egress.

- Fences are typically ineligible unless required for safety.

iv) Payment to the homeowner for rehabilitation labor is ineligible. Payments to friends and relatives of the homeowner for labor are ineligible unless they are qualified contractors and there is a written bid documenting costs that conform to local conditions.

H. Scoring Criteria – Point Determinations

AHP regulations require the Bank to allocate 100 points among the nine scoring priorities listed below. Each applicant receives points based on their satisfaction of the nine scoring priorities. Applications are recommended for funding in descending order of score until the total amount of funds available, except for the amount insufficient to fund the next highest scoring application, has been allocated.

Application scoring is based upon the content of the application. Please note that any unanswered questions or undocumented answers in the application for AHP funds may receive zero points for that category.

1. Priority 1 - Use of Donated or Conveyed Government-owned or Other Properties – 5 Points (Variable)

The financing of housing using land or units donated or conveyed by the federal government or any agency or instrumentality thereof, or a significant proportion of land or units donated or land or units conveyed by any other party for an amount significantly below the Fair Market Value (FMV) of the property, which reduces the costs of financing such housing.

Donated means to convey land or units for a negligible amount, most often one dollar, which may be accompanied by the modest expenses related to the conveyance of the property for use by the project. Long term leases of 15 years or more with a nominal annual rent payment of no more than $100 annually would qualify as donated.

"Significant proportion" of units or land donated means a minimum of 20 percent (or more) of the units or land area.

"Significantly below FMV" of the discounted property means a discount of 20% or more of the FMV of all the units or land conveyed (not including donated land or units).

All donations or conveyances prior to the AHP application must have occurred within three years of the date of the AHP application, or five years, at the discretion of the Bank, if the property is vacant or abandoned, or difficult to develop due to environmental or other site conditions. See “Vacant or , Abandoned” in Section IV: Definitions and Acronyms.

With the exception of the Federal government or any agency or instrumentality thereof, the property must be donated or conveyed by an entity not related to, or affiliated with, the member, sponsor, or owner through ownership or control.

Rehabilitation-only projects that do not involve the acquisition of land or units/buildings are not eligible to receive points in this category.

A subsidy used to purchase land or units does not qualify for a donation of the land or units or a discount below the fair market value.

Points are awarded as follows:

a) For land or units donated or conveyed by the federal government or any agency or instrumentality thereof:

   1) 1 point for land or units conveyed, or

   2) Up to 5 variable points for land or units donated, or land or units conveyed at a discount of ≥ 20% below fair market value; or

b) For land or units donated or conveyed by any other party:

   1) Up to 5 variable points for land or units donated, or land or units conveyed at a discount of ≥ 20% below the fair market value.

Applicants will receive 1 point if the project includes land or units conveyed by the federal government or any agency or instrumentality thereof, or points based on the formula below. The formula must result in ≥ 1.00 in order for applicants to receive a score in this category. For projects with both donated and discounted land and/or units the score will be the sum of the donated and discounted calculations.

Points are awarded based on the following formula:

$$\left[\frac{B}{A}\right] \times 5 = \text{POINT(S)}$$

For land or units donated:

A = Total number of units or total square feet of land in the project
B = Number of units or total square feet of land donated to the project

For land or units conveyed at a discount:

A = Fair market value of total units and/or total square feet of land not donated in the project
B = Fair market value of total units and/or total square feet of land not donated in the project, less the total amount of conveyance

2. Priority 2 - Sponsorship by a Not-for-profit Organization or Government Entity – 10 Points (Fixed)

This Priority includes project sponsorship by 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. Sponsorship can also include a not-for-profit organization that owns a for-profit entity that is the general partner in the partnership that owns an AHP eligible rental project.

For rental projects, as a threshold issue under the AHP regulations, the nonprofit or government sponsor must have a controlling ownership interest (exceeds 50%) in the corporation, the partnership or, in the case of a limited partnership, a controlling interest in the general partner to receive points. The controlling interest must be for both governance in making decisions as well as the financial interest in any returns provided by the project. In regard to governance, the sponsor must be integrally involved in the project by exercising control over the planning, development or management of the project. Activities may include but are not limited to: (1) developing the project; (2) providing property management in the project; (3) directly providing empowerment services as identified in the AHP application; or (4) directly providing supportive services to the residents of a permanent supportive housing project. A sponsor must demonstrate its controlling interests to the satisfaction of the Bank.

For homeownership projects, the nonprofit or government sponsor must be integrally involved in the project by exercising control over the planning, development or management of the project, including: (1) managing the acquisition, construction, rehabilitation, and/or sale of property; (2) qualifying borrowers, and providing or arranging financing for the owners of the units if required; or (3) directly providing empowerment services as identified in the AHP application. A sponsor must play at least two of the three integral roles to be eligible for points in this Priority. At the discretion of the Bank, nonprofit resource development and support organizations for affiliated nonprofits would meet this requirement if they provide fiscal support or funds development, technical assistance or administrative services, and/or compliance oversight for affiliates that are fulfilling these integral roles.

3. Priority 3 – Income Targeting - 20 Points (Variable)

Income Targeting reflects the extent to which a project creates housing for very low- and low- or moderate-income households. For purposes of scoring Priority 3, applications for rental and homeownership projects will be scored separately.

a) Rental Projects

A minimum of 20% of the units must be occupied by households at or below 50% of the AMI to be eligible for AHP funding.

Projects will be scored using the following scale:

Percent of units 50% or less of the AMI multiplied by 20 points
Percent of units more than 50% but less than 60% of the AMI multiplied by 18 points
Percent of units more than 60% but less than 80% of the AMI multiplied by 16 points
Total score would be sum of 1, 2 and 3 above.

Except that a rental project where 60 percent or more of the units will be occupied by households with incomes at or below 50 percent of the area median income (AMI) will receive 20 points.

NOTE:
The income targeting commitments you establish in the application for scoring is the permanent income targeting for the 15-year retention period of the project. It is not acceptable to simply market to an income target group. The units must be rented to households that meet the income target throughout the retention period.

For projects involving the purchase or rehabilitation of rental housing that is already occupied, the Income Targeting priority will be evaluated based on the income of the households that occupy the project at the time it is submitted to the Bank.

A manager's or caretaker's unit cannot receive AHP funding unless it is income restricted according to the Income Targeting above. If the manager's or caretaker's unit will not be income restricted, the unit will be excluded from the total number of AHP-assisted units in the project.

b) Homeownership Projects:

Projects will be scored using the following scale:

If 20% or more of the units are for 60% or less of Area Median Income = 20 Points

If 10% or more but less than 20% of the units are for 60% or less of Area Median Income = 18 Points

If less than 10% of the units are for 60% or less of Area Median Income = 16 Points

NOTE:
The Project must comply with its income targeting commitments proposed in the application. Marketing the units to the target group for a certain period of time and then switching to a higher income group is not acceptable. For example, if you apply for funds to target 25 owner-occupied units to households with incomes at or below 50 percent of the AMI, you must provide evidence that 25 units were sold to or are occupied by households at or below 50 percent of the AMI

4. Priority 4 - Housing for Homeless Households - 10 Points (Variable)

Projects that: (1) include the financing of rental housing, excluding overnight shelters, reserving at least 20 percent of the units for homeless households; (2) create transitional housing for homeless households permitting a minimum of six months occupancy; or (3) create permanent owner-occupied housing reserving at least 20 percent of the units for homeless households. Refer to the definition of "Homeless Household" in Section IV: Definitions and Acronyms.

Housing for the homeless will be scored using the following scale:

If 20% or more but less than 50% of the units for homeless = 5 points

If 50% or more but less than 75% of the units for homeless = 7 points

If 75% or more of the units for homeless = 10 points

NOTE:
A project must reserve units for occupancy by homeless households, not merely market to homeless persons or give priority to the homeless for waiting list purposes. Sponsors must also demonstrate to the satisfaction of the Bank that the sponsor can fulfill the homeless commitment.

An occupied project may count a resident as homeless for the purposes of this scoring priority if the resident was homeless no more than one year prior to the AHP application due date.

5. Priority 5 - Promotion of Empowerment - 5 Points (Fixed)

Priority 5 includes the provision of housing in combination with programs or services that promote economic empowerment of project residents. Project programs or services that promote residents' quality of life or personal well-being, but not their economic betterment, do not qualify for this priority.

The project must make available to all AHP-assisted households at least one of the empowerment program or service from the following list. The proposed program or service must be appropriate for the target population or housing.

- Case management including economic empowerment or self-sufficiency component, welfare-to work initiatives, family-self-sufficiency programs, or Life Skill classes.
- Education GED, Education ESL or Literacy Program.
- Employment Counseling/referral, Employment Training or Job Placement.
- Financial planning, credit counseling or budgeting, independent of homebuyer education or pre-purchase counseling.

- Homebuyer Education (pre-purchase) and/or Homeownership Education (post purchase) that adopt one of the following: National Industry Standards for Homeownership Education and Counseling, NeighborWorks or state housing finance agency curriculum; or include a minimum of eight hours of counseling, at least one hour of which is face-to-face.
- Tenant or Homeowner association or resident involvement in decision making affecting the creation or operation of the project.
- Sweat equity by homeowner or Self Help programs engaging homeowner.
- Vaccination and/or screening programs or Day care services.

6. Priority 6 - First District Priority – Special Needs - 10 Points (Variable)

Up to 10 points will be awarded for the financing of housing in which at least 20 percent of the units are reserved for occupancy by households with special needs, such as the elderly, mentally or physically disabled persons, persons recovering from physical abuse or alcohol or drug abuse, or persons with AIDS. The individual with the qualifying special needs is not required to be the head of the household. See the definition of “Elderly” and “Disabled” in Section IV: Definitions and Acronyms. Points will be awarded for providing the housing for any combination of the above special needs. Units should not be double-counted if that unit qualifies under more than one special need category. The total for special needs units cannot exceed the total project units.

Special needs will be scored using the following scale:

If 20% or more but less than 50% of the units for special needs = 5 points

If 50% or more but less than 75% of the units for special needs = 7 points

If 75% or more of the units for special needs = 10 points

7. Priority 7 - Second District Priority - 25 Points (Variable)

The Bank awards the sum of applicable points to applications in each category up to a maximum of 25 total points.

a) District Distribution

13 points will be awarded for projects located in Alaska, Hawaii, Guam, American Samoa or the Northern Mariana Islands.

7 points will be awarded for projects located in Idaho, Montana, Oregon, Utah, Washington and Wyoming.

5 points will be awarded for projects located in Iowa, Minnesota, Missouri North Dakota, and South Dakota.

b) Native Housing

13 points will be awarded for Native Housing Projects. An eligible project must:

- Be located in an Hawaiian Home Lands housing area;
- Or the project owner is a Tribal Government, an agency of a Tribal Government, a Tribally Designated Housing Entity for the purposes of the NAHASDA, or an entity incorporated under or otherwise created in accordance with Tribal law;
- Or include Tribal Funding in the sources of funding for the proposed project, such as, but not limited to, Indian CDBG, Indian CSBG, Indian Health Service funds, NAHASDA funding.

A Tribal Government may include a Federally Recognized Tribe or an Alaska Village or Regional Corporation. See 'Federally Recognized Tribe" and "Alaska Village or Regional Corporation" in Section IV: Definitions and Acronyms.

A Hawaiian Home Lands housing area is an area of Hawaiian Home Lands in which the Department of Hawaiian Home Lands is authorized to provide assistance for affordable housing under the Native American Housing Assistance and Self-Determination Act.

c) Farmworker Housing

13 points will be awarded for housing projects where at least 50% of the units are occupied by households that meet the definition of farmworker. See the definition of "Farmworker" in Section IV: Definitions and Acronyms.

d) Preservation of Federally Assisted Housing

10 points will be awarded for the preservation of rental housing currently receiving HUD Section 8 project based rental assistance, Public Housing Authority/Housing and Rehabilitation Authority (PHA) owned units, HUD 202 or 811 projects, U.S. Department of Agriculture Rural Development (RD) 514, 515 or 516 projects or existing Federal Low Income Housing Tax Credit (LIHTC) units of rental housing. This includes Public Housing Authority/Housing and Rehabilitation Authority (PHA) units being sold to a non-profit and financed with Low Income Housing Tax Credits (LIHTC). For additional information on eligible Public Housing Authority/Housing and Rehabilitation Authority (PHA) units see the definition in Section IV: Definitions and Acronyms.

Projects must meet the scoring criteria at the time of the AHP award and at least through the date of Initial Monitoring except that points awarded will not be reduced if Federal appropriations cause the reduction or elimination of the qualifying assistance program and a Federal contract not to be renewed during the period from AHP award to the completion of Initial Monitoring. In addition, USDA RD 514, 515, or 516 projects will not lose the points awarded if the qualifying assistance program is reduced or eliminated by the normal amortization of the USDA RD 514 or 515 loans. The points will be reduced in the case of a pre-payment of the USDA RD 514 or 515 loans prior to the completion of Initial

Monitoring. Projects must still be financially feasible after the loss of assistance for the duration of the AHP retention period.

e) Rental New Construction of 24 Units or Less

10 points for projects in which 100% of the units are new construction of a rental project with 24 units or less.

f) Sponsor-Driven New Construction of Single-Family Owner-Occupied Units

12 points for projects in which 100% of the units are Sponsor-driven new construction of single-family owner-occupied units. See Section IV: Definitions and Acronyms for "Sponsor-Driven", "New Construction, and "Owner-Occupied Unit""

8. Priority 8 - AHP Subsidy per Unit - 5 Points (Variable)

The extent to which a project proposes to use the least amount of AHP subsidy per AHP-targeted unit. In the case of an application for a project financed by a subsidized advance, the total amount of AHP subsidy used by the project shall be estimated based on the Bank's cost of funds as of the date on which all applications are due for the funding period in which the application is submitted. The project with the lowest subsidy per unit requested will receive 5 points. The project with the highest subsidy per unit requested will receive 0 points. Projects in between will receive points on a sliding scale from 0 to 5 points.

The calculation formula is: =IF (SPU Grant Amount/Units Below 80) < Max SPU then 5-(5*(((SPU Grant Amount/Units Below 80)-Min SPU)/ (Max SPU-Min SPU))) Else 0)

9. Priority 9 - Community Stability - 10 Points (Variable)

For all community stability projects sponsors shall not displace low- or moderate-income households, or if such displacement will occur, they will assure that such households will be assisted to minimize the impact of such displacement. A sponsor must provide information on permanent or temporary displacement and the assistance that will be provided households with the AHP application.

For Homeownership Projects, only applicable Sponsor-Driven projects and Consumer-Driven owner-occupied rehabilitation projects are eligible for points in this Priority. Refer to the definitions of "Sponsor-driven Project", "Consumer-driven Project", and "Owner-Occupied Rehabilitation" in Section IV: Definitions and Acronyms.

The Bank awards up to a maximum of 10 points to applications promoting community stability on the following basis:

a) 5 points for projects in which 100% of the units are an Adaptive Reuse project. See Section IV: Definitions and Acronyms for "Adaptive Reuse."

b) 5 points for projects in which 100% of the units are the rehabilitation of or demolition and new construction on the same site of a vacant or abandoned property. See Section IV: Definitions and Acronyms for "Vacant or Abandoned."

c) 5 points for projects in which 100% of the units are the acquisition and rehabilitation of units that are currently not income restricted and are converted to affordable rental housing. For a project to be eligible there must be a minimum of $5,000 per unit in rehabilitation costs. In addition, the acquisition must be an Arm's Length Transaction. Sponsor eligibility will be determined at the discretion of the Bank. See Section IV: Definitions and Acronyms for "Acquisition Rehabilitation" and "Arm's Length Transaction."

d) Up to 10 points for projects in which 100% of the units are Consumer-Driven owner-occupied rehabilitation. Projects will be scored using the following scale:

Rehabilitation cost of $10,000 or more but less than $20,000 per unit = 5 points

Rehabilitation cost of $20,000 or more per unit = 10 points

Rehabilitation costs include only the cash cost of rehabilitation. It does not include soft costs including but not limited to the developer's fee, professional fees, or homeowner closing costs. To meet the scoring commitment each unit in a project must be provided rehabilitation with costs at or exceeding the minimum threshold. To demonstrate eligibility a project's rehabilitation budget should exceed the minimum threshold by at least 10%. Sponsor eligibility will be determined at the discretion of the Bank.

III. Homeownership Down Payment (DP) Programs

A. Native American Homeownership Initiative (NAHI) Program Guidelines

1. Program Summary

In 2017 the Bank will make $500,000 available on a first-come first-served basis to eligible members that have executed a Down Payment Subsidy Agreement. Funds may be used to provide down payment, closing cost, counseling, and/or rehabilitation assistance to eligible Native American, Native Alaskan, or Native Hawaiian households including Native Americans or Alaska Natives who are enrolled members of a Federally Recognized Tribe, a member or stockholder of an Alaska Village or Regional Corporation, or Native Hawaiians that are purchasing owner-occupied units located within the Bank's district. See 'Owner-occupied Unit", "Federally Recognized Tribe", "Alaska Village or Regional Corporation", and "Native Hawaiian" in Section IV: Definitions and Acronyms.

2. Member Participation Requirements

a) All NAHI program applications, requests for reservation of funds, and disbursements requests will be accepted only from current members of the Bank.

b) Each member is limited to receiving no more than $100,000 in program grants in a program year. Additional grants beyond this $100,000 limit may be awarded on a case-by-case basis at the discretion of the Bank.

c) Mortgage financing may be obtained from a financial institution, governmental or nonprofit lender of the homebuyer's choice, or the member may restrict the funds to mortgages obtained through the member.

d) Members may not agent, delegate, or assign responsibility for administration of the award to an organization that is not a member of the Federal Home Loan Bank of Des Moines.

3. Reservation of Funds

Members must apply and enter into a 2017 Down Payment Subsidy Agreement, at which point they may begin reserving funds for eligible households with the Bank. Reservations are on a first-come first-served basis. Members may initiate a reservation of funds for a household until December 31, 2017, subject to the availability of funds.

4. Time Limits on the Disbursement of Funds and Treatment of Undisbursed Funds

a) Members will have 120 days from the date a reservation is approved to submit a request for disbursement of a subsidy award or the reservation of funds will be cancelled. An extension may be approved at the discretion of the Bank upon the member's written request.

b) Members must request reimbursement for closed loans at or prior to the expiration of their reservation of funds. Any funds not requested for reimbursement at or prior to the expiration of a reservation of funds will be made available to all members for reservation, until December 31, 2017. Request for reimbursement must include any loan where the member has escrowed for construction or rehabilitation, even if that work is not completed. Disbursement for loans that include construction or rehabilitation will be deferred until construction or rehabilitation is complete and documentation of payment of escrowed funds is submitted to the Bank.

c) For loans where the member has escrowed funds for construction or rehabilitation, work must be completed and all funds disbursed from the escrow account, and required documentation of payment of escrowed funds delivered to the Bank, within one year of the request for reimbursement. An extension may be approved at the discretion of the Bank upon the member's written request. Documentation of payment of the entire escrowed amount must be submitted to the Bank for reimbursement. Documentation should include paid receipts and/or lien waivers for construction or rehabilitation, and documentation of payment of unused funds to mortgage loan principal or as a credit toward the borrower's monthly payment. Unused funds may not be paid directly to the borrower.

5. Disbursement of Funds

a) Funds are disbursed on a reimbursement basis after loan closing.

b) Members are required to provide the following information on all disbursements.

   1) Signed mortgage Closing Disclosure (formerly HUD-1 and Final Truth-in-Lending Disclosure Statement) or, in the case of a sale of a mobile home closing documents for the transaction that includes purchase price, loan amount, interest rate, and costs associated with the transaction;

   2) Income Calculation Workbook including all household income;

   3) Third-party documentation verifying the household income;

   4) Certificate of Borrower Eligibility signed by the member;

   5) Evidence that one of the homebuyers is an enrolled member of a Federally Recognized Tribe, a member of an Alaskan Village or Regional Corporation, or eligible Native Hawaiian; and

   6) Copy of the deed restriction or retention document filed for the transaction.

c) If a transaction includes construction or rehabilitation, the Bank will only disburse funds to the member after receipt of the following:

   1) Paid receipts or lien waivers for the entire escrowed amount; or

   2) Documentation that escrowed funds have been applied to the principal amount of the first mortgage, or as a credit to the borrower's monthly payment.

6. Requirement for Deed Restriction

a) The member shall ensure that an assisted unit is subject to a 5-year deed restriction or other legally enforceable retention agreement or mechanism. The member is to be given notice of any sale or refinancing of the unit occurring prior to the end of the retention period. 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 subsidy, reduced for every year the seller owned the unit, shall be repaid to the Bank from any net gain realized upon the sale or refinancing, unless:

   1) The unit is sold to a very low-, low-, or moderate-income household; or

   2) Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism.

b) If a member is denied reimbursement of a subsidy award by the Bank, or the award amount is modified at disbursement, the member will be required to provide the Bank a release of the deed restriction, or correction of the deed restriction, as applicable.

7. Requirements

a) An eligible household may receive up to $15,000 under this program.

b) At least one of the adult members of the household being assisted must be an enrolled member of a Federally Recognized Tribe, a member or shareholder of an Alaska Village or Regional Corporation, or a Native Hawaiian eligible to reside on Hawaiian Home Lands. In regard to Native Hawaiians, only households acquiring property on Hawaiian Home Lands are eligible. See Definitions and Acronyms of the AHP Implementation Plan for definition of "Federally Recognized Tribe" **"Alaska Village or Regional Corporation",** and "Native Hawaiian.

c) An owner-occupied unit that is purchased under the NAHI must be located within the Bank's district.

d) All households that are First-time Homebuyers must complete a Financial Literacy Program prior to closing. See Definitions and Acronyms of the AHP Implementation Plan for definitions of "First-time Homebuyer" and "Financial Literacy Program".

e) Total annual household income as of the Enrollment Date may not exceed 80 percent of the area median income. See the definition of "Enrollment Date" in Definitions and Acronyms of the AHP Implementation Plan.

   Eligible households must be determined using the greater of the area median income: 1) as published annually by HUD and adjusted for household size; or 2) the applicable NAHASDA income limits for eligible Native American households published annually by HUD.

   HUD income limits may be found at: http://www.huduser.org/portal/datasets/il.html. The NAHASDA income limits can be found on our website or requested by calling 1-800-544-3452, extension 1173. Use the income limits applicable at the Enrollment Date for income qualification.

   Income documentation must be collected on all adult household members to verify annual income. In addition, the income of non-resident co-signers or co-borrowers must be included in the calculation of income to determine eligibility if: (i) the purchaser is a student or (ii) the co-signers and/or co-borrowers will be included as titleholders to the property.

   The AHP/DP Calculation of Income Guidelines for income verification and forms for the calculation of annual household income on its website. The member must ensure that the Bank forms are completed in their entirety.

f) Acquisition cost of all properties purchased by eligible households must be at or below the maximum purchase price limit for the locality established by the applicable State Housing Finance Agency, or the limit of the HUD-184 Native American Housing Program for loans closed under that program. Maximum purchase price limits for states in the Bank's district can be found on our **website** or requested by calling 1-800-544-3452, extension 1173.

g) AHP/ DP subsidy must be used to pay for down payment, closing cost, counseling, and/or construction or rehabilitation assistance in connection with the eligible household's purchase of an owner-occupied unit, including a condominium or cooperative housing unit or manufactured housing, to be used as the household's primary residence. See Definitions and Acronyms of the AHP Implementation Plan for definitions of "Owner-occupied Unit", "Closing Cost", "Rehabilitation", and "New Construction".

h) A transaction that includes new construction financing must be approved by the Bank prior to loan closing. New construction that includes agendas inconsistent with affordable housing, or include payment to the household for labor are not eligible for reimbursement. Payments to friends and relatives of the household for labor are ineligible, unless they are qualified contractors and there is a written bid documenting costs that conform to local conditions. The Bank, in its sole discretion, may deny any subsidy request that is inconsistent with these guidelines.

i) Eligible rehabilitation should include correction of deferred maintenance and/or standard replacement of principal fixtures and components of existing buildings. Rehabilitation agendas inconsistent with affordable housing, or include payment to the household for labor is ineligible. Payments to friends and relatives of the household for labor are ineligible, unless they are qualified contractors and there is a written bid documenting costs that conform to local conditions. The Bank, in its sole discretion, may deny any subsidy request that that is inconsistent with these guidelines.

j) AHP/DP subsidy may be used to pay for counseling costs of a Financial Literacy Program only where such costs are incurred in connection with counseling of homebuyers who actually purchase a NAHI-assisted unit, and the cost of the counseling has not been covered by another funding source, including the member. Maximum amount that may be charged is $250 for counseling of less than 8 hours duration, and $450 for counseling exceeding 8 hours. Documentation of the provision of this counseling cost will be required if this cost is included in closing costs.

k) Members may not charge a processing fee to a household for providing AHP direct subsidies to a project.

l) Households may be reimbursed eligible closing costs paid outside of closing for which there is supporting documentation. The Bank, in its sole discretion, will determine eligible items paid outside of closing.

m) A member may not provide cash back to a household at closing on the mortgage loan in an amount exceeding $250, except for reimbursement of eligible items paid outside of closing. Cash back would include reimbursement of down payment, deposits, or earnest money. Cash back would also include any loans, collections, judgments, or other financial obligations of the household paid to facilitate the home purchase that is not a typical closing cost. If the settlement statement or other closing documents show cash back to the homebuyer in an amount greater than $250, then the member must provide documentation showing that the cash back was used to pay down the principal of the mortgage loan or as a credit toward the household's monthly payment on the mortgage loan.

n) Households may not acquire a property under the terms of a cash purchase. An amortizing loan must be transacted to acquire the property. Loans must have a term of at least five years, equal to the length of the 5-year deed restriction or retention agreement placed on the AHP/DP assisted unit.

o) The rate of interest, points, fees, and any other charges for all loans made in conjunction with the subsidy must not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms, and risk. Variable rate loans must conform to secondary market standards.

p) The Bank requires that mortgage loans originated using AHP/DP subsidy comply with 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 (collectively, anti-predatory lending laws).

q) Any residential mortgage loan will be ineligible to be used with AHP/DP subsidy if the annual interest rate and/or points and fees charged for the loan exceed the thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulation, Federal Reserve Board Regulation Z, as redefined under Title XIV of the Dodd-Frank Act.

r) In the case of member owned real estate purchased by a household from a member or a subsidiary of the member, property purchased in a related party transaction, or property financed by the real estate developer, the market value of such property is deemed to be the "as-is" or "as-rehabilitated" value of the property as applicable per terms of the purchase. This value should be determined from a property appraisal performed by a state certified or licensed appraiser, within six months prior to the date of property settlement. Purchase price should not exceed the market value.

s) NAHI funds may not be used in conjunction with programs utilizing funds from competitive AHP awards or other FHLB down payment assistance programs.

t) The Bank may suspend or debar a member from participation in the Program 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/DP subsidy or the requirements of the AHP/DP regulations.

B. Home$tart Program Guidelines

1. Program Summary

In 2017, the Bank will make $4 million available on a first-come, first-served basis to eligible members that have executed a Down Payment Subsidy Agreement. Funds may be used to provide down payment, closing cost, counseling, or rehabilitation assistance to eligible homebuyers that are purchasing owner-occupied units. At least one third of the allocation will be to First-Time Homebuyers. See "Owner-Occupied Unit", and "First Time Homebuyer" in Section IV: Definitions and Acronyms.

2. Member Participation Requirements

a) Any member that was awarded funding from the 2015 Homeownership Fund must have $5,000 or less remaining to be eligible to apply for the 2017 Home$tart program.

b) All Home$tart program applications, requests for reservation of funds, and disbursements requests will be accepted only from current members of the Bank.

c) Each member is limited to receiving no more than $250,000 in program grants in a program year. Additional grants beyond this $250,000 limit may be awarded on a case-by-case basis at the discretion of the Bank.

d) Mortgage financing may be obtained from a financial institution, governmental or nonprofit lender of the homebuyer's choice, or the member may restrict the funds to mortgages obtained through the member.

e) Members may not agent, delegate, or assign responsibility for administration of the award to an organization that is not a member of the Federal Home Loan Bank of Des Moines.

3. Reservation of Funds

Members must apply and enter into a 2017 Down Payment Subsidy Agreement, at which point they may begin reserving funds for eligible households with the Bank. Reservations are on a first-come first-served basis. Members may initiate reservation of funds for a household until December 31, 2017, subject to the availability of funds.

4. Time Limits on the Disbursement of Funds and Treatment of Undisbursed Funds

a) Members will have 120 days from the date a reservation is approved to submit a request for disbursement of a subsidy award or the reservation of funds will be cancelled. An extension may be approved at the discretion of the Bank upon the member's written request.

b) Members must request reimbursement for closed loans at or prior to the expiration of their reservation of funds. Any funds not requested for reimbursement at or prior to the expiration of a reservation of funds will be made available to all members for reservation, until December 31, 2017. Request for reimbursement must include any loan where the member has escrowed for construction or rehabilitation, even if that work is not completed. Disbursement for loans that include construction or rehabilitation will be deferred until construction or rehabilitation is complete and documentation of payment of escrowed funds is submitted to the Bank.

c) For loans where the member has escrowed funds for construction or rehabilitation, work must be completed and all funds disbursed from the escrow account, and required documentation of payment of escrowed funds delivered to the Bank, within one year of the request for reimbursement. An extension may be approved at the discretion of the Bank upon the member's written request. Documentation of payment of the entire escrowed amount must be submitted to the Bank for reimbursement. Documentation should include paid receipts and/or lien waivers for construction or rehabilitation, and documentation of payment of unused funds to mortgage loan principal or as a credit toward the borrower's monthly payment. Unused funds may not be paid directly to the borrower.

5. Disbursement of Funds

a) Funds are disbursed on a reimbursement basis after loan closing.

b) Members are required to provide the following information on all disbursements.

1) Signed mortgage Closing Disclosure (formerly HUD-1 and Final Truth-In-Lending Disclosure Statement) or, in the case of a sale of a mobile home closing documents for the transaction that includes purchase price, loan amount, interest rate, and costs associated with the transaction;
2) Income Calculation Workbook including all household income;
3) Third-party documentation verifying the household income;
4) Certificate of Borrower Eligibility signed by the member;
5) Copy of the deed restriction or retention document filed for the transaction.

c) If a transaction includes construction or rehabilitation, the Bank will only disburse funds to the member after receipt of the following:

1) Paid receipts or lien waivers for the entire escrowed amount; or
2) Documentation that escrowed funds have been applied to the principal amount of the first mortgage, or as a credit to the borrower's monthly payment.

6. Requirement for Deed Restriction

a) The member shall ensure that an assisted unit is subject to a 5-year deed restriction or other legally enforceable retention agreement or mechanism. The member is to be given notice of any sale or refinancing of the unit occurring prior to the end of the retention period. 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 subsidy, reduced for every year the seller owned the unit, shall be repaid to the Bank from any net gain realized upon the sale or refinancing, unless:

1) The unit is sold to a very low-, low-, or moderate-income household; or
2) Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism.

b) If a member is denied reimbursement of a subsidy award by the Bank, or award amount is modified at disbursement, the member will be required to provide the Bank a release of the deed restriction, or modification of the deed restriction, for the assisted unit.

7. Requirements

a) An eligible household may receive up to $7,500 under this program.

b) All households that are First-Time Homebuyers must complete a Financial Literacy Program prior to closing. See Definitions and Acronyms of the AHP Implementation Plan for definitions of "First-time Homebuyer" and "Financial Literacy Program".

c) Total annual household income as of the Enrollment Date may not exceed 80 percent of the area median income. See the definition of "Enrollment Date" in Definitions and Acronyms of the AHP Implementation Plan.

d) Eligible households must be determined using the area median income as published annually by HUD and adjusted for household size. HUD income limits may be found at: http://www.huduser.org/portal/datasets/il.html. Use the income limits applicable at the Enrollment Date for income qualification.

e) Income documentation must be collected on all adult household members to verify annual income. In addition, the income of non-resident co-signers or co-borrowers must be included in the calculation of income to determine eligibility if: (i) the purchaser is a student or (ii) the co-signers and/or co-borrowers will be included as titleholders to the property.

f) The Bank will publish guidelines for income verification and forms for the calculation of annual household income on its **website**. The member must ensure that the Bank forms are completed in their entirety.

g) Acquisition cost of all properties purchased by eligible households must be at or below the maximum purchase price limit for the locality established by the applicable State Housing Finance Agency. These maximum purchase price limits for the states in the Bank's district can be found on our **website** or requested by calling 1-800-544-3452, extension 1173.

h) AHP/ DP subsidy must be used to pay for down payment, closing cost, counseling, and/or construction or rehabilitation assistance in connection with the eligible household's purchase of an owner-occupied unit, including a condominium or cooperative housing unit or manufactured housing, to be used as the household's primary residence. See Definitions and Acronyms of the AHP Implementation Plan for definitions of "Owner-occupied Unit", "Closing Cost", "Rehabilitation", and "New Construction".

i) A transaction that includes new construction financing must be approved by the Bank prior to loan closing. New construction that includes agendas inconsistent with affordable housing, or include payment to the household for labor are not eligible for reimbursement. Payments to friends and relatives of the household for labor are ineligible, unless they are qualified contractors and there is a written bid documenting costs that conform to local conditions. The Bank, in its sole discretion, may deny any subsidy request that is inconsistent with these guidelines.

j) Eligible rehabilitation should include correction of deferred maintenance and/or standard replacement of principal fixtures and components of existing buildings. Rehabilitation agendas inconsistent with affordable housing, or include payment to the household for labor is ineligible. Payments to friends and relatives of the household for labor are ineligible, unless they are qualified contractors and there is a written bid documenting costs that conform to local conditions. The Bank, in its sole discretion, may deny any subsidy request that that is inconsistent with these guidelines.

k) AHP/DP subsidy may be used to pay for counseling costs of a Financial Literacy Program only where such costs are incurred in connection with counseling of homebuyers who actually purchase an assisted unit, and the cost of the counseling has not been covered by another funding source, including the member. Maximum amount that may be charged is $250 for counseling of less than 8 hours duration, and $450 for counseling exceeding 8 hours. Documentation of the provision of counseling will be required if this cost is included in closing costs.

l) Members may not charge a processing fee to a household for providing AHP/DP subsidy.

m) Households may be reimbursed eligible closing costs paid outside of closing for which there is supporting documentation. The Bank, in its sole discretion, will determine eligible items paid outside of closing.

n) A member may not provide cash back to a household at closing on the mortgage loan in an amount exceeding $250, except for reimbursement of eligible items paid outside of closing. Cash back would include reimbursement of down payment, deposits, or earnest money. Cash back would also include any loans, collections, judgments, or other financial obligations of the household paid to facilitate the home purchase that is not a typical closing cost. If the settlement statement or other closing documents show cash back to the homebuyer in an amount greater than $250, then the member must provide documentation showing that the cash back was used to pay down the principal of the mortgage loan or as a credit toward the household's monthly payment on the mortgage loan.

o) Households may not acquire a property under the terms of a cash purchase. An amortizing loan must be transacted to acquire the property. Loans must have a term at least equal to the length of the 5-year deed restriction or retention agreement placed on the AHP/DP unit.

p) The rate of interest, points, fees, and any other charges for all loans made in conjunction with the subsidy must not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms, and risk. Variable rate loans must conform to secondary market standards.

q) The Bank requires that mortgage loans originated using AHP/DP subsidy comply with 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 (collectively, anti-predatory lending laws).

r) Any residential mortgage will be ineligible to be used with AHP/DP subsidy if the annual interest rate and/or points and fees charged for the loan exceed the thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulation, Federal Reserve Board Regulation Z, as redefined under Title XIV of the Dodd-Frank Act.

s) In the case of member owned real estate purchased by a household from a member or a subsidiary of the member, property purchased in a related party transaction, or property financed by the real estate developer the market value of such property is deemed to be the "as-is" or "as-rehabilitated" value of the property as applicable per terms of the purchase. This value should be determined from a property appraisal performed by a state certified or licensed appraiser, within six months prior to the date of property settlement. Purchase price should not exceed the market value.

t) Home$tart funds may not be used in conjunction with programs utilizing funds from competitive AHP awards or other FHLB down payment assistance programs.

u) The Bank may suspend or debar a member from participation in the Program 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/DP subsidy or the requirements of the AHP/DP regulations.

C. Home$tart Plus Program Guidelines

1. Program Summary

In 2017, the Bank will make $400,000 available on a first-come, first-served basis to eligible members that have executed a Down Payment Subsidy Agreement. Funds may be used to provide down payment, closing cost, counseling, or rehabilitation assistance to eligible homebuyers that are purchasing owner-occupied units. At least one third of the allocation will be to First-Time Homebuyers. See “Owner-Occupied Unit”, and “First Time Homebuyer” in Section IV: Definitions and Acronyms.

2. Member Participation Requirements

a) Any member that was awarded funding from the 2015 Homeownership Fund must have $5,000 or less remaining to be eligible to apply for the 2017 Home$tart program.

b) All Home$tart Plus program applications, requests for reservation of funds, and disbursements requests will be accepted only from current members of the Bank.

c) Each member is limited to receiving no more than $100,000 in program grants in a program year. Additional grants beyond this $100,000 limit may be awarded on a case-by-case basis at the discretion of the Bank.

d) Mortgage financing may be obtained from a financial institution, governmental or nonprofit lender of the homebuyer’s choice, or the member may restrict the funds to mortgages obtained through the member.

e) Members receiving an award may not agent, delegate, or assign responsibility for administration of the award to an organization that is not a member of the Federal Home Loan Bank of Des Moines.

3. Reservation of Funds

Members must apply and enter into a 2017 Down Payment Subsidy Agreement, at which point they may begin reserving funds for eligible households with the Bank. Reservations are on a first-come first-served basis. Members may initiate a reservation of funds for a household until December 31, 2017, subject to the availability of funds.

4. Time Limits on the Disbursement of Funds and Treatment of Undisbursed Funds

a) Members will have 120 days from the date a reservation is approved to submit a request for disbursement of a subsidy award or the reservation of funds will be cancelled. An extension may be approved at the discretion of the Bank upon the member's written request.

b) Members must request reimbursement for closed loans at or prior to the expiration of their reservation of funds. Any funds not requested for reimbursement at or prior to the expiration of a reservation of funds will be made available to all members for reservation, until December 31, 2017. Request for reimbursement must include any loan where the member has escrowed for construction or rehabilitation, even if that work is not completed. Disbursement for loans that include construction or rehabilitation will be deferred until construction or rehabilitation is complete and documentation of payment of escrowed funds is submitted to the Bank.

c) For loans where the member has escrowed funds for construction or rehabilitation, work must be completed and all funds disbursed from the escrow account, and required documentation of payment of escrowed funds delivered to the Bank, within one year of the request for reimbursement. An extension may be approved at the discretion of the Bank upon the member's written request. Documentation of payment of the entire escrowed amount must be submitted to the Bank for reimbursement. Documentation should include paid receipts and/or lien waivers for construction or rehabilitation, and documentation of payment of unused funds to mortgage loan principal or as a credit toward the borrower's monthly payment. Unused funds may not be paid directly to the borrower.

5. Disbursement of Funds

a) Funds are disbursed on a reimbursement basis after loan closing.

b) Members are required to provide the following information on all disbursements.

1) Signed mortgage Closing Disclosure (formerly HUD-1 and Final Truth-In-Lending Disclosure Statement) or, in the case of a sale of a mobile home closing documents for the transaction that includes purchase price, loan amount, interest rate, and costs associated with the transaction;

2) Income Calculation Workbook including all household income;
3) Third-party documentation verifying the household income;
4) Certificate of Borrower Eligibility signed by the member;
5) Documentation of public housing assistance in purchase of the home;
6) Copy of the deed restriction or retention document filed for the transaction.

c) If a transaction includes construction or rehabilitation, the Bank will only disburse funds to the member after receipt of the following:

1) Paid receipts or lien waivers for the entire escrowed amount; or
2) Documentation that escrowed funds have been applied to the principal amount of the first mortgage, or as a credit to the borrower's monthly payment.

6. Requirement for Deed Restriction

a) The member shall ensure that an assisted unit is subject to a 5-year deed restriction or other legally enforceable retention agreement or mechanism. The member is to be given notice of any sale or refinancing of the unit occurring prior to the end of the retention period. 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 subsidy, reduced for every year the seller owned the unit, shall be repaid to the Bank from any net gain realized upon the sale or refinancing, unless:

1) The unit is sold to a very low-, low-, or moderate-income household; or
2) Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism.

b) If a member is denied reimbursement of a subsidy award by the Bank, or award amount is modified at disbursement, the member will be required to provide the Bank a release of the deed restriction, or modification of the deed restriction, for the assisted unit.

7. Requirements

a) An eligible household may receive up to $15,000 under this program.

b) An eligible household must be currently receiving public rental assistance and will now be purchasing a home or will be receiving public housing assistance in the purchase of the home. This includes transactions involving sale of a Public Housing Unit to public or non-public housing residents, or Public Housing Authority financial assistance to public housing families purchasing a home. Tribally Designated Housing Entities are considered public housing agencies for the purpose of this requirement.

c) All households that are First-Time Homebuyers must complete a Financial Literacy Program prior to closing. See Definitions and Acronyms of the AHP Implementation Plan for definitions of "First-time Homebuyer" and "Financial Literacy Program".

d) Total annual household income as of the Enrollment Date may not exceed 80 percent of the area median income. See the definition of "Enrollment Date" in Definitions and Acronyms of the AHP Implementation Plan.

e) Eligible households may be determined using the area median income as published annually by HUD and adjusted for household size. HUD income limits may be found at: http://www.huduser.org/portal/datasets/il.html. Use the income limits applicable at the Enrollment Date for income qualification.

f) Income documentation must be collected on all adult household members to verify annual income. In addition, the income of non-resident co-signers or co-borrowers must be included in the calculation of income to determine eligibility if: (i) the purchaser is a student or (ii) the co-signers and/or co-borrowers will be included as titleholders to the property.

g) The Bank will publish guidelines for income verification and forms for the calculation of annual household income on its **website**. The member must ensure that the Bank forms are completed in their entirety.

h) Acquisition cost of all properties purchased by eligible households must be at or below the maximum purchase price limit for the locality established by the applicable State Housing Finance Agency. These maximum purchase price limits for the states in the Bank's district can be found on our **website** or requested by calling 1-800-544-3452, extension 1173.

i) AHP/ DP subsidy must be used to pay for down payment, closing cost, counseling, and/or construction or rehabilitation assistance in connection with the eligible household's purchase of an owner-occupied unit, including a condominium or cooperative housing unit or manufactured housing, to be used as the household's primary residence. See Definitions and Acronyms of the AHP Implementation Plan for definitions of "Owner-occupied Unit", "Closing Cost", "Rehabilitation", and "New Construction".

j) A transaction that includes new construction financing must be approved by the Bank prior to loan closing. New construction that includes agendas inconsistent with affordable housing, or include payment to the household for labor are not eligible for reimbursement. Payments to friends and relatives of the household for labor are ineligible, unless they are qualified contractors and there is a written bid documenting costs that conform to local conditions. The Bank, in its sole discretion, may deny any subsidy request that is inconsistent with these guidelines.

k) Eligible rehabilitation should include correction of deferred maintenance and/or standard replacement of principal fixtures and components of existing buildings. Rehabilitation agendas inconsistent with affordable housing, or include payment to the household for labor is ineligible. Payments to friends and relatives of the household for labor are ineligible, unless they are qualified contractors and there is a written bid documenting costs that conform to local conditions. The Bank, in its sole discretion, may deny any subsidy request that that is inconsistent with these guidelines.

l) AHP/DP subsidy may be used to pay for counseling costs of a Financial Literacy Program only where such costs are incurred in connection with counseling of homebuyers who actually purchase an assisted unit, and the cost of the counseling has not been covered by another funding source, including the member. Maximum amount that may be charged is $250 for counseling of less than 8 hours duration, and $450 for counseling exceeding 8 hours. Documentation of the provision of counseling will be required if this cost is included in closing costs.

m) Members may not charge a processing fee to a household for providing AHP/DP subsidy.

n) Households may be reimbursed eligible closing costs paid outside of closing for which there is supporting documentation. The Bank, in its sole discretion, will determine eligible items paid outside of closing.

o) A member may not provide cash back to a household at closing on the mortgage loan in an amount exceeding $250, except for reimbursement of eligible items paid outside of closing. Cash back would include reimbursement of down payment, deposits, or earnest money. Cash back would also include any loans, collections, judgments, or other financial obligations of the household paid to facilitate the home purchase that is not a typical closing cost. If the settlement statement or other closing documents show cash back to the homebuyer in an amount greater than $250, then the member must provide documentation showing that the cash back was used to pay down the principal of the mortgage loan or as a credit toward the household's monthly payment on the mortgage loan.

p) Households may not acquire a property under the terms of a cash purchase. An amortizing loan must be transacted to acquire the property. Loans must have a term at least equal to the length of the 5-year deed restriction or retention agreement placed on the AHP/DP unit.

q) The rate of interest, points, fees, and any other charges for all loans made in conjunction with the subsidy must not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms, and risk. Variable rate loans must conform to secondary market standards.

r) The Bank requires that mortgage loans originated using AHP subsidy comply with 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 (collectively, anti-predatory lending laws).

s) Any residential mortgage will be ineligible to be used with AHP subsidy if the annual interest rate and/or points and fees charged for the loan exceed the thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulation, Federal Reserve Board Regulation Z, as redefined under Title XIV of the Dodd-Frank Act.

t) In the case of member owned real estate purchased by a household from a member or a subsidiary of the member, property purchased in a related party transaction, or property financed by the real estate developer or property purchased by a household 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 as applicable per terms of the purchase. This value should be determined from a property appraisal performed by a state certified or licensed appraiser, within six months prior to the date of property settlement. Purchase price should not exceed the market value.

u) Home$tart Plus funds may not be used in conjunction with programs utilizing funds from competitive AHP awards or other FHLB Homeownership down payment assistance programs.

v) The Bank may suspend or debar a member from participation in the Program 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/DP subsidy or the requirements of the AHP/DP regulations.

IV. 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, including the competitive Affordable Housing Program (AHP) and the Homeownership Down Payment Program.

AHP Project: A single-family or multifamily housing project for homeownership or rental housing that has been awarded an AHP subsidy under the competitive AHP or an award of funds under a Homeownership Down Payment Program to a member bank.

Alaska Village or Regional Corporation: These are Alaska Native entities established under the Alaska Native Claims Settlement Act of 1971 (ANSCA). Also known as Alaska Native Corporation or ANSCA Corporation. These entities are eligible to receive services from the United States Bureau of Indian Affairs. Corporations may be for profit or nonprofit, and establish their own rules for native membership. For purpose of eligibility in the Bank's NAHI program, a borrower must be a member or shareholder in a village or regional corporation established pursuant to ANSCA.

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 general contractor'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 costs such as office expense, staff salaries and benefits other than construction labor and supervisors working directly on the project, mileage and travel costs, or general liability insurance. See also, "Builder's Profit" and "General Requirements". For Homeownership Projects see Homeownership Project Development Guidelines for restrictions.

Builder's Profit: Income paid to the general contractor in a new construction or rehabilitation project. The payment to the contractor is typically based on the size of the project, the total construction or rehabilitation cost, and the risk associated with the project. See also, "Builder's Overhead" and "General Requirements". For Homeownership Projects see Homeownership Project Development Guidelines for restrictions.

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 <u>not</u> 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.

Competitive Affordable Housing Program (AHP): 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.

Consultant's Fees: Fees for services including grant writing and project administration, which are paid to a third-party.

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 Owner-occupied Rehabilitation.

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 cost 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.

Eligible Household for a Homeownership Project under the Competitive Affordable Housing Program (AHP): 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 Down Payment 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 Down Payment

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 for a competitive AHP award or award under a Homeownership Down Payment Program, the date the member or sponsor receives a loan application or application for assistance from a household (i.e. enrollment date for income qualification).

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.

Farmworker: Any persons or households that receives more than 50 percent of their income from the primary production of or the processing of agricultural or aqua cultural commodities.

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
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.

Federally Recognized Tribe: American Indian and Alaska Native entities legally recognized by the United States Federal government and eligible to receive services from the United States Bureau of Indian Affairs. This includes federally recognized American Indian or Alaska Native tribes. A tribe establishes its own rules for native membership. For purposes of eligibility in the Bank's NAHI program, a borrower must be an enrolled member of a federally recognized tribe.

Financial Literacy Program: An educational program that includes homeownership 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, or an internet based curriculum as long as the program includes standard homeownership education content including information on recognizing and avoiding predatory lending. Content should conform to National Industry Standards for Homeownership Education and Counseling (see Standard Pre-Purchase Homeownership Education Content).

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.

Foreclosed Property: Property that can be demonstrated to be in a mortgage or tax 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.

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

General Requirements: An allowance for a general contractor's on-site overhead expenses for construction or rehabilitation,, typically including items such as construction supervision, building permits, fencing around the site, temporary storage for materials, the job trailer, temporary utilities, and sanitation facilities. See also, "Builder's Overhead" and "Builder's Profit". For Homeownership Projects see Homeownership Project Development Guidelines.

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

Hawaiian Home Lands: An area held in trust for Native Hawaiians by the state of Hawaii under the Hawaiian Homes Commission Act of 1920. See "Native Hawaiians".

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: A household made up of one or more individuals, other than individuals imprisoned or otherwise detained pursuant to state or federal law, who: (1) lack a fixed, regular, or adequate nighttime residence; or (2) have a primary nighttime residence that is: (a) a supervised publicly or privately owned operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill); or (b) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, camping ground, etc. (3) Additionally, households will be considered to be homeless if they: (a) are fleeing or attempting to flee domestic violence or other dangerous or life threatening conditions; (b) will imminently lose their housing, including housing they own, rent, or live in without paying rent or are sharing with others; or (c) are "doubled-up" temporarily in another household's dwelling unit.

Homeownership Education or Counseling: Pre-purchase or post-purchase homeownership education adopting curriculum and standards of the National Industry Standards for Homeownership Education and Counseling. 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. 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 competitive AHP 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 AHP, a Homeownership Project would include an Owner-occupied Unit in a single-family or multifamily building, including condominiums and manufactured housing. Projects that include "lease -to-own" terms of sale, and at the Bank's discretion cooperative housing projects, would be treated as Rental Projects for purpose of competitive AHP application and monitoring.

Homeownership Down Payment Program: A program established by the Bank under which the Bank disburses a direct subsidy pursuant to the requirements of § 1291.6 of the AHP regulations.

HUD: The Department of Housing and Urban Development.

Labor Burden: The cost to a company to have an employee, aside from the salary the employee earns. These costs include but are not limited to payroll taxes, workmen's compensation, pension costs, health care, life insurance, and disability insurance. For Homeownership Projects see Homeownership Project Development Guidelines.

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) built to the Manufactured Home Construction and Safety Standards (HUD Code) and displaying 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.

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 Hawaiian: A native Hawaiian eligible to apply for a Hawaiian Home Lands homestead lease, per the Hawaiian Homes Commission Act of 1920. For purposes of eligibility in the Bank's NAHI program, an eligible borrower must be a native Hawaiian as approved through application to the Department of Hawaiian Home Lands and qualify to obtain a lease on Hawaiian Home Lands.

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 existing 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 Homeownership 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 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 an Annual Contributions Contract (ACC) and 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 or a long-term (i.e. 15 years or longer) Project Based Rental Assistance Contract will be considered as Federal Assisted units under this definition.

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.

Homeownership Projects Feasibility Guidelines for more information in regard eligible and ineligible rehabilitation for owner-occupied rehabilitation projects.

Rental Housing: In the competitive AHP 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 AHP, 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 AHP application and monitoring. Drug and alcohol treatment centers, nursing homes, assisted living, skilled nursing and medical care facilities are not eligible for funding.

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 AHP application and monitoring. Inpatient drug and alcohol treatment centers, nursing homes, skilled nursing and medical care facilities are not eligible for funding.

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.

Sponsor: In the competitive AHP, a not-for-profit or for-profit organization that has an ownership interest in a rental project; and is integrally involved in a homeownership or rental project, as defined by the Bank in its Implementation Plan. 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 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.

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.

Vacant or Abandoned: A building that is chronically vacant and uninhabitable because of its poor physical condition, is a public nuisance, 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 vacant or abandoned buildings would include single family dwellings that have become vacant due to mortgage or tax foreclosure, except for foreclosure of the sponsor's own mortgage. Vacant or abandoned does not apply to bare land.

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.