



## Affordable Housing Program (AHP) Implementation Plan

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## **I. Introduction**

### **A. General**

1. The Federal Home Loan Bank of San Francisco ("Bank") has established an Affordable Housing Program ("AHP"), pursuant to Section 21 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, to assist in financing affordable housing for very low-, low-, and moderate-income individuals. This Implementation Plan has been adopted, and from time-to-time amended, by the Bank in accordance with the requirements of Part 1291 of the Federal Housing Finance Agency Regulations governing the AHP (12 C.F.R. Part 1291) ("Regulation").
2. This Implementation Plan sets forth certain policies, procedures, standards, and requirements applicable to the Bank's AHP, as required by the Regulation. While the Implementation Plan includes other pertinent information pertaining to the Bank's AHP, the plan is not intended to be a comprehensive statement of all of the Bank's applicable policies and procedures.
3. The Bank President is responsible for the development and implementation of this Plan and for proposing amendments to this Plan for Board approval as appropriate. The President may delegate specific aspects, duties, and responsibilities of this Plan to management committees, officers of the Bank, or other Bank staff as deemed appropriate.
4. The Bank's AHP consists of a competitive application program and several homeownership set-aside programs, as described in this Implementation Plan. References in the Implementation Plan to the Bank's "AHP" shall mean both the competitive application program and the set-aside programs, unless otherwise stated. As required by statute, the Bank will offer AHP subsidized advances upon request.

### **B. Funding the AHP**

1. The total amount of funds available annually for the Bank's AHP is determined in accordance with the statute and subject to paragraph 2. below.
2. The Bank allocates a portion of the total AHP funds available in each year to the homeownership set-aside program, as approved by the Bank's Board of Directors and stated in Section III of the Implementation Plan. All remaining AHP funds available for that year, plus any reserved set-aside funds not utilized during the previous reservation year, plus such additional amounts made available from the cancellations, repayments, or reductions of subsidies, are added to the competitive application program.
3. The Bank may allot to its current year's AHP from its annual required AHP contribution for the subsequent year subject to the requirements and limitations in 1291.2(b)(3) of the Regulation.

### **C. Federal Housing Finance Agency Regulation**

This Implementation Plan will be adopted as prescribed in 1291.3(a) of the Regulation.

### **D. Definitions**

The definitions set forth in Section 1291.1 of the Regulation will apply to the Bank's AHP and this Implementation Plan. References to sections of the Regulation in this Implementation Plan are to the Regulation in effect as of January 1, 2007, and are intended to include any future amendments thereto.

## **E. Median Income Standards**

Income eligibility for recipient households in both the competitive and the set-aside programs will be based on median income standards for the area, as published annually by HUD, adjusted for family size, with two exceptions: 1) owner-occupied housing programs/projects serving Indian Areas may elect to use median income standards allowable under the Native American Housing Assistance and Self-Determination Act (NAHASDA); and 2) owner-occupied housing utilizing the U.S. Department of Agriculture's Rural Development Self-Help 502 loan program may use the income qualification guidelines prescribed under that program.

## **II. Competitive Program**

### **A. Competitive Funding Rounds**

The Bank will offer one competitive funding round. The schedule for the round will be announced by December 31 of the prior year.

### **B. Eligibility**

1. Member eligibility
  - a. The Bank accepts applications for AHP funds only from current members of the Bank as specified in Section 1291.5(b)(2) that are in good standing. For purposes of both the competitive application program and set-aside program, a member is in good standing if, as determined by the Bank, the member is creditworthy and has fulfilled all necessary requirements for membership in the Bank, including the purchase of all required capital stock in the Bank, and is not in default with regard to any obligations or commitments under any of its programs including, without limitation, the AHP.
  - b. The maximum subsidy a member may apply for in a single competitive round is \$10,000,000.<sup>1</sup>
2. Basic Project Eligibility – All projects must meet the minimum eligibility requirements in Section 1291.5(c), and the Bank's project cost guidelines and feasibility guidelines set forth in Attachment A of this Implementation Plan.
  - a. Retention requirements and Agreements with Members and Sponsors
    - 1) All units in an owner-occupied project must be, or must be committed to be, subject to a retention agreement meeting the requirements set forth in Section 1291.9(a)(7) of the Regulation, for the period specified in such regulation. Each rental project must be, or must be committed to be, subject to a retention agreement described in Section 1291.9(a)(8) of the Regulation, for the period specified in such Regulation.
    - 2) Each member and sponsor receiving AHP subsidy through the competitive application program will be required to execute with the Bank documents in a form satisfactory to the Bank and meeting the requirements of the Regulation.

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<sup>1</sup> If a member sponsoring an AHP application, fails during the competitive round, prior to approval of the application for subsidy, the Bank will not approve the application unless a substitute Bank member is found to sponsor the project. Without a Bank member to sponsor the application, the application is ineligible for consideration. If a successor member is found, the maximum subsidy the successor member may apply for in the round will be raised to include the subsidy requested in each failed member's application(s) assumed by the successor member, not to exceed \$10 million per failed member.

- b. A project's sponsor must be qualified and able to perform its responsibilities as committed to in the application and must also:
  - 1) In the case of rental projects, have an ownership interest in the project (including any leasehold, partnership, or controlling interest).
  - 2) In the case of owner-occupied projects, be integrally involved defined as exercising control in at least one of the following development activities: planning, development, or management of the project, or by qualifying borrowers and providing or arranging financing for owners of the units.
- c. The Bank does not currently allow loan pools and revolving loan funds to participate in the AHP competitive application program.
- d. The maximum amount of subsidy a project may apply for is \$1,500,000.

**C. Application and Approval Process** – The Bank approves competitive program applications pursuant to the requirements detailed in 1291.5(e)

- 1. Scoring system – The Bank evaluates, scores, and rates AHP competitive program applications based on a scoring system adopted by the Bank consistent with Section 1291.5(d) of the AHP Regulation. The scoring system allocates 100 available points among nine scoring criteria. Applications are scored based on the extent to which the proposed projects satisfy the scoring criteria. The Bank's scoring system is described in detail in the Scoring Guidelines set forth in Attachment B to this Implementation Plan. Attachment B is a part of this Implementation Plan and may only be amended in accordance with the regulatory requirements for amending the Implementation Plan.
- 2. Feasibility and need-for-subsidy analysis – The Bank evaluates the operational and financial feasibility of a project and the need for AHP subsidy, as required by Section 1291.5(c)(4) of the Regulation, using the Feasibility Guidelines set forth in Attachment A to this Implementation Plan. The Feasibility Guidelines include a set of development cost and financing criteria and related benchmark ranges, designed to guide the Bank in assessing a project's developmental feasibility and need for subsidy. Another set of benchmarks analyzes a rental project's operational feasibility. The Bank takes into account such other limits and restrictions on project costs and financing terms as required by the Regulation, including those pertaining to member-provided property and services, and those related to the rates, points, fees and other charges for all loans financing a project.
- 3. Application for additional subsidy – Members and sponsors of incomplete projects with existing AHP awards may submit a new application for these projects in a competitive round to request additional subsidy on condition that the existing subsidies are canceled and any previously disbursed subsidies are repaid.

**D. Procedures for Disbursement of Subsidy**

- 1. The Bank will only disburse subsidies
  - a. To an institution if that institution is a member of the Bank in good standing, or
  - b. If an institution's membership in the Bank terminates either through merger, or other charter change, but the surviving entity is a member of another FHLBank, the Bank in its discretion, and on such terms and conditions, and documentation, as are acceptable to the Bank, may disburse subsidy to that institution.

## 2. Review at Disbursement of Subsidy

- a. Request for Disbursement/Compliance Review – A project approved under the competitive program that is ready to receive funds may request disbursement of all or part of the approved subsidy. Disbursements will be processed by the Bank in accordance with the Bank’s procedures and guidelines for funding of subsidies and applicable monitoring procedures, which are published on the Bank’s website, fhlsbf.com. If the disbursement request cannot be processed within 45 calendar days of the Bank’s receipt of the request because of incomplete or missing information, the request for disbursement will be returned to the member for resubmission at a later time.
- b. The Bank’s funding and monitoring procedures and guidelines for the competitive program require that the applicant member and project ~~sponsor/owner~~sponsor provide the Bank with current information about the project sufficient to enable the Bank to verify, prior to funding, that the project maintains compliance with the requirements of the AHP. The member or, as may be delegated, the project ~~sponsor/owner~~sponsor must complete and submit to the Bank a comprehensive package of project-related documents including, but not limited to, current income and expense statements, current development budgets, relevant closing and loan documents, sample or actual retention documents, monitoring agreements from other monitoring entities, if applicable, and evidence of affirmative marketing. The Bank’s Instructions to Members for Requesting Funds are provided to members and sponsors on its website fhlsbf.com.
- c. In processing disbursement requests, the Bank reviews the information submitted with the disbursement request and other pertinent project information obtained from the member and sponsor during the review process. The Bank verifies that the project continues to qualify for the awarded subsidy based on the applicable threshold requirements and scoring criteria and that the project is in compliance with the obligations committed to in the approved application. The Bank re-evaluates the financial and operational feasibility of the project, and verifies the project’s continued need for subsidy. Members and sponsors/owners requesting AHP funds from the Bank must have in place documents in a form satisfactory to the Bank and meeting the requirements of the Regulation, and may be required, upon the Bank’s request, to provide copies of such agreements to the Bank prior to the Bank’s disbursement of funds.
- d. Adjustments to subsidy amounts. In cases where AHP subsidy was approved to fill a funding gap and such approval was based on estimates of other funding sources or applicable costs at the time of application, the amount of subsidy finally awarded, funded and allowed to remain outstanding to a project may change if actual project data varies from the estimates or representations made in the application. The Bank re-evaluates the need for AHP subsidy in a project, in accordance with the Bank’s Feasibility Guidelines and its policies and procedures. If the Bank determines that the amount of subsidy awarded to a project was never, or is no longer justified based on information available to the Bank, the Bank may cancel or reduce the amount of subsidy outstanding to the project.

3. Timing of Disbursement from Member to Sponsor or homeowner – Upon receipt of the AHP funds from the Bank, a member must disburse the funds to the project owner or sponsor as soon as administratively practicable. The Bank recognizes a grace period between a member’s receipt of the AHP funds from the Bank and the member’s disbursement of such funds to the project owner or sponsor. The grace period for disbursement of funds to both rental and owner-occupied projects is 30 days. The Bank will charge interest to the member for each day that AHP funds are not disbursed by the member beyond the applicable grace period. The rate of interest charged is based upon the Bank’s average monthly overnight deposit rates. Interest collected by the Bank from members pursuant to this disbursement policy is contributed to the Bank’s AHP fund and made available for other AHP-eligible projects. The Bank may waive interest charges incurred by a member pursuant to this disbursement policy if the total interest owed by the member for any project is less than \$500.

## E. Compliance Monitoring

All competitive program projects approved for and receiving AHP subsidies must be monitored in accordance with the requirements of Section 1291.7 of the AHP Regulation and the Bank's policies and procedures for monitoring. Members and project sponsors must have in place documents in a form satisfactory to the Bank and meeting the requirements of the Regulation, prior to requesting funding from the Bank. The Bank's procedures for carrying out its initial and long-term monitoring obligations are included in this plan as Attachment C. Attachment C is a part of this Implementation Plan and may only be amended in accordance with the regulatory requirements for amending the Implementation Plan.

## F. Time Limits on Use of Subsidy

1. Under the competitive application program a project has four years from the approval date of the awarded AHP subsidy to draw down the approved subsidy and complete all units. If a project does not meet this standard, the Bank may cancel its approval of the subsidy and make the subsidy available for other AHP-eligible projects.
2. If, prior to four years from the approval date, the Bank determines that a project has failed to make reasonable progress towards draw down of the subsidy and completion of all proposed units such that it is unlikely to complete the project within four years, the Bank may, in its discretion, cancel up to the entire amount of the AHP subsidy awarded to the project. Factors considered in determining whether reasonable progress is being made may include, without limit, the status of project construction and financing, and compliance with application commitments.
3. If the Bank, pursuant to this Time Limits on Use of Subsidy policy, cancels a subsidy that has already been drawn down, the member or project sponsor, as applicable, shall repay the subsidy, along with such interest as the Bank may require.
4. If four years have elapsed since the approval of the subsidy, the Bank may, in its discretion, and subject to such conditions as the Bank may impose, extend the time limit for the use of the subsidy on a case-by-case basis, if sufficient evidence is provided to the Bank documenting, to the Bank's satisfaction, that reasonable progress has been made towards draw down of subsidy and project completion or that such progress is likely to be made during the extension period.

## G. Modifications

1. The Bank processes project modifications in accordance with the requirements of Section 1291.5(f) of the AHP Regulations and the Bank's project modification procedures. The Bank requires that project sponsors/owners and members report to the Bank any material changes in an approved project. A material change means any change that could affect the facts under which the competitive program application was originally scored and approved by the Bank.
2. Special procedures for requesting additional subsidy – Modifications involving requests for additional subsidy are subject to the availability of funds, Board approval, and certain other restrictions. Members and sponsors are therefore encouraged to contact Bank staff well in advance of any funding needs to ensure adequate processing time for the request.

## H. Remedial Actions for Non-compliance Subsidy Recovery

- ~~1. —Restrictions policy. The Bank may restrict either a member or a sponsor from receiving disbursements of subsidy pending the entity's cure or resolution of any identified compliance problem. The goal of the policy for imposing restrictions on disbursements is to prevent monetary loss and mitigate risk to the Bank under the AHP as well as to ensure efficient use of staff resources, and to expedite receipt of information from AHP participants so that the Bank can complete its monitoring obligations within the regulatory timeframes. Grounds for restriction are:~~

- ~~a.—Failure of the project to comply with one or more applicable program requirements or failure to meet one or more of the commitments made in the approved application for AHP subsidies; and~~
- ~~b.—Failure of the sponsor or the member to report to the Bank with information on the project in accordance with monitoring requirements, within the designated timeframe.~~

~~2.~~ If AHP subsidies are not used in compliance with the terms of an approved application and the requirements of the Regulation, the Bank will take remedial actions in accordance with the requirements of Section 1291.8 of the Regulation and the Bank's other documentation executed by the member and project ~~sponsor/ownersponsor~~.

~~a.1.~~ Except as provided below in sections ~~e-5~~ and ~~f-6~~, members must repay the Bank the amount of subsidy that is not used in compliance with the terms of the application and the Regulation if the noncompliance is the result of the member's own actions or omissions.

~~b.2.~~ Except as provided below in sections ~~e-5~~ and ~~f-6~~, members must take steps to recover from the project ~~sponsor/ownersponsor~~, and repay to the Bank, any amount of subsidy (plus interest if appropriate) that is not used in compliance with the application and the Regulation as a result of the ~~sponsor/owner's~~ actions or omissions.

~~e.3.~~ Except as provided below in sections ~~e-5~~ and ~~f-6~~, the ~~sponsor/ownersponsor~~ of the project must be required to repay to the member the amount of any subsidies (plus interest, if appropriate) that, as a result of the sponsor's/~~owner's~~ actions or omissions, ~~are~~ not used in compliance with the terms of the application and the Regulation.

~~d.4.~~ The Bank must take steps to recover from a member the amount of subsidy (plus interest, if appropriate) that is not used in compliance with the terms of the application and the Regulation if noncompliance is the result of the member's actions or omissions, and the Bank will also take steps to recover from a member any amount of subsidy that the member recovers or is required to recover from a ~~sponsor/ownersponsor~~ due to noncompliance resulting from project sponsor's/~~owner's~~ actions or omissions.

~~e.5.~~ A member will not be liable to the Bank for the return of any amounts that cannot be recovered from the ~~sponsor/ownersponsor~~ through reasonable collection efforts.

~~f.6.~~ Repayment of subsidy will not be required if the member or sponsor/~~owner~~ is able to cure the noncompliance within a reasonable time or the circumstances of noncompliance are eliminated through an approved project modification.

~~g.a.~~ The Bank may enter into a settlement agreement with a member, project sponsor, or project owner, for the purpose of settling claims against the member for repayment of subsidies.

~~h.b.~~ A member or project ~~sponsor/ownersponsor~~ may, at its option and upon written request to the Bank, enter into a written agreement with the Bank under which the member or sponsor/~~owner~~ consents to be a party to an enforcement proceeding initiated by the Finance Agency regarding the repayment of subsidies received by the member or sponsor/~~owner~~, or the suspension or debarment of such parties, provided the member or sponsor/~~owner~~ agrees to be bound by the Finance Agency's final determination in the enforcement proceeding.

~~i.c.~~ Subsidy amounts repaid to the Bank as a result of noncompliance will be made available for other AHP-eligible projects.

~~j.—The Bank may suspend or debar a member or sponsor/owner from participation in the AHP due to a pattern of noncompliance or a single instance of flagrant noncompliance with the Regulation or the terms of an application for subsidy.~~

### III. Homeownership Set-Aside Programs

The Bank will set aside a portion of its annual AHP contribution each year to fund one or more homeownership set-aside programs offered by the Bank pursuant to the AHP Regulation. The Bank has established the following homeownership set-aside programs: IDEA and WISH.



## **A. Program Requirements for Individual Development and Empowerment Account (IDEA) and Workforce Initiative Subsidy for Homeownership (WISH)**

1. Member eligibility  
The Bank accepts applications for AHP funds only from current members of the Bank as specified in 1291.6(b) that are in good standing.
2. IDEA or WISH set-aside funds may be used only as a grant toward the downpayment and/or reasonable and customary closing costs for the purchase by an eligible household of an owner-occupied housing unit to be used as the household's primary residence. The HUD-1 settlement statement and related closing documents must show that all AHP subsidies were used for these, and only these, purposes. If a settlement statement shows cash back to the homebuyer in an amount greater than \$250, the AHP set-aside subsidy that the Bank will pay to the member from IDEA or WISH for the homebuyer will be reduced, unless the member and the homebuyer provide sufficient documentation showing that the cash back was used to pay down the mortgage principal or for downpayment and/or reasonable and customary closing costs or as a credit toward the household's monthly payments on the mortgage loan.
3. The member may only provide IDEA or WISH set-aside funds to households who are enrolled in that set-aside program and whose incomes at the time the household enrolled in the set-aside program by the member are no greater than 80% of the area median income in accordance with the median income standards described in Section I of this Implementation Plan and with the income eligibility guidelines published by the Bank.
4. The homebuyer must have successfully completed, and the member must certify completion of, a homebuyer's counseling program provided by, or based on one provided by, an organization recognized as experienced in homebuyer counseling.
5. The housing unit purchased with IDEA or WISH set-aside funds must be subject to a five (5) year retention agreement consistent with the requirements of Section 1291.9(a)(7) of the Regulation.
6. The member must certify that the IDEA or WISH set-aside funds are used for an eligible purpose and the rate of interest, points, fees and any other charges for all loans made in conjunction with the AHP direct subsidy shall not exceed a reasonable market rate of interest, points, fees and other charges for loans of similar maturity, terms, and risk.
7. Reservation of funds
  - a. Beginning in January of each year, members may apply for a reservation of funds up to a maximum of \$1,000,000, respectively, under each of the IDEA and WISH programs. Reservation applications will be subject to a deadline date within the first quarter of the calendar year to be determined and published by the Bank. If the total amount of funds requested under the particular program in the first quarter exceeds the amount of funds set aside for that program, the Bank may adjust downward a reservation amount requested by a member based on certain criteria, such as, but not limited to: the demonstrated ability of the member to administer the set-aside program, the readiness of the prospective homebuyer(s) to close on a home purchase transaction within the award year, as evidenced in the application, and the geographic distribution of future home purchases, as evidenced in the application, or, the Bank may adjust downward all reservation amounts in such program by pro-ration.
  - b. IDEA or WISH reservations not disbursed by March 31st of the following year will be cancelled and made available for other AHP-eligible projects. IDEA or WISH reservations may be extended beyond March 31st only on condition that escrow has opened or that the buyer has deposited funds for the closing (or other equivalent process for consummating the commencement of a sale of property in the applicable state) by March 31st on the home purchases to be subsidized.

8. Conditions for reimbursement of IDEA or WISH funds by the Bank to the member:
  - a. At the time the member requests reimbursement of IDEA or WISH funds from the Bank, the member must provide the Bank with sufficient documentation verifying that the homebuyer is income eligible at the time of enrollment in that set-aside program in accordance with the Bank's published income eligibility guidelines.
  - b. In addition, the member must provide certification and sufficient documentation if requested by the Bank, verifying that the:
    - 1) homebuyers and units funded by the member satisfy the Bank's requirements and guidelines for the applicable AHP set-aside program,
    - 2) the funds will be used for eligible purposes,
    - 3) the homebuyers have completed a homebuyer counseling program, meeting the requirements of the AHP regulation,
    - 4) the household participating in the IDEA or WISH program is a first-time homebuyer according to the first-time homebuyer definition provided by the member, and
    - 5) that the units are subject to a retention agreement, consistent with the requirements of Section 1291.9(a)(7) of the Regulation.
  - c. The Bank will reimburse the member for the amount of AHP subsidy that has been funded by the member to the homebuyer. The Bank will reimburse the member for such funds only upon receipt from the member of the HUD-1 settlement statement evidencing that the full amount of the requested AHP subsidy was passed on to the homebuyer and was used for downpayment and/or reasonable and customary closing costs.
  - d. Each member receiving AHP subsidy will be required to execute with the Bank documents in a form satisfactory to the Bank and meeting the requirements of the Regulation.
9. The member must certify that the rate of interest, points, fees and any other charges for all loans made 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.
10. Households are eligible to receive AHP subsidies from only one Bank set-aside program, or from the Bank's competitive program.
11. The Bank shall recover the amount of any AHP subsidy that is not used in compliance with the commitments made in the approved application and other documentation executed by the member in accordance with the requirements of the Regulation.

## **B. The IDEA and WISH Programs: Descriptions and Guidelines**

1. Individual Development and Empowerment Account (IDEA)
  - a. IDEA Program Description – The IDEA program makes AHP funds available through participating Bank members to qualified homebuyers who have participated in an Individual Development Account (IDA) program or who have successfully completed a Family Self-Sufficiency (FSS) contract of participation with the goal of homeownership, in a form approved by the Department of Housing and Urban Development (HUD) pursuant to the HUD Regulation (24 C.F.R. Part 984), or who have participated in a lease-to-own program administered by a nonprofit organization or government entity that supports property retention of foreclosed homes for low-and moderate-income families.
  - b. IDEA Program Guidelines
    - 1) The homebuyer is eligible to receive the lesser of \$15,000 or three times the amount of:
      - a) the homebuyer's savings used for downpayment and/or reasonable and customary closing costs in a dedicated savings account under an IDA program; or
      - b) an escrow account maintained by a public housing authority for households who have successfully completed the requirements of an FSS contract of participation leading to homeownership.
      - c) the homebuyer savings used for downpayment and/or reasonable and customary closing costs under a lease-to-own program.

- 2) The homebuyer must have saved for a minimum of 10 months with the IDA or FSS savings program and for a minimum of three years under a lease-to-own program.
  - 3) The homebuyer is a first-time homebuyer according to the first-time homebuyer definition provided by the member.
  - 4) Homebuyers eligible for IDEA funds must meet income guidelines as stated in Section III(A)(3) of this Implementation Plan.
  - 5) Homebuyers eligible for IDEA funds must open escrow or deposit funds for the closing (or other equivalent process for consummating the commencement of a sale of property in the applicable state), on a home purchase transaction within five (5) years of enrollment in the IDEA program.
2. Workforce Initiative Subsidy for Homeownership (WISH)
- a. WISH Program Description – The WISH program makes AHP funds available through participating Bank members to qualified homebuyers and promotes and increases homeownership opportunities for workforce populations.
  - b. WISH Program Guidelines
    - 1) The homebuyer is a first-time homebuyer according to the first-time homebuyer definition provided by the member.
    - 2) Homebuyers eligible for WISH funds must meet income guidelines, as stated in Section III(A)(3) of this Implementation Plan.
    - 3) Homebuyers eligible for WISH funds must open escrow or deposit funds for the closing (or other equivalent process for consummating the commencement of a sale of property in the applicable state), on a home purchase transaction within one (1) year of enrollment in the WISH program.
    - 4) The homebuyer is eligible to receive the lesser of \$15,000 or three times the amount of the household contribution, such as household savings or gifts received by the household, toward the purchase of the home. Grants are not considered part of the household contribution.

## **IV. Restrictions and Debarments**

### **A. General**

The Bank may restrict or debar a member or sponsor from participation in the Bank's Affordable Housing Program ("AHP") if such entity shows a pattern of noncompliance, or engages in a single instance of flagrant noncompliance, depending on the nature and extent of the noncompliance and the specific circumstances that gave rise to the noncompliance. Noncompliance is the failure of a sponsor or member to comply with the terms of Section 10(j) of the FHLB Act or the AHP Regulation, this Implementation Plan, the Bank's policies, procedures, guidelines and instructions covering among other things, the use of the Bank's AHP funds under the AHP ("the Bank's AHP Policies and Procedures"), the AHP Direct Subsidy Agreement, and any commitments made in an AHP Application to the Bank. In addition, the Bank may debar a member or sponsor that has been (i) convicted of certain crimes, including fraud or a similar offence, embezzlement, theft, conversion, forgery, bribery, making false statements or claims, tax evasion, obstruction of justice, or any similar offence in connection with a housing development or the use of housing funds, including without limit AHP subsidies, or (ii) that has been suspended or debarred by any Federal agency for conduct described in Section IV A. (i).

### **B. Restrictions**

The Bank may restrict a member or a sponsor from participation in the Bank's Affordable Housing Program until noncompliance is resolved to the Bank's satisfaction. Members or sponsors may be restricted from receiving disbursements of existing awards or from submitting new applications in a competitive round. Members may be restricted from receiving disbursements or reservations of funds in any of the homeownership set-aside programs. The imposition of a restriction or debarment will not eliminate a sponsor's or member's existing obligations to comply with the AHP Regulation, the Bank's Policies and Procedures and any commitments made in an AHP Application to the Bank.

**C. Debarments**

The Bank may debar a member or a sponsor from participation in the Bank's Affordable Housing Program.

**D. Existing Awards**

Following restriction or debarment, the Bank may, on a project-by-project basis, determine whether and under what conditions any AHP subsidies previously awarded to the noncompliant member or sponsor, or set-aside subsidies reserved for a noncompliant member, may be disbursed.

## Attachment A

### Financial Review Guidelines (Competitive Application Program Only)

Pursuant to Section 1291.5(c), paragraphs (2), (3), (4) and (5) of the AHP Regulation, the Bank has established guidelines for determining need for subsidy, that the project's costs are reasonable, and that the project is feasible. These guidelines serve as a benchmark for evaluating projects and may be used as a basis for setting, adjusting, or rejecting requests for subsidy in the application, modification, and pre-/post-disbursement stages of a project. Except for the developer fee limits, variances to these standards will be considered by the Bank on a case-by-case basis based on an evaluation of information and documentation justifying the need for such exception.

In general, the Bank considers and reviews pertinent project information presented in the application or otherwise provided to the Bank, independently or upon request, during the relevant review process. Information required by the Bank to confirm compliance with project feasibility and need for subsidy standards normally will include the following:

**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 sponsor should demonstrate need for AHP subsidy by performing a cash sources and uses analysis. The analysis should calculate the gap between the cash costs<sup>2</sup> to complete the project and the sum of (1) any cash sources other than the sponsor, and (2) any cash contribution by the sponsor.<sup>3</sup> The gap resulting from this calculation represents the maximum amount of AHP subsidy the sponsor may receive for the project.

**Project costs:** Project costs, as reflected in the project's development budget, must be reasonable and customary and within the ranges outlined in these Feasibility Guidelines (including Exhibit I), which consider industry standards for the project location and the long-term affordability and financial needs of the project. Developer fees must conform to the Bank's limits, and projects that exceed the limits will be deemed ineligible.

**Operational feasibility of rental projects:** A rental project must be able to operate in a financially sound manner, in accordance with the Bank's Feasibility Guidelines, as projected in the project's operating pro forma. The requested AHP subsidy must be necessary for the financial feasibility of the project, as structured at application, disbursement, and completion/closing. In determining ongoing feasibility and need for subsidy, the Bank will take into consideration the conformance of the rate of interest, points, fees, and any other charges for all loans financing the project with market rate financing terms available for loans of similar maturity, terms, and risk.

**Member involvement:** The purchase price of property or services, as reflected in the project's development budget, sold to the project by 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 the purchase price was agreed upon. In the case of real estate owned property sold to a project by a member providing AHP subsidy to the project, or property sold to the project upon which the member holds a mortgage or lien, the market value of such property is deemed to be the "as-is" or "as-rehabilitated" value of the property, whichever is appropriate. That value shall be reflected in 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 6 months prior to the date the Bank disburses AHP subsidy to the project.

The Bank has identified a set of feasibility analysis standards to use as benchmarks in evaluating a project's financial and operational feasibility and need for subsidy. These Feasibility Analysis Standards are described in Exhibit I to these Guidelines.

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<sup>2</sup> Cash costs are the actual total cash outlay needed to pay for materials, labor, land acquisition, or other costs of completing the project. This does not include donations of land, or in-kind donations of labor, materials, or services.

<sup>3</sup> In the case of homeownership projects where the sponsor extends permanent financing for the homebuyer, the sponsor's cash contribution must include the present value of any payments the sponsor is to receive from the buyer. The present value of payments the sponsor is to receive from the buyer includes any cash downpayment from the buyer, plus the present value of any purchase note the sponsor holds on the unit. If such a note carries a market interest rate commensurate with the credit quality of the borrower (market rate), the present value of the note equals the face value of the note. If the note carries an interest rate below the market rate, the present value of the note can be determined using the market rate to discount the cash flows.

## Attachment A – Exhibit 1

### Feasibility Analysis Standards

#### Benchmarks used to Establish a Project’s Feasibility and Need for Subsidy

	Criterion	Feasibility Benchmark	Oversubsidization Benchmark
Rental  Development Budget	Capitalized replacement reserves	\$0 on new construction projects; variable on rehabilitation projects depending on age and condition of building.	\$0 on new construction projects; variable on rehabilitation projects depending on age and condition of building; exceptions made if reserves required by funding agency.
	Capitalized operating reserves	\$0	12 months of operating expenses and debt service payments (must be covered by financing sources other than AHP)
	Construction Cost per Square Foot (excluding land costs and soft costs)	To ensure consistent and reasonable cost assumptions, the per square foot construction cost should not be greater than the gross residential square footage cost estimates provided by the RSMMeans Company and included in the application package.	
	Developer fee	0%	Not greater than 12% of total residential development costs (including developer fee, but <i>excluding all capitalized reserves</i> )
	Hard cost contingency	New construction - 5% of hard costs Rehab - 7.5% of hard costs	New construction - 10% of hard costs Rehab - 20% of hard costs
	Soft cost contingency	0% of soft costs	10% of soft costs

	<b>Criterion</b>	<b>Feasibility Benchmark</b>	<b>Oversubsidization Benchmark</b>
Rental  Operating Budget	Vacancy and bad debt rate - residential	5% of gross rents, or, if Section 8 project-based certificates, then 3%	10% of gross rents (except with market justification, especially with SRO projects)
	Vacancy and bad debt rate - commercial	10% of gross rents	50% of gross rents
	Operating reserves	\$0, but if zero, must have adequate debt service coverage ratio	Not greater than \$300 per unit per year
	Operating cost per unit	Not less than \$3,000 per unit per year	Not greater than \$6,250 per unit per year
	Management fees	Not less than \$25 per unit per month	Not greater than \$65 per unit per month
	Replacement reserves	\$250 per unit per year	\$600 per unit per year
	Pro forma assumptions for income compared to expense increases	Expenses increase 1% faster than revenues (e.g., 3% income increase versus 4% cost increase)	Expenses increase 2% faster than revenues (e.g., 3% income increase versus 5% cost increase)
	Debt service coverage ratio; defined as net operating income <sup>4</sup> divided by debt service payment	1.05	1.30
	Partnership management fees (tax credits only)	\$0	\$10,000 in year one (annual increases not to exceed 3.5%)
	Term of Permanent Financing	N/A	Not less than 15 years
	Interest rate assumptions	To ensure consistent and reasonable rate assumptions, interest rates and spreads should be set in accordance with the Interest Rate Assumptions memorandum included in the application package.	

<sup>4</sup> Net Operating Income should be expressed as the difference between 1) effective gross income, or gross rents and miscellaneous income less vacancy allowance, and 2) operating expenses, taxes and assessments, and reserves. Operating reserves may be included up to the maximum limit established above.

	Criterion	Feasibility Benchmark	Oversubsidization Benchmark
Ownership	Construction Cost per Square Foot (excluding land costs and soft costs)	To ensure consistent and reasonable cost assumptions, the per square foot construction cost should not be greater than the gross residential square footage cost estimates provided by the RSMMeans Company and included in the application package.	
	Developer fee	0%	Not greater than 12% of total residential development costs (including developer fee, but <i>excluding all capitalized reserves</i> )
	Term of mortgage	N/A	Not less than 15 years
	Housing payment including principal, interest, taxes, insurance, and homeowners' dues as percentage of gross income	35%	N/A
	Interest rate assumptions	Must be consistent with single-family mortgage rates in effect at the time the mortgage is funded. For purposes of estimating a rate at the time of application, applicants should base assumptions on single-family mortgage rates as published in the application package.	



## Attachment B

### Scoring Guidelines

Points awarded in the various criteria will be either fixed or variable. Variable-point criteria are those that can be satisfied to varying degrees by an application. The application(s) best achieving each variable-point criterion in each funding round will receive the maximum point score available for that criterion, and the remaining applications will be scored on a declining scale. An application meeting a fixed-point criterion will be awarded the total number of points allocated to that criterion.

### Scoring Criteria

#### I. Use of Donated or Conveyed Government-owned or Other Properties

##### 5 points maximum, variable

###### In General

The creation of housing opportunities using a significant proportion (at least 20 percent) of: 1) units or land donated or conveyed by the federal government or any agency or instrumentality thereof; or 2) units or land donated or conveyed for a nominal price (\$1,000 or less) or units or land conveyed at a price significantly below fair market value by any other party. For properties donated, or conveyed at a nominal price, or at a price significantly below market value, points awarded are based on the percent of total units or land in the project/program meeting the above criterion.

###### Calculation of Score

Donations of a significant proportion of land or units from any party are eligible for up to five points (prorated for partial donations) provided that the conveyance of land or units was not from affiliated party (e.g., transfers from a nonprofit organization to a nonprofit affiliate or from a general partner to a partnership entity).

Modest expenses related to the conveyance of the property for use by the project may be paid by the recipient in addition to the "nominal price." Projects with annual land lease payments of \$1,000 or less over the retention period (15 years for rental - corroborated by operating pro-forma) will receive full credit.

Properties conveyed by the federal government, its agencies, or instrumentalities free of charge or at any price are automatically awarded one point, provided that the land or units constitute a significant proportion of the project's total units. Long-term leases from a government entity greater than or equal to 15 years also qualify for one point.

Properties donated or conveyed for more than a nominal price, but for below fair market value (FMV) may qualify for points in this category. The discount from FMV must be at least 80%. The property's FMV must be established by an appraisal from a federal, state, or local agency, or an appraiser with a Member, Appraisal Institute (MAI) designation. The appraisal must specify an "as of" valuation date that is within six months of the fully executed acquisition agreement and must have been ordered by and/or for the benefit of an institutional lender and/or public agency for the purpose of providing financing to the buyer of the property. The points are awarded as follows:

- Price is > 15% and < or = 20% of FMV = 1 point
- Price is > 10% and < or = 15% of FMV = 2 points
- Price is > 5% and < = 10% of FMV = 3 points
- Price is > \$1,000 and < or = 5% of FMV = 4 points

The points will be prorated based on the number of units conveyed at below FMV as a percentage of total units.

Property donations will be validated by cross-referencing the project development budget acquisition line item and confirming the acquisition cost.

## II. Sponsorship By a Not-For-Profit Organization or Government Entity

10 points maximum, variable

### In General

Project sponsorship by a sufficiently documented nonprofit 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. Qualified sponsorship must entail an ownership interest (including any leasehold, partnership, or controlling interest) in a rental project or integral involvement in an owner-occupied project, such as exercising control over the planning, development, or management of the project, or by qualifying borrowers and providing or arranging financing of the units. For rental projects where a limited partnership owns or will own the project, and the general partner interest in the limited partnership is held all or in part by a qualified not-for-profit or government entity sponsor, points are awarded based on the sponsor's percentage share of ownership or control of the general partner(s). Points are also awarded to projects where the qualified not-for-profit or agency sponsor receives at least 25% of the developer fee, if any.

### Calculation of Score

If the sponsor demonstrates the following:	Rental	Owner-occupied
501(c)(3) status or is a government entity, and	1 point	1 point
<p>To qualify for more than one point in this category, the nonprofit sponsor or government entity sponsor must be able to certify that, taking into account without limitation, all agreements, side letters, and ancillary arrangements with the for-profit entity, it:</p> <ul style="list-style-type: none"> <li>• Is not controlled or owned by any for-profit entity, and</li> <li>• Is not created by, or managed by, a for-profit entity, and</li> <li>• Has been engaged in the business of fostering affordable housing for a minimum of one year.</li> </ul>		
<p>If the sponsor meets the above criteria, the project may earn additional points, if the sponsor possesses:</p> <ul style="list-style-type: none"> <li>• &gt;50% of voting &amp; ownership interest of the general partner(s) the project earns 3 points,</li> <li>• &gt;40%, the project earns 2 points,</li> <li>• &gt;30%, the project earns 1 point</li> </ul> <p>Note: If there is more than one nonprofit entity involved in development of a project, the reviewer will consider the nonprofit entities as "sponsors" for the purposes of scoring in the calculation of "Nonprofit Percentage of Voting and Ownership Interest" for rental projects. If the voting and ownership interest is different, voting interest takes precedence in the determination of points awarded.</p>	Up to 3 points	n/a
<p><b>Rental Projects</b> Assumes integral responsibilities listed in the AHP application</p> <ul style="list-style-type: none"> <li>• Project planning and design</li> <li>• Project development</li> <li>• Construction</li> <li>• Property management</li> <li>• Project financing or securing funding commitments</li> </ul> <p>Projects will be awarded 1 point for every element checked, up to the maximum of 3 points.</p>	Up to 3 points	n/a

<b>If the sponsor demonstrates the following:</b>	<b>Rental</b>	<b>Owner-occupied</b>
<b>Owner-occupied Projects</b> Assumes integral responsibilities listed in the AHP application <ul style="list-style-type: none"> <li>• Project planning and design</li> <li>• Project development</li> <li>• Project financing</li> <li>• Construction</li> <li>• Management of self-help households</li> <li>• Pre-purchase counseling</li> <li>• Post-purchase counseling</li> <li>• Qualification of homebuyers</li> </ul> Projects will be awarded 2 points for every element checked, up to the maximum of 6 points.	n/a	Up to 6 points
Receives equal to or greater than 25% of total available developer fee (or if no developer fee is in the project)  Note: To qualify for points in this category, the primary nonprofit project sponsor must receive at least 25% of any and all developer fee distributions, including investor payouts and/or future cashflow.	3 points	3 points
Total possible points	10	10

### III. Targeting

#### 20 points maximum, variable

##### In General

The extent to which a project creates housing for very low- and low- or moderate-income households. For purposes of this scoring criterion, the Bank will score rental projects and owner-occupied projects separately.

##### Calculation of Score

###### Rental projects

Maximum points will be awarded to projects with 60% or more of the units reserved for households with incomes at or below 50% of the applicable area median income (AMI). Projects with less than 60% of the units reserved for households with incomes at or below 50% AMI will be awarded points on a declining scale based on the percentage of units reserved for households with incomes at or below 50% AMI and on the percentage of the remaining units reserved for households with incomes at or below 80% AMI.

Where fewer than 60% of the total units in a project are targeted to households with incomes at or below 50% of the area median, the Bank calculates the targeting score as follows:

Calculate the percentage of total units (*including* any non-targeted or market-rate units) that are targeted to VLI<sup>5</sup> (50% AMI or below). In this example, the project has a total of 55 units targeted to 50% AMI or below, and 100 units total.

Example:  $55 \div 100 = 55\%$

Subtract 20 from the percentage of VLI units in the project:

(The rationale for subtracting 20 is that at least 20% of the units must be targeted to VLI, and therefore those units are excluded from scoring credit.)

Example:  $55 - 20 = 35$

<sup>5</sup> VLI stands for very low income unit, which is a unit targeted to 50% AMI or below.

Divide the difference by 2:

Since 60% of the units targeted VLI results in 20 points, and if one is not counting the mandatory 20% of the units at VLI, then effectively, there are really only 40 percentage points optional (beyond the mandatory 20). Therefore, the "base score" gives credit for the percentage of targeted units minus 20 over 40 possible percentage points.

Example:  $\frac{35^*}{40} = \frac{x}{20}$  \* (variable = percentage VLI units minus 20)

Therefore, to solve for x,  $35 * 20 \div 40$  (or  $35 \div 2$ )

x = base score, which, in the example, is 17.50

Subtract the base score from the total possible points (20) to arrive at the remaining possible points.

Example:  $20.00 - 17.50 = 2.50$

Spread the possible points over a 30-point scale (the difference between 50% and 80% AMI) by dividing the remaining possible points by 30.

Example:  $2.50 \div 30 = .08$

Calculate the WAAMIT<sup>6</sup> for the remaining units targeted between 50 and 80% AMI, *excluding* any non-targeted or market-rate units.

Example:  $(25 \text{ units} \times 60\%) + (10 \text{ units} \times 80\%) = 23$   
 $23 \div (25+10) = .6571$ , or 65.71%

Subtract the WAAMIT from 80% (highest possible WAAMIT). Multiply the answer by the remaining possible points divided by 30.

Example:  $80 - 65.71 = 14.29$   
 $.08 * 14.29 = 1.14$

Add this answer to the base score to arrive at final score

Example:  $1.14 + 17.50 = 18.64$

### Owner-occupied projects

Applications for owner-occupied projects will be awarded points on a declining scale based on the percentage of units to be provided to households with incomes at or below 80% of the applicable AMI. Maximum points will be awarded to projects with the highest percentage of units serving households with the lowest percentage AMI, within established maximum and minimum ranges.

The targeting score is a calculation based on the number of units targeted within each of four income targeting categories. Each category is weighted with a value of 5 through 20. For each targeting category, the number of units in that category is calculated as a percentage of the total project units. The percentage is then multiplied by the assigned weighting to arrive at a point value. The point values for each targeting category are added together to arrive at a final score.

The four income categories and weightings are:

- less than or equal to 65% AMI, weighted 20,
- greater than 65% AMI but less than or equal to 70% AMI, weighted 15,
- greater than 70% AMI but less than or equal to 75% AMI, weighted 10,
- greater than 75% AMI but less than or equal to 80% AMI, weighted 5.

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<sup>6</sup> WAAMIT stands for weighted average AMI target

### Example of Project Scoring:

AMI Categories	No. of Units	% of Total Units	Weighting	Point Value %
< or = 65%	3	18.8%	20	3.75
> 65%, < or = 70%	4	25.0%	15	3.75
> 70%, < or = 75%	4	25.0%	10	2.50
> 75%, < or = 80%	5	31.3%	5	1.56
Totals	16	100.0%		final score = 11.56

## IV. Housing for Homeless Households

### 6 points maximum, variable

#### In General

Points will be awarded for the creation of transitional housing, excluding overnight shelters, for homeless households permitting a minimum of six months occupancy, or the creation of permanent owner-occupied or rental housing, excluding overnight shelters, reserving at least 20% of the units for homeless households. Projects will be awarded points based on the percentage of units in the project reserved for homeless households above and including the 20% minimum.

Points **will not** be awarded if reserved units are for those considered “at-risk” of homelessness.

Homeless household means a household made up of one or more individuals, other than individuals imprisoned or otherwise detained pursuant to state or federal law, who:

- a. Lack a fixed, regular, and adequate nighttime residence<sup>7</sup>; or
- b. Have a primary nighttime residence that is:
  - 1) A supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill)
  - 2) An institution that provides a temporary residence for individuals intending to be institutionalized: or
  - 3) A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

#### Documentation Requirements

- a. Evidence that the household was referred to the project by an established organization or agency that has been providing services to the homeless for at least three years, and
- b. Provide a certification from the homeless service provider that the person or household referred to the project meets the definition of “homeless households” included above.

#### Calculation of Score

If a project reserves for homeless households **less than 20%** of its total units net of managers’ units (“net units”), it receives no points in this category.

If a project reserves for homeless households **exactly 20%** of its net units, it receives exactly 3 points in this category.

If a project reserves **between 20% and 100%** of its net units for homeless households, the project will earn three points plus a pro-rata portion of an additional three points to be determined accordingly:

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<sup>7</sup> The following are examples of individuals who lack a fixed, regular, and adequate nighttime residence: 1) individuals living in transitional or supportive housing for homeless persons but originally came from streets or emergency shelters; and 2) individuals that ordinarily sleep in transitional or supportive housing for homeless persons but are spending a short time (30 consecutive days or less) in a hospital or other institution.

The units reserved for homeless (or fractions thereof) in excess of 20% of net units shall be divided by 80% of net units to derive a point value. The point value is then multiplied by three. For example:

If total units = 100, managers' units = 2; net units = 98; and

Units reserved for homeless = 50

Then  $50 - (98 \times 20\%) = 50 - 19.6 = 30.4 =$  units in excess of 20% threshold

Then  $30.4 \div (98 \times 80\%) = 30.4 \div 78.4 = .38775$

$.38775 \times 3 = 1.163$

Project's score =  $3 + 1.163 = 4.163$

If a project reserves **100%** of its net units for homeless, it will receive 6 points.

## V. Promotion of Empowerment

### 6 points maximum, fixed

#### In General

Points will be awarded to projects to which the housing is provided in combination with a program or programs offering economically empowering services and opportunities for the residents, such as workforce development readiness, financial literacy education, pre- and post-homeownership counseling, on-site health care, on-site child daycare services, or after-school or out-of-school services.

#### Documentation Requirements

- a. To receive credit for a "sponsor provided" service, the application must include a plan describing the service or program selected from the following list that will be provided to the residents or homebuyers. The plan must have been completed within six months prior to the application submission deadline date.
- b. To receive credit for a service provided by an organization other than the sponsor, an executed Memorandum of Understanding ("MOU"), or service contract, or letter of commitment must be completed by the provider of the service or program selected from the following list. The MOU, service contract, or letter of commitment must have been executed within six months prior to the application submission deadline date.

#### Calculation of Score

Only a service or program that promotes economic empowerment of residents or homebuyers qualifies under this scoring criterion. Services or programs must be of a regular ongoing nature and provided to residents free of charge, except for day care services. Services must be provided on-site except that projects may use off-site services if they have a written agreement with the service provider enabling the development's residents to use the services free of charge. Referral services will not be eligible for points. Services or programs must be available within six months of the project's placed-in-service date.

No more than 6 points will be awarded in this category. No partial credit will be given. To receive 6 points the project sponsor must commit to provide at least one of the eight empowerment features from the following list:

<b>Empowerment Features</b>	
<b>1. Workforce development readiness services or programs</b>	Should include services such as vocational training, or employment/career counseling and job placement, or adult-accredited education programs that include English as a second language, GED, and computer classes.
<b>2. Financial literacy education</b>	Rental projects only. Services should include subject matter such as basic financial planning and money management, learning to save, on-line banking, overview of credit and credit reports, assessment of individual credit reports, steps to repair credit, budgeting and early warning signs of debt problems.
<b>3. Pre- and post-purchase homeownership counseling</b>	Owner-occupied projects only. Pre-purchasing counseling services should include core curriculum such as credit counseling, budgeting, money management, predatory lending prevention and awareness counseling; workshops for existing homeowners on maintenance, repairs, and improvements. Post-purchasing counseling services should include core curriculum such as budgeting, maintaining good credit, calculating and understanding home equity, retirement savings, and foreclosure prevention.
<b>4. Sweat equity contribution/self-help</b>	Owner-occupied projects only. Activities required of the homebuyers or their families directly related to the construction of the home. A minimum of 250 hours required.
<b>5. On-site primary health care services or programs</b>	Includes provision of medical, dental, and mental health services, including vaccination and screening programs, or on-site healthcare management programs that support residents' ability to find or sustain employment or be self-sufficient; only providing basic vaccinations is not point worthy. Merely providing health information or education to residents is too indirectly related to economic empowerment of residents to qualify for points.
<b>6. On-site child daycare services or programs</b>	Physical space must be provided; licensed childcare providing 20 hours or more per week Monday – Friday. Program provides daycare for children ranging in age from infant to 6 years old. Program is distinct from an after-school or out-of-school program provided and described below.
<b>7. After-school or out-of-school services or programs</b>	Providing a minimum of 15 hours per week. Program may serve as a substitute for child care, enabling parents or guardians to find or sustain employment. Program increases a youth's potential for personal and financial success by providing strong, supportive role modeling, supporting constructive behaviors and contributing to a youth's development and interest in education. Program is for school age children or youth ranging in age from 5 to 17 years old. Program is distinct from an on-site child daycare program provided and described above.
<b>8. Bona fide service coordinator/social worker available</b>	Documentation supporting the experience and the duties of a service coordinator (not the on-site manager, for example) must be included in the application.

## VI. First District Priority

**16 points total, allocated as follows:**

### **Special Needs, 5 points maximum, variable**

#### **In General**

Projects will be awarded points for the creation of housing in which at least 20% of the units are reserved for occupancy by households with special needs, which includes the elderly, mentally or physically disabled persons, persons recovering from physical or substance abuse, and people with AIDS.

#### **Calculation of Score**

The number of special needs units (including non income-restricted units) is divided by total project units (restricted and non-restricted units), less any manager units, and the result is multiplied by 5.0 points to derive the score. For example:

If 25 of 50 units are *reserved for* special needs households, the calculation is 25 (special needs units) divided by 50 (total project units) multiplied by 5.0 points, or 2.5 points.

No points are awarded for any project with less than 20% of the units **reserved** for special needs households.

Units should not be double-counted if the unit qualifies under more than one special needs category.

The total for special needs units cannot exceed total project units.

### **Rural, 5 points maximum, variable**

#### **In General**

Points will be awarded to projects to the degree that they finance housing located in rural areas, as designated by federal or state government and identified in the AHP application.

#### **Calculation of Score**

The number of rural units is divided by total project units (restricted and non-restricted units) and the result is multiplied by 5.0 to derive the score. For example, if 25 of 50 units are located within rural areas, the calculation would be:

25 (rural units) divided by 50 (total project units) multiplied by 5.0 points, or 2.5 points.

The project application must specify the source of the rural designation. Acceptable rural designations include those promulgated by USDA Rural Development, Farm Credit Bureau, state government program guidelines, or other similar sources.

No points are awarded for any project with less than 20% of the units located in rural areas. Projects may receive partial credit if the project includes multiple sites, with some sites located in defined rural areas, as in owner-occupied scattered-site acquisition programs.

### **First-time Homebuyers, 6 points maximum, variable**

#### **In General**

Points will be awarded to projects to the degree that they finance housing for first-time homebuyers. Only owner-occupied projects may receive points in this category.

No points are awarded for any project with less than 20% of the units **reserved** for first-time homebuyers.



**Calculation of Score**

The number of first-time homebuyer units is divided by the total project units and multiplied by 6.0 points to derive the score. For example, if 25 of 50 units are reserved for first-time homebuyers, the calculation is:

25 (first-time homebuyer units) divided by 50 (total project units) multiplied by 6.0 points, or 3 points.

The application must indicate the source of the first-time homebuyer definition. Acceptable definitions of first-time homebuyer include those determined by local government program guidelines, state mortgage revenue bond requirements, USDA Rural Development or other federal government agencies, FNMA/FHLMC guidelines, or other similar sources. Definition may include displaced households. Units must be **reserved** for first-time homebuyers.

**VII. Second District Priority**

**Project Readiness, 10 points maximum, variable**

**In General**

Points will be awarded to projects based on the extent to which, at the time of application, they have documented to the Bank’s satisfaction that they have met certain development benchmarks, such as site control, entitlements, funding commitments, pre-approved borrowers, and others as may be applicable to the project.

**Calculation of Score**

**Rental projects**

Points are awarded based on the number of units within a project that satisfy the listed criteria:

Readiness features: Rental Projects	Points
1. Full site control (i.e., full title/ownership)	3.50
2. Partial site control (i.e., sole right to purchase property)	2.00
3. Zoning approval	3.50
4. Building permit issuance or building permit ready letter	3.00

The unit or unit-equivalent total for each element is divided by the total project units (restricted and non-restricted) and multiplied by the maximum scoring category point value to derive the score for the element.

The pro-ration works as follows: if the project has full site control for one of two targeted project parcels on which 60% of the units of a 100-unit project will be constructed, the calculation is:

60 (parcel with full site control) divided by 100 (total proposed project units) multiplied by 3.50 points, or 2.10 points.

**Owner-occupied**

For scoring purposes, owner-occupied projects are divided into two categories: 1) projects that involve new construction or rehabilitation of a for-sale unit; and 2) projects that involve only the purchase of an existing unit (i.e., no construction [typically scattered-site acquisition projects]). The following table lists the elements and the maximum point values associated with each element.

Readiness features: Owner-Occupied Project (credit is pro-rated based on number of units meeting criteria)	Category 1: New Construction or Rehab	Category 2: No Construction or Rehab (scattered-site)
1. Full site control (i.e., full title/ownership)	3.50	n/a
2. Partial site control (i.e., sole right to purchase property)	2.00	n/a
3. Buyers identified, ready, qualified	3.00	3.00
4. Zoning approval	3.50	n/a
5. Building permit issuance or building permit ready letter	3.00	n/a
6. Acquisition of existing homes- No construction or rehab projects with downpayment assistance	-	3.50

The unit total for each element is divided by the total project units (restricted and non-restricted) and multiplied by the maximum scoring category point value to derive the score for the element.

The pro-ration works as follows: if the project has zoning approval for 5 of 12 proposed single-family home project units, the calculation is:

5 (project units with zoning approval) divided by 12 (total proposed project units) multiplied by 3.50 points, or 1.46 points.

All of the elements are subject to pro-ration except with respect to a category 2 project that receives an automatic 3.50 points in recognition of the project's implied acceptable zoning. Other readiness indices of site control, zoning approval and building permits are not applicable. Category 2 projects can only receive 6.5 points for Readiness.

### **All Projects**

Category elements are intended to be progressive (i.e., scoring credit for building permit in most cases requires site control). Credit cannot be awarded for building permit if site control is not documented.

## **VIII. Subsidy Per Unit**

### **12 points maximum, Variable**

#### **In General**

Points will be awarded based on the extent to which a project uses the least amount of AHP subsidy per AHP-targeted unit. For purposes of this scoring criterion, applications for owner-occupied and rental projects will be scored separately.

#### **Calculation of Score**

The project's subsidy per unit is the total subsidy requested divided by the number of income-restricted units (which is taken from the targeting worksheet of the application).

Example (rental):  $\$540,000 \div 45 \text{ units} = \$12,000$  subsidy per unit

For purposes of this scoring category, a project's requested subsidy per unit must fall within a range in order to receive credit. The range for rental projects is \$10,000 to \$40,000. The range for owner-occupied projects is \$15,000 to \$45,000. Factors for owner-occupied and rental projects are calculated by dividing the difference between the high and low ends of the ranges into 12, the maximum points possible.

Owner-occupied factor:  $12 / (45,000 - 15,000) = .0004$   
Rental factor:  $12 / (40,000 - 10,000) = .0004$

The low end of subsidy per unit range is subtracted from the project's subsidy per unit request, the difference is multiplied by the factor to arrive at a product. The product is subtracted from 12.

Example (rental):  $\$12,000 - \$10,000 = \$2,000$   
 $\$2,000 \times .0004 = .8$   
 $12 - .8 = 11.2$

In cases where the subsidy per unit is less than the low end of the specified range, the project is automatically awarded 12 points. Conversely, if the project's subsidy per unit is greater than the high end of the range it is granted no points.

## IX. Community Stability

15 points maximum, variable

### In General

Points will be awarded to projects based on the extent to which they promote community stability, such as by rehabilitating vacant or abandoned properties, being an integral part of a neighborhood stabilization plan approved by a unit of state or local government, increasing homeownership opportunities for neighborhood residents or increasing the level of homeownership in the area, foreclosure recovery, implementing community-building initiatives, not displacing low- or moderate-income households, or if such displacement will occur, assuring that such households will be assisted to minimize the impact of such displacement, and on the extent to which sustainable or “smart” growth development practices are incorporated in project concept or design, such as inclusion of mixed uses, transit-oriented design, infill development, inclusion of natural or open space easements, or use of sustainable building techniques or standards.

### Calculation of Score

Scores are broken into the elements listed in the following table. Each element may be worth up to 3 points. An element may receive any score up to the maximum, in the Bank’s sole discretion, based on the extent to which the Bank determines that the project prevents or minimizes household displacement, optimizes the project’s site use, revitalizes neighborhoods, pursues community building initiatives, and demonstrates smart growth.

If a project’s total score within this category sums to more than 15 points, the system will adjust the score downward to 15.

Stability Features
1. No household displacement, or
1a. If household displacement will occur, relocation assistance is budgeted.
2. Project preserves affordable housing or prevents displacement through preservation of long-term affordability for expiring-use project units       or Project utilizes land trust to preserve land affordability
3. Project involves the rehabilitation of vacant or abandoned housing units.
4. Project involves elimination of physical or social blight.
5. Project increases affordable homeownership opportunities in the targeted area, which may include rental projects with homeownership conversion plans.
6. Project involves foreclosure recovery program (acceptable strategies include the resale of foreclosed homes to homebuyers and the rental of foreclosed homes).
7. Project is located within an officially defined neighborhood stabilization, redevelopment, or revitalization area.
8. Project creates one or more physical assets from which the community can benefit, not just the residents (e.g., open daycare or recreational facilities, public open space, community kitchen or health facility, community room).
9. Project promotes economic integration through inclusion of market-rate units (i.e., is a mixed-income project) or as a result of project unit location in a moderate, middle, or upper-income census tract.
10. Project stabilizes the community through creation of a Neighborhood Watch program or through the provision of a public safety facility.

## Stability Features

11. Project incorporates elements of sustainable or “smart” growth developments as follows:
- Infill development: Projects building on vacant, undeveloped, or very underutilized parcels in dense areas, especially urban and inner suburban neighborhoods. The development takes advantage of existing infrastructure and promotes compact development that allows undeveloped land to remain open and green.
  - Transit-oriented design: Project intentionally designed with transit in mind, around a transit hub or in a transit corridor, usually mixed-use and pedestrian friendly, with higher density development centered on existing or new transportation facilities, including bus, rail, and bicycle.
  - Inclusion of mixed uses (rental only): Revenue generating commercial enterprise, such as: retail, salon, restaurant, café, law office, bank, museum, and a medical or health clinic that also serves the community at-large.
  - Inclusion of natural or open space easements: An easement that provides access or right of way to natural or open space such as a rooftop, community garden, or community park; or an easement that preserves and protects open space from development.
  - Use of sustainable building techniques or standards: A project that incorporates elements of energy efficient design, water conservation and management design, and healthy or green building materials (i.e., low VOC or formaldehyde-free emitting paints, recycled or certified sustainable building materials, engineered lumber, fly ash cement, bamboo, etc.)

## Attachment C

### Compliance Monitoring Guidelines (*Competitive Program*)

- I. Monitoring requirements for project sponsors, owners, and members  
The Bank provides monitoring guidelines, which are available on the Bank's website, that set forth respective monitoring obligations for project sponsors, owners, and members.
- II. Monitoring Prior to Project Completion – **Semiannual Survey**  
The Bank surveys the member and sponsor on the status of each project semiannually until the project is completed. The Bank may take action to cancel the subsidy, pursuant to the guidelines set forth in Section F. Time Limits on Use of Subsidy above.
- III. Monitoring After Project Completion – **Initial and Long-Term Monitoring**
  - A. **Owner-occupied Projects**
    1. Within a reasonable period of time after project completion, the Bank conducts initial monitoring of the project. The Bank considers an owner-occupied project complete if it has met these three criteria:
      - a. AHP subsidies are fully funded;
      - b. construction or rehabilitation of the project is complete; and
      - c. all loans are closed, or all units are occupied.
    2. The Bank requests from the member a certification which states that
      - a. the AHP subsidies have been used according to the commitments made in the AHP application or approved modification(s) and the requirements of the Regulation;
      - b. the services and activities committed to in the AHP application or approved modification(s) have been provided; and
      - c. the AHP-assisted units are subject to AHP retention agreements that meet the requirements of Section 1291.9(a)(7) or (a)(8). In the case of rehabilitation of a unit currently occupied by the owner where there is no loan closing, the retention period must begin the date upon which all subsidy has been disbursed to the homebuyer.
    3. The Bank reviews the project's final development budget, unit purchase price, sources and uses of funds, borrower income as committed to in the AHP application or approved modification(s), and any such additional information as the Bank may require to validate the project's actual costs and to determine feasibility and need for subsidy in accordance with the Bank's feasibility guidelines. The Bank also reviews documentation supporting subsidy delivery, financing sources and terms, the existence of legally enforceable retention documents on the units, and third party income verification documents. The Bank will monitor all owner occupied projects, and will at least select a sample of the project's units to review back up documentation such as information on household income pursuant to the Bank's risk-based sampling plan.
    4. There is no long-term monitoring required for owner-occupied projects.

## B. Rental Projects

### 1. Initial Monitoring

- a. Within a reasonable period of time after project completion, the Bank conducts initial monitoring of the project. The Bank considers a rental project complete if it has met these two criteria:
  - 1) AHP subsidies are fully funded; and
  - 2) construction or rehabilitation of the project is complete as evidenced by a habitability document such as a Certificate of Occupancy or Notice of Completion.
- b. The Bank requests from the project owner a certification which states that:
  - 1) the AHP subsidies have been used according to the commitments made in the AHP application or approved modification(s) and the requirements of the Regulation;
  - 2) tenant rents and incomes are accurate and in compliance with targeting commitments;
  - 3) services and activities committed to in the AHP application or approved modification(s) have been provided; and
  - 4) the project is subject to AHP retention agreements that meet the requirements of Section 1291.9(a)(7) or (a)(8).
- c. The Bank performs feasibility and need for subsidy analysis of the final development budget, sources and uses of funds, pro forma income and expense projections and any such additional information as the Bank may require to validate the project's actual costs and to determine feasibility and need for subsidy in accordance with the Bank's feasibility guidelines. The Bank reviews the project's rent roll and assesses if rent and income levels meet targeting commitments in the AHP application. Although the Bank conducts initial monitoring of all projects in the competitive application program, in connection with its analysis of the rent roll, the Bank may review back-up documentation regarding household incomes and rents for selected units based on the Bank's risk-based plan for selecting units to sample. In addition, the Bank reviews documents supporting subsidy delivery, financing sources and terms, and the existence of legally enforceable retention documents on the project.

## C. Long-term Monitoring

1. For rental projects that have been allocated federal Low-Income Housing Tax Credits (tax credits), the Bank will rely on the monitoring by the state-designated housing credit agency administering the tax credits of the income targeting and rent requirements applicable under the tax credit program. The Bank will not obtain and review reports from such agency or otherwise monitor the projects' long-term AHP compliance.
2. Rental projects that have **not** been allocated tax credit financing,
  - a. The Bank will require project owners to submit annual certifications that household incomes and rents are in compliance with the commitments made in the approved AHP application.
  - b. The Bank will use a risk-based sampling plan to determine which rental projects will be subject to long-term monitoring to commence in the second year after project completion. The sampling of projects will be based on one or more risk factors, such as amount of AHP subsidy in the project, type of project, size of project, location of project, sponsor experience, and any other monitoring of the project provided by a federal, state or local government entity.
  - c. For the projects sampled, the Bank will review:
    - 1) the back-up project documentation regarding household incomes and rents maintained by the project owner, and
    - 2) other project documentation as the Bank deems necessary.