Affordable Housing Program
2018 Implementation Plan

Table of Contents

Federal Home Loan Bank of Pittsburgh
Affordable Housing Program – Implementation Plan

I. INTRODUCTION

A. General

The Federal Home Loan Bank of Pittsburgh (Bank) has developed this implementation plan (Plan) as required by 12 C.F.R. § 1291.3(a) of the Federal Housing Finance Agency Regulations (Regulation). The Plan was adopted by the Bank's Board of Directors at a meeting held on December 14, 2017. This Plan will be in effect for the administration of the Affordable Housing Program (AHP) for calendar year 2018.

The Bank is committed to diversity and inclusion at every level of the Bank and in all of its business activities. To accomplish this, the Bank promotes the inclusion and utilization of minorities, women, individuals with disabilities, and minority-, women- and disabled-owned businesses in all of its business activities, including its Affordable Housing Program.

B. Definitions

1. The definitions set forth in Section 1291.1 of the Regulation will apply to the Bank's AHP and this Plan. References to sections of the Regulation in this Plan are to the Regulation in effect as of January 1, 2018, and are intended to include any future amendments thereto.

2. Additional definitions are included in Attachment A.

C. Median Family Income

1. Income eligibility for recipient households in rental projects shall be based on the median income standard for the area, as published by the U.S. Department of Housing and Urban Development (HUD), adjusted by household size.

2. Income eligibility for recipient households in owner-occupied projects shall be based on the greater of the median income standard for the area, as published by HUD, adjusted for family size, or the state-wide median income, adjusted for family size.

3. Projects may use HUD's median family income standard for the county, Primary Metropolitan Statistical Area (PMSA) or the Metropolitan Statistical Area (MSA). AHP-eligible units provide housing for households earning 80 percent or less of the

median family income for the area. As noted above, owner-occupied projects may also use the state-wide median family income standard, as published by HUD.

D. Income Guidelines

The Bank requires all sponsors and members to follow the Bank's income guidelines to verify household income and subsequently determine the eligibility of households to participate in any program. Income guidelines can be found on the Bank's website or by contacting the Bank via telephone or email.

E. Available Funds

The Bank will make available 80 percent of the annual funds for AHP, which is based on the Bank's required contribution from the prior year's net earnings. Any additional AHP funds returned to the Bank due to recaptures, repayments or deobligations may be made available in the current calendar year for alternate projects designated by the Board within the previous 12 months; the First Front Door (FFD) set aside program; another set-aside program or the competitive funding round. Determination of awards of recaptured, repaid or deobligated funds shall be made consistent with the AHP Regulation and the Bank's policies and procedures. Additional funds not committed at the end of the calendar year shall be carried over into the following calendar year.

The Bank will make available 20 percent of the annual funds for FFD, which is based on the Bank's required contribution from the prior year's net earnings. Any additional FFD funds returned to the Bank due to recaptures, repayments or deobligations may be made available in the current calendar year for FFD; another set-aside program or AHP. Bank management has the discretion to use up to 75 percent of the expected fall-out rate to add to the FFD amount available. Determination of awards of recaptured, repaid or deobligated funds shall be made consistent with the AHP Regulation and the Bank's policies and procedures. Additional funds not committed at the end of the calendar year shall be carried over into the following calendar year.

II. COMPETITIVE APPLICATION PROGRAM

A. Funding Rounds

1. In 2018, the Bank will conduct one funding round.

2. The AHP funding round for 2018 will be as follows:

   Round Closes: Thursday, August 9, 2018
   Approval by the Bank's Board of Directors: Thursday, December 13, 2018

3. Technical assistance is available to potential sponsors and includes a review, but not a pre-approval, of the potential project's consistency with the Bank's threshold, scoring and feasibility guidelines as well as AHP system guidance. Technical assistance may be obtained in Bank-offered workshops, webinars or individual requests for project review. Any request for individual review must be done within a

reasonable period of time, at least two weeks prior to the AHP funding round closing date.

B. District Thresholds

The Bank shall establish the following additional eligibility criteria and limits for access to AHP subsidies:

1. There will be a $750,000 subsidy limit per project. AHP subsidy may be a grant and/or used to write down the interest rate on a loan from the Bank. Sponsors may submit more than one AHP application per funding round. However each sponsor's grant request must be for distinctly different projects, as determined by the Bank. Applications from the same sponsor may be characterized as different projects if they are for different: project types (owner occupied versus rental or lease purchase), construction types (new construction, acquisition and/or rehabilitation), housing-style types (townhomes, single-family homes, multi-family, etc.) or populations, or if they use different funding sources and/or are in different geographies. All applications from the same sponsor that do not meet the Bank's aforementioned parameters will be subject to the $750,000 subsidy limit per project for applications determined to be the same project.

2. To participate in the competitive application program, a financial institution must be a member of the Bank at the time an application is submitted to the Bank.

C. Optional Eligibility Guidelines

No other optional eligibility limits or thresholds will apply in 2018.

D. Best Practices

<u>Smoke-Free Policy</u>

The Bank urges all new and existing multi-family properties to implement smoke-free policies. Industry best practices are moving towards policies that prohibit the use of tobacco products in all units, common areas and outdoor areas within 25 feet of the buildings in the development. These policies have been proven to support good health and reduce maintenance costs for multi-family housing units. No cost assistance is available in creating and implementing smoke free policies and in accessing tobacco dependence treatment programs. In Pennsylvania these programs are supported by Health Promotion Council and the Pennsylvania Department of Health. For more information, in Pennsylvania please visit: www.sepatobaccofree.org or call 215-731-6150. In West Virginia please visit: http://dhhr.wv.gov/wvdtp/clean_indoor_air/RTPC/Pages/default.aspx. In Delaware, please visit: http://www.ipa.udel.edu/healthyDEtoolkit/smokefree/index.html. In other states please visit: https://www.cdc.gov/tobacco/about/osh/index.htm or 1-800 QUIT NOW.

E. Scoring Guidelines

The Bank's scoring guidelines are included in Attachment C.

F. Feasibility Guidelines

The Bank will evaluate competing applications using the feasibility guidelines in Attachment B. The guidelines will be used as a benchmark for evaluating projects during application funding rounds and for post-application feasibility analysis. They may also be used as the basis for rejecting an application or changing the amount of AHP subsidy requested. These guidelines include a review of sources and uses of funds, project costs, operational feasibility and need for subsidy. The Bank will consider appropriate exceptions to these feasibility guidelines on a case-by-case basis, substantiated by information and documentation justifying the need for such an exception. Projects must also meet any additional requirements set forth in section 1291.5 of the Regulation.

G. Member Creditworthiness and Transfers

1. The Bank accepts and approves applications for AHP subsidy only from members of the Bank, as specified in Section 1291.5 (b)(2) of the Regulation, that are in good standing. Likewise, disbursements of AHP subsidy may only be made to members considered to be in good standing. For the purpose of AHP and any set-asides as contained in this Plan, a member is in good standing if, as determined by the Bank, the member is creditworthy (as determined by one of the Deputy Chief Credit Officers, 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 programs including, without limitation, AHP.

2. Prior to the close of the funding round, the Bank will periodically check the creditworthiness of the members that have initiated applications. If a member is determined not to be creditworthy by the Bank, the member and sponsor organization of the AHP application will be notified and the sponsor organization must identify another member to approve and submit the AHP application. The Bank will assist the sponsor in this process.

3. After the funding round closes, the Bank will again check the creditworthiness of the members that have submitted applications in the funding round. If a member is determined not to be creditworthy by the Bank, the member and sponsor organization of the AHP application will be notified and the sponsor organization must identify another member to approve the AHP application. The Bank will assist the sponsor in this process.

4. If the member has transferred its AHP-related obligations to another member of the Bank (or a member from another FHLBank district), the Bank shall disburse the subsidies to the substitute member.

H. Increases in AHP Subsidies

Projects with an AHP award may, under certain circumstances, request an increase in AHP subsidy which should be made through the modification process. The decision to increase AHP funds to previously awarded projects is at the sole discretion of the Bank and must be approved by the Bank's Board of Directors. The Board will take into consideration the extent to which the project has met the "good cause" thresholds and the amount of funds available in the AHP pool. Projects requesting a modification to increase AHP subsidy must demonstrate "good cause" for the modification, which includes the following:

1. The project must demonstrate that it has explored alternatives to the modification, including changes to the project size and scope, and has exhausted all options to secure the required funding from other sources.

2. The project must demonstrate that additional AHP funds will fully fund the existing gap in the project's sources of funds to complete the project.

3. The modified project must score competitively in the funding round in which it was approved and still meet all feasibility guidelines.

4. The total amount of AHP subsidy from the original award plus the increase through the modification cannot exceed the lesser of (1) the maximum per project subsidy in the funding round in which it was originally approved or (2) the maximum subsidy in the current Plan.

5. For completed projects, the project must demonstrate that the units are currently uninhabitable or the conditions of the property pose a significant threat to the safety of the residents.

An incomplete project that has not yet drawn its original AHP subsidy, but still requires additional funding and does not meet the requirements above, may reapply for larger subsidy funding in the next AHP competitive funding round. In this situation the project must cancel its existing AHP approval prior to submission of the new AHP application.

Completed projects are not permitted to submit a new AHP application.

I. Reuse of AHP Subsidies

If the project for which AHP subsidies were awarded does not proceed, those subsidies cannot be reused by the sponsor for another project.

J. Revolving Loan Pools

AHP funds cannot be used for revolving loan pools.

K. Project Completion and Eligibility

Project completion and eligibility requirements for the purposes of application review prior to application approval: Some or all of the AHP subsidy must be likely to 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. For an application to be awarded AHP funds, the rehabilitation or construction of the project must not be complete before the Board approval date. Completion is defined as the time at which rehabilitation or construction of the units is 100 percent complete and a certificate of occupancy or an architect's certificate of substantial completion has been issued. This definition applies only to the application review process.

Project completion, as defined after application approval: All approved AHP units must be completed within 48 months from application approval. Exceptions to these requirements may be granted at the Bank's discretion.

L. Disbursement of Competitive Application Funds

1. Conditions to approval must be met prior to disbursement of AHP funds, including the Third Party Plan and Cost Review for applicable projects.

2. Projects that have not drawn down AHP subsidies within 12 months of AHP approval may request up to a 12-month extension, provided the project has 75 percent or more of all funding sources approved. Projects without 75 percent of approved funding sources must submit a request for an extension that explains the continuing need for the AHP subsidy, the reason why all sources of funds are not yet approved and the strategy to secure approval for all funding sources. This request will be reviewed by the Bank's Community Investment Department (CID) management and, at their discretion, they may extend the AHP commitment no longer than 12 months.

3. If a project is not fully funded 36 months after Board approval, a commitment extension may be granted on a case-by-case basis at CID management's discretion.

4. Additional extensions to the above requirements may be granted on a case-by-case basis, at the Bank's discretion, if sufficient evidence is provided documenting reasons for the delay and/or progress toward project completion and funding. CID management will report to the Board of Directors all projects that are not funded 24 months after Board approval and projects that are incomplete 48 months after Board approval. CID management includes the Director of Community Investment and/or the Chief Operating Officer.

5. Projects not meeting the above guidelines may be cancelled.

6. The Bank may include conditions in commitment extensions based on milestones in the project's development schedule such as, but not limited to, commitments from

other funders. If the conditions are not satisfied by the project, the Bank may shorten the commitment expiration date.

7. For an initial funding disbursement, prior to release of AHP funds, the Bank will conduct a thorough review and undertake a financial analysis to verify that the projects/programs comply with the eligibility and feasibility guidelines of this Plan and that such projects/programs are entirely consistent with the content of the approved applications. Members and sponsors are also required to certify the information they submit is accurate when the sponsor and member approves the disbursement request in the AHP Online System.

8. For subsequent draws of AHP funds, members and sponsors are also required to certify the information they submit is accurate when the sponsor and member approves the disbursement request in the AHP Online System. The Bank conducts a review that includes an analysis of project progress to date and reviews any changes to the project since the previous AHP funding disbursement in order to verify that the project is still in compliance with the eligibility and feasibility guidelines of this Plan and that they are still consistent with the content of the approved application.

9. In cases where the Bank approves a direct subsidy to write down the interest rate on a loan from the Bank prior to closing the principal amount or interest rate on a loan, the Bank shall verify any increases or decreases in the amount of subsidy required to maintain the debt service for the loan that may have occurred between the time of approval and the time the lender commits to the interest rate to finance the project. If the subsidy required decreases during such period due to a decrease in market interest rate, the Bank shall reduce the subsidy amount accordingly. If the subsidy required increases during such period due to rises in the market rate, the Bank may, at its discretion, increase the subsidy amount accordingly.

III. SET-ASIDE PROGRAM

Each year the Bank's Board of Directors will decide whether or not to offer a homeownership set-aside program for the following year. In 2018, the Bank will continue the First Front Door (FFD) program and may continue the Disaster Relief program at the Bank’s discretion. The Bank will contribute 20 percent of the AHP allocation to FFD. Additional funds for a Disaster Relief set-aside will be allocated by the Board of Directors. Both set-aside programs combined will not exceed 35 percent of the total 2018 AHP allocation. To participate in a set-aside program, a financial institution must be a member of the Bank at the time an application is submitted.

<u>First Front Door</u>

The Bank will contribute 20 percent of the 2018 AHP subsidy pool to FFD.

The standards for FFD are as follows:

- Home buyers must be a first-time homebuyer.

- The home buyer's income must be at or below 80 percent of the median family income as defined in section I(C) of this Plan at the time the home buyer's registration is submitted to the Bank.

- Home buyers must obtain mortgage financing from the participating member.

- Students with part-time income (working 30 hours or less per week) or no income are not eligible to participate in the program. Please refer to the Income Guidelines section of the Plan for more information.

- Eligible uses of the FFD grant include:
  - Closing costs
  - Down payment assistance
  - Homeownership counseling fees if such costs are incurred in connection with counseling of home-buyers who purchase an FFD-assisted unit and the cost of the counseling has not been covered by another funding source, including the member.

- The Bank will match the home buyer's contributions on a 3:1 ratio up to $5,000.

- Home buyers must complete at least four hours of pre-homeownership counseling, including counseling on predatory lending. The counseling must be completed not longer than 18 months prior to registration approval date.

- Members must contribute some measurable financial concession to the affordability of the home. These may include but are not limited to:

  - Waived or reduced fees
  - Waived or reduced points
  - Reduced interest rate (below the standard, conventional market rate mortgage)
  - Reduction or elimination of other items that lower the participant's financial outlay

- The interest rate, points, fees and any other charges by the member or any other lender must not exceed a reasonable market rate for a loan of similar maturity terms and risk.

- A member may provide cash back to a household at closing on the mortgage loan in an amount not exceeding $250. A member shall use any FFD subsidy exceeding such amount 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 payments on the mortgage loan.

- FFD requires a five-year retention period and is subject to a retention agreement set forth in 12 C.F.R.§1291.9(a)(7).

- The FFD reservation period is 180 days from the registration approval date issued by the Bank. A disbursement request should be submitted within the 180-day period or the grant may be forfeited. Extensions of up to an additional 90 days may be granted at the Bank's sole discretion.

Disaster Relief

The Bank may establish a set-aside from the 2018 AHP subsidy pool to be used to assist households affected by a disaster event in federally declared disaster areas. The set-aside may be available for owner-occupied rehabilitation or down payment or closing cost assistance in connection with a household's purchase of an owner-occupied unit, depending on the disaster. Bank management will allocate the set-aside funds to meet the demands for home purchase and rehabilitation assistance, as necessary. Any disaster relief set-aside and allocation will be approved by the Board of Directors.

Eligible uses and terms of the disaster relief grant for rehabilitation assistance include:

- Grants can be used for repair or replacement work on all damaged components for habitability or code compliance, up to a maximum of $15,000 for an owner-occupied unit.

- Property must be used as a household's primary residence and located in an area in the Bank's district declared a federal disaster area by the Federal Emergency Management Agency (FEMA) within the timeframe set by the Bank.

- Reimbursement for repair or replacement work is limited to assistance not already paid for by insurance, federal or state emergency assistance, or any other funding sources.

- Applications for rehabilitation will be accepted from members working with qualified sponsor organizations. Applications will be due on a date to be determined by Bank management. Qualified sponsor organizations may include nonprofit developers, for-profit developers, redevelopment authorities, housing authorities or state/municipal/government agencies who have prior experience managing a housing rehabilitation program.

  The maximum request per application will be at the Bank's discretion. Bank management will review all applications and will award funding to programs based on experience and capacity of sponsors, need and demand for funds, proposed process for repair and replacement work, and the leverage of other resources. Applications must request funding for a rehabilitation program that will benefit multiple eligible homeowners. At the Bank's discretion, the amount requested may be increased or decreased depending on the demand for the Disaster Relief funds, geographic dispersion of areas to be served and the capacity of the sponsors submitting the applications.

- If rehabilitation assistance funds are not drawn down and used by eligible households within 12 months of approval, the Bank may cancel the approval for funds and make the funds available for other Disaster Relief sponsors, other AHP set-asides or the AHP competitive round.

Eligible uses and terms of the disaster relief grant for home purchase assistance include:

- Grant can be used for down payment or closing cost assistance, up to $7,500, for the purchase of an owner-occupied unit.

- The home purchased will be provided to eligible households owning or renting a property that was damaged by the disaster where it is not practical and/or feasible to repair the property. The property damaged must be located in a federal disaster area by the Federal Emergency Management Agency (FEMA) within a timeframe set by the Bank. The home purchased may be located outside of the federal disaster areas.

- Reimbursement for down payment or closing cost assistance is limited to assistance not already paid for by insurance, federal or state emergency assistance, or any other funding sources.

- Renters who have been displaced as a result of the disaster and are using disaster relief for home purchase assistance, and meet the definition of a first-time homebuyer as defined in Attachment A to this Plan, must complete at least four hours of pre-homeownership counseling, including counseling on predatory lending.

- Applications for home purchase will be accepted from members, beginning on a date to be determined by the Bank, on a first-come, first-served basis until all funding is exhausted. Applications may only request a reservation of funds for one household at a time.

- The interest rate, points, fees and any other charges by the member or any other lender must not exceed a reasonable market rate for a loan of similar maturity terms and risk.

- The first mortgage lender may provide cash back to a household at closing on the mortgage loan in an amount not exceeding $250. Any disaster relief funds in excess of such cash back amount shall be used as a credit to reduce the principal of the mortgage loan or as a credit toward the household’s monthly payments on the mortgage loan.

- If home purchase funds are not drawn down and used by eligible households within six months of approval, the Bank may cancel the approval for funds and make the funds available for other Disaster Relief sponsors, other AHP set-asides or the AHP competitive round.

The standards for Disaster Relief are as follows:

- Eligible households are households with incomes at or below 80 percent of the median family income as defined in section I(C) of this Plan. A household's income at the time the disaster relief reservation request is submitted to the Bank will be used to determine eligibility. Income will be calculated using the Bank's AHP Income Guidelines.

- Homeowner(s) must be owner-occupants of the home to be rehabilitated or purchased (must be primary residence).

- All properties must be titled as real estate and be permanently affixed to a foundation.

- Disaster relief set-aside requires a five-year retention period. Assisted units will be subject to a retention agreement set forth in 12 C.F.R.§1291.9(a)(7).

- The Bank will establish a Disaster Relief Guide that will contain application and processing requirements, forms and certifications.

- Extensions to the Disaster Relief commitment requirements may be granted on a case-by-case basis, at the Bank's discretion, if sufficient evidence is provided documenting reasons for the delay and/or progress towards project completion and funding.

- Bank management will report to the Board of Directors on the performance of the Disaster Relief program.

IV. MONITORING

The Bank's procedures for carrying out monitoring obligations for the competitive application program and homeownership set-aside programs are included in this plan as Attachment D.

V. SUSPENSION AND DEBARMENT

The Board of Directors may suspend or debar a Bank member, project sponsor, project owner or other party from participation in AHP if such party shows a pattern of noncompliance, or engages in a single instance of significant noncompliance, with the terms of an approved application for an AHP subsidy or the requirements of the AHP regulation.

"Suspension" – means an action taken by the Bank that, for a temporary period of time, conditionally excludes or disqualifies a Bank member, sponsor, owner or other party from participating in AHP or set-aside programs or from receiving disbursements of funds. A suspension applies to all programs funded by AHP. A suspension may be imposed or lifted by the Director of Community Investment and will be reported to the Board of Directors.

The Bank may suspend a Bank member, sponsor, owner or other party from participation in AHP for any of the following reasons:

- Failure to comply with one or more applicable program and/or regulatory requirements

- Failure to provide requested documents in a timely manner

- Consistent lack of progress towards completion of existing projects that result in numerous de-obligations and/or extension requests

- Consistent pattern of noncompliance with approved or modified application commitments that result in numerous modification requests or cure periods; or any other performance or compliance issues, including those specified as reasons for debarment noted below, that the Bank believes warrants a suspension

"Debarment" – means an action taken by the Bank that unconditionally excludes or disqualifies a Bank member, sponsor, owner or other party from participating in any AHP or set aside programs or from receiving disbursements of funds. A debarment applies to all programs funded by AHP. A debarment must be approved by the Board of Directors.

The Bank may debar a Bank member, sponsor, owner or other party from participation in AHP for any one or more of the following reasons:

- A demonstrated pattern of noncompliance or a single instance of flagrant noncompliance with a regulation or the terms of an application for subsidy

- A required repayment of AHP or other subsidy due to noncompliance where the party refuses to make such repayment

- Commitment of fraud, mismanagement of properties, or other negligent actions

- Any other issues that the Bank believes warrants debarment

- Reinstatement of debarred parties is at the sole discretion of the Board of Directors

VI. RETENTION AGREEMENT REQUIREMENTS

For the competitive AHP program and homeownership set-aside programs, the Bank will adhere to the retention agreement requirements enumerated within 12 C.F.R § 1291.9 of the Regulation. Sponsors may refer to the Bank's website for retention agreements.

For an owner-occupied rehabilitation project, the retention period begins for an AHP unit upon completion and execution of the AHP retention mechanism by the homeowner.

VII. PLAN APPROVAL

The Bank's Board of Directors retains sole authority for approving and amending this Plan.

The Bank's Affordable Housing Advisory Council (Advisory Council) shall provide its recommendations to the Board of Directors prior to the adoption of the Bank's Plan, and any subsequent amendments thereto.

The Bank will submit its approved AHP Plan, and any approved amendments, to the Federal Housing Finance Agency (Finance Agency) and the Advisory Council within 30 days after the date of their adoption by the Bank's Board of Directors.

The Bank's Plan, and any subsequent amendments, shall be made available to members of the public at www.fhlb-pgh.com within 30 days after the date of their adoption by the Bank's Board of Directors.

The Bank shall provide such reports and documentation concerning AHP as the Finance Agency may request from time to time.

VIII. INCORPORATION OF AHP REGULATIONS AND OTHER RELATED DOCUMENTS

The programs described above are subject to the AHP regulations and manuals for such programs, all of which are incorporated into this Plan by reference. The program manuals describe additional guidelines for the programs, including, but not limited to, member and household requirements, application and award dates and detailed funding information, and are available at www.fhlb-pgh.com. Participants in AHP and FFD are responsible for reviewing the regulations and manuals for regulatory and operational compliance purposes.

ATTACHMENT A

Definitions

AHP Project – A single-family or multi-family housing project for owner-occupied or rental housing that has been awarded or has received AHP subsidy through the competitive application program.

AHP Units – Units committed to occupancy by households at or below 80 percent of area median income (AMI).

Builder's Overhead –Expenses necessary to the operation of a construction business. Such expenses must be related to the project.

Competitive Program – A program established by the Bank under which the Bank awards and disburses AHP subsidy through a competitive application scoring process pursuant to the requirements of 12 C.F.R.§1291.5 of the Regulation.

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).

De-Obligated Funds – Undisbursed funds that were committed to a project, household, or member and are being returned to the AHP fund.

Developer's Fee - Compensation to the developer for staff time, risk and work involved in the development of the project, including developer's expenses, overhead, profit and consulting fees or other fees and costs.

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

Disbursement – A payment of program funds to the member for use by the project.

District – The geographical area in which the Bank offers services to meet affordable housing needs; includes Delaware, Pennsylvania and West Virginia.

First-District Priority – The scoring category in which the Bank is permitted, under the AHP Regulation, to adopt one or more criteria from a list provided in the Regulation.

First-Time Homebuyer - An individual who has not owned a home within the past three years or owned a home only while married but not as a single person within the past three years. This definition includes a married couple if either has not owned a home within the past three years.

General Requirements – General Requirements of the general contractor include, but are not limited to: attendance at development meetings; submittal of construction schedules, shop drawings and progress reports; supplying of temporary facilities, controls and utilities; handling of material and equipment, including transportation and storage of materials; and development close-out requirements, including clean up, final inspection and punch list.

Hard Construction Costs – The costs of making improvements to a property, including new construction or rehabilitation.

Hard Debt - A loan with a required payment on a predictable schedule.

HUD – The U.S. Department of Housing and Urban Development

Low Income Housing Tax Credit – A federal income tax credit program created under the Tax Reform Act of 1986 that gives incentives for the utilization of private equity in the development of affordable housing. The credits are commonly called Section 42 credits.

Management Fee – The fee that the property manager is paid for managing the property. Responsibilities for property management typically include budgeting expenses, securing renters, collecting rent, and complying with laws and regulations.

Marshall and Swift – A service that provides building cost data necessary for real estate cost valuations. Marshall and Swift cost data includes the cost of labor, materials and installed components. The Bank uses this service to complete cost estimates to determine cost reasonableness.

Member – An institution that has been approved for membership in the Bank and has purchased capital stock.

National Council of Housing Market Analysts Standards - A set of model content standards developed by the National Council of Housing Market Analysts that provide standard definitions, content criteria and guidelines for development market studies to ensure consistency across the industry. https://www.housingonline.com/councils/national-council-housing-market-analysts/model-content-standards/

Operating Reserves – Funds set aside by the project sponsor and/or project owner to cover unexpected fluctuations in actual operating income and expenses.

Owner-Occupied Project – One or more owner-occupied units in a single-family or multifamily building, including condominiums, cooperative housing,, and manufactured housing.

Project Completion Determination – A rental project is complete when the AHP subsidy is fully disbursed and construction or rehabilitation of the project is complete, as evidenced by a habitability document such as a Certificate of Occupancy or Notice of Completion, and the project has achieved at a minimum 75 percent occupancy. An owner-occupied project is complete when the AHP subsidy is fully disbursed, construction or rehabilitation of the project is complete, and all mortgage loans are closed or all units are occupied.

Rehabilitation – The labor, materials and other costs of repairs, improvements, replacements, alterations and additions to existing buildings.

Rental Project – One or more dwelling units for occupancy by households that are not owner-occupied, including overnight and emergency shelters, transitional housing for homeless households, mutual housing, single-room occupancy housing and manufactured housing. Lease-purchase projects will be scored as rental projects and will be required to meet all feasibility guidelines.

Replacement Reserves – Funds set aside by the project owner to cover some or all of the cost to replace assets as they are used up (e.g., roof, plumbing, appliances).

Retention Period – The retention period for rental projects is 15 years from the date of project completion as determined by the Bank. The retention period for an owner-occupied unit is five years from the date of closing or, in cases where there is no closing, five years from the date established by the Bank.

Second-District Priority – The scoring category in which the Bank is permitted, under the AHP Regulation, to determine one or more housing needs in the Bank's district.

Soft Costs – Non-hard costs, which may include legal, planning, design and coordination of a construction project.

Sponsor – A not-for-profit or for-profit organization or public entity that (1) Has an ownership interest (including any partnership interest), as defined by the Bank in this Plan, in a rental project; (2) Is integrally involved, as defined by the Bank in this Plan, 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 for the owners of the units.

ATTACHMENT B

Feasibility Guidelines - 12 C.F.R.§1291.5(c)(2)(i), (ii), (iii), and (4)(i) and (ii)

The development costs, fees and expenses contained herein are guidelines for the Bank's Affordable Housing Program (AHP). The guidelines and AHP financial forms are required so that the Bank can determine whether a proposed project meets the threshold eligibility guidelines set forth in Section 1291.5(c) of the AHP Regulations and in this Plan. The guidelines are intended to determine a project's need for subsidy, readiness to proceed and financial viability. The guidelines set forth herein will apply through the funding disbursement and compliance period for AHP projects.

The Bank, at its sole discretion, may approve exceptions to the AHP guidelines if the project can demonstrate compelling justification for the exception. As part of the exception justification, the Bank may consider evidence that the project meets the feasibility guidelines set by a state housing finance agency (HFA), the U.S. Department of Agriculture: Rural Development (USDA) or the U.S. Department of Housing and Urban Development (HUD).

Feasibility Guidelines for Owner-Occupied and Rental Projects

Fair Housing

The project, as proposed, must comply with 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, and must demonstrate how the project will be affirmatively marketed. All applications must submit an affirmative fair housing marketing plan in a form provided by the Bank and available on the Bank's website. The information within the form must adequately describe the marketing that will be done in connection with the project, as well as adequately describe how the project will administratively comply with fair housing requirements.

Developmental Feasibility Analysis 12 C.F.R.§1291.5(c)(4)(i):

Readiness to Proceed

The Bank will evaluate a project's ability to meet the disbursement guidelines set forth in section 2(k) of this Plan. The Bank will consider factors such as the development team capacity, market and demand for the units, zoning issues, environmental issues, commitment of other funding sources and site control. The Bank reserves the right, at its sole discretion, to determine a project ineligible for AHP funds if it appears unlikely that a project will have the ability to proceed per the AHP guidelines in 2(k) of the Plan.

Sponsor/Development Team

The Bank will evaluate the capacity of the sponsor and development team in completing and operating projects of similar size/type. The Bank will also take into consideration the sponsor's outstanding projects to determine if the sponsor has the capacity to complete the units specified in the AHP application.

Market Assessment

The Bank will evaluate the market demand and the need for the proposed units.

For owner-occupied projects with 12 or more units and rental projects with 20 or more units, a market study prepared by an independent, experienced market analyst or a Housing Finance Agency Housing Needs Assessment must be completed and available to the Bank at the time of application. The market study must demonstrate a market and demand for the AHP units. The Bank prefers that market studies use the National Council of Housing Market Analysts (NCHMA) standards, but this standard is not required. The market study completion must be no more than one year from the AHP application due date.

A market study is not required for the following project types:

- Owner-occupied projects that are less than 12 total units
- Rental projects that are less than 20 units
- Projects that involve rehabilitation of currently owner-occupied housing
- Projects that provide housing where at least 75 percent of the units are reserved for special needs and/or homeless populations

The project types noted above are not required to submit a market study, but must demonstrate the need and demand for all units in the AHP project, supported by third-party documentation dated within 18 months of when the AHP applications are due to the Bank. This documentation may include, but is not limited to, a needs assessment and a local housing market assessment. In addition, for owner-occupied projects with less than 12 units, a waiting list of qualified homeowners or a detailed narrative of the process to identify qualified homebuyers will be required.

Existing and occupied rental properties may be exempt from the market study requirement if the property was income-restricted prior to the AHP application, can demonstrate at least 93 percent occupancy for the two years preceding the AHP application due date, and provide a waiting list of qualified households.

Zoning Issues

Projects with zoning issues will be required to present a timeline to secure permissive zoning and demonstrate that permissive zoning can be secured within six months of the AHP approval.

Environmental Issues

Projects with environmental issues will be required to present the process necessary to secure environmental clearance and demonstrate that clearance can be secured within six months of the AHP approval.

Construction Contingency

The maximum construction contingency for projects involving new construction is 5 percent of the hard construction costs plus general requirements, builder's overhead and builder's profit. The maximum is 10 percent for projects involving rehabilitation, net of contingency.

Acquisition Costs

The acquisition must be an arm's length transaction. If it is not, the Bank, in its sole discretion, may determine what acquisition costs and fees are acceptable and whether or not the project qualifies to receive an AHP subsidy. For projects with a related party transfer, all net proceeds from the sale of the property must be reinvested into the project to be eligible for an AHP subsidy.

In instances where the transfer of title for a property (or properties) is between related parties (not at arm's length), the project must submit an as-is appraisal by an independent, certified appraiser to validate the acquisition cost. The appraisal must be dated no more than 12 months prior to the AHP application due date or within 12 months of the purchase agreement signing.

In cases where the transfer is at arm's length and is to be acquired through a negotiated sale, a sales agreement, option, opinion of value by a licensed real estate broker or an as-is appraisal must be used to validate the acquisition cost.

In all cases, if the property is under option or sales agreement, or if transfer has occurred prior to the AHP application due date, the acquisition cost may not exceed the amount in the option or sales agreement or the actual purchase price on the settlement statement. In related-party transfers, the acquisition cost will be the lesser of the actual or agreed-upon sales price or the as-is appraised value.

If a project involves multiple property purchases, the above guidelines apply to properties targeted for acquisition. A minimum of 10 percent of the targeted properties must be acquired, under agreement or option, by the AHP application due date, and an acquisition strategy that will result in all properties being under control within 12 months of the AHP approval date must be provided to the Bank. The strategy is subject to Bank approval.

Soft Costs

A project's total soft costs – the total development costs less acquisition, construction/ rehabilitation costs, demolition and off-site improvements – are limited to 30 percent of the total development costs of the project.

Professional Fees

The combined architect and engineering fees are limited to a total of 7 percent of the total development costs, and legal fees are limited to 4 percent of the total development costs, net of the applicable professional fee. Legal fees related to acquisition are not included in this standard.

Interest Rates and Financing Fees

Interest rates and financing fees must be consistent with the single-family or multi-family loan rates and financing fees for loans of similar maturity, terms and risk. For owner-occupied projects, the maximum interest rates will be the 15-year and 30-year average rates plus 1 percent, as published in the Wall Street Journal on the AHP application due date. The Bank's maximum interest rate for rental projects will be the Bank's 15- and 30-year cost of funds plus 2.5 percent on the AHP application due date.

Sources and Uses of Funds

The project's sources and uses of funds must include the residential portion of the project only. Reasonable costs associated with common areas, community rooms, space to accommodate functions and services exclusively for residents of the property and modest space for a property office may be included in the AHP sources and uses of funds budget. Non-residential space – such as commercial space, sponsor program offices and supportive services– must be separated from the AHP sources and uses of funds budget. A separate sources of funds budget for these non-residential costs must be provided to the Bank.

Other Funding Sources – The Bank will review estimates of funds the project sponsor has contributed, secured and/or intends to obtain from other sources, but which have not yet been committed to the project. Commitment letters from approved funding sources must be submitted with the application and should include the amount of the commitment and the expiration date of the commitment, or be dated no more than one year from the AHP application due date. The amount in the commitment letter must equal the amount included in the sources of funds.

Donated Material/Labor – The Bank will review the market value of in-kind donations and volunteer professional labor or services committed to the project. However, "sweat equity" is not to be included in either the sources or uses of funds budget.

A project's sources of funds should include the estimated market value of in-kind donations and volunteer professional labor or services committed to the project, not including sweat equity, provided that the project's uses of funds also include the value of such estimates. A project's cash uses are the actual outlay of cash needed to pay for materials, labor and acquisition or other costs to complete the project. Cash costs do not include in-kind donations, voluntary professional labor or services, or sweat equity.

Member Involvement

Members are required to disclose their relationship with the project by providing information about loans, equity investments, services, real-estate-owned (REO) properties and any other involvement in the project. The interest rate, fees, value of services or property and other costs to be paid to the member must be reasonable and customary. An appraisal completed within six months of the application due date must be submitted for REO properties.

Feasibility Guidelines for Owner-Occupied Projects

Community Land Trusts (CLT) and Shared Equity Models SEM)

The Bank will evaluate owner-occupied projects involving CLTs and SEMs on a case-by-case basis. CLTs and SEMs are permissible as long as (1) the homeowner receives a share of the appreciation upon sale of the property and (2) the CLT and SEM provide an adequate homeowner education component. The Bank reserves the right to exclude the amount of AHP subsidy from any equity sharing formula.

Development Guidelines

The development guidelines apply to all owner-occupied projects. Projects shall provide costs for the residential portion of the development only. Reasonable costs associated with common areas, community rooms, space to accommodate functions and services exclusively for residents of the property and modest space for a property office may be included the AHP sources and uses of funds budget. Non-residential space, such as commercial space, sponsor program offices and supportive services, must be separated from the AHP sources and uses of funds budget. A separate sources of funds budget for these non-residential costs must be provided to the Bank.

Development Costs

For new construction owner-occupied projects, the project's construction costs should be equal to or less than the construction costs indicated on the Marshall and Swift analysis that the Bank will complete. The Bank will accept construction costs that are above the Marshall and Swift analysis by no more than 10 percent with a valid reason, such as compelling circumstances and justification for additional costs incurred in the development, from an independent third-party source such as the project's architect or engineer, or from an independent contractor or cost estimator. If a project's new construction costs are above the Marshall and Swift construction costs, a project must do at least one of the following: (1) the rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer, and/or (2) the project sponsor must commit to using a competitive bidding process involving at least three general contractors where the lowest responsible bidder is selected.

The following applies to rehabilitation owner-occupied projects:

In order to determine cost reasonableness, a project must do at least one of the following: (1) the rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer, and/or (2) the project sponsor must commit to using a competitive bidding process involving at least three general contractors where the lowest responsible bidder is selected.

If the rehabilitation cost per unit is above $100,000, a Marshall and Swift analysis will be completed. The Bank will accept rehabilitation costs that are above the Marshall and Swift analysis by no more than 10 percent with a valid reason from a third-party source such as the project's architect or engineer, or an independent contractor or cost estimator.

For rehabilitation of currently owner-occupied housing projects, the project costs must not exceed local usual and customary costs. Evidence to verify the reasonableness of the project's costs will be based on, but not limited to, a description of how repair costs are determined and by whom; property inspection process/procedures; the construction contractor selection and bidding process; homeowner involvement in the scope of work process, contractor selection and completion of work validation; the responsibility of the homeowner; the strategy to prioritize work and implementation; and the waiting list of potential homeowners.

In all owner-occupied projects where the sponsor/co-sponsor or developer, or an affiliate thereof, acts as the general contractor, the construction and/or rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer.

General Requirements will be limited to 6 percent of hard construction/rehabilitation costs. Builder's overhead, builder's profit, bond premium, construction contingency and building permits are not included in this calculation.

Builder's Overhead is limited to 2 percent of the hard construction costs plus the general requirements.

Builder's Profit is limited to 6 percent of hard construction costs plus the general requirements.

Developer's Fee

The developer's fee includes developer's expenses, including overhead, administration, delivery fees, profit and consulting fees. The developer's fee will be limited to 15 percent of the project costs, which are the total development costs less acquisition costs and the developer and consultant fees.

Mortgage Term

The mortgage term will be at least 15 years. This guideline does not apply to rehabilitation of currently owner-occupied housing projects.

Cash Back

A member may provide cash back to a household at closing on the mortgage loan in an amount not exceeding $250. A member shall use any AHP subsidy exceeding such amount 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 payments on the mortgage loan.

Sponsor Financing

For an owner-occupied project where the sponsor extends permanent financing to the homebuyer, the sponsor's cash contribution shall include the present value of any payments the sponsor is to receive from the buyer, which includes any cash down payment from the buyer plus the present value of any purchase note the sponsor holds on the unit. If the note carries a market interest rate commensurate with the credit quality of the buyer, 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 shall be determined using the market rate to discount the cash flows.

Need for Subsidy 12 C.F.R.§1291.5(c)(2)(i),(ii),(iii)

The Bank will use the feasibility guidelines above to determine if a project has adequately demonstrated that its costs are reasonable and customary and buyers have secured an appropriate level of mortgage financing. The Bank will analyze the committed and proposed sources of funds to determine the need for AHP funds. A project's estimated sources of funds shall equal its estimated uses of funds, as reflected in a project's development budget. AHP funds may be used to fill a gap in the permanent funding sources to the extent that one exists. Based on its analysis, the Bank may, in its sole discretion, determine the project does not need AHP or reduce the AHP amount requested.

Rental Feasibility Guidelines

Development Guidelines

The development guidelines apply to all rental projects. Projects shall provide costs for the residential portion of the development only. Reasonable costs associated with common areas, community rooms, space to accommodate functions and services exclusively for residents of the property and modest space for a property office may be included in the AHP sources and uses of funds budget. Non-residential space, such as commercial space, sponsor program offices and supportive services, must be separated from the AHP sources and uses of funds budget. A separate sources of funds budget for these non-residential costs must be provided to the Bank.

Development Costs

The project's construction costs for new construction and/or rehabilitation should be equal to or less than the construction costs indicated on the Marshall and Swift analysis that the Bank will complete. The Bank will accept construction costs that are above the Marshall and Swift analysis by no more than 10 percent with a valid reason, such as compelling circumstances and justification for additional costs incurred in the development, from an independent third-party source such as the project's architect or engineer, or from an independent contractor or cost estimator. If a project's new construction costs are above the Marshall and Swift construction costs, a project must do at least one of the following: (1) the rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer, and/or (2) the project sponsor must commit to using a competitive bidding process involving at least three general contractors where the lowest responsible bidder is selected.

For projects involving rehabilitation, to determine cost reasonableness, a project must do at least one of the following: (1) the rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer, and/or (2) the project commits to using a competitive bidding process involving at least three general contractors where the lowest responsible bidder is selected.

Rental rehabilitation projects will be required to disclose information about the useful life of all systems in the property as well as the rehabilitation scope of work.

If a rental rehabilitation project is approved, there will be a condition on the project that an architect or engineer complete a Third Party Plan and Cost Review to be submitted prior to or with the request for disbursement of funds. In the Third Party Plan and Cost Review, the architect or engineer will validate the scope of work and costs for the project as well as perform an analysis of the useful life components submitted for rental rehabilitation projects.

In cases where the sponsor/co-sponsor or developer, or an affiliate thereof, acts as the general contractor, the construction and/or rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer.

General Requirements will be limited to 6 percent of hard construction/rehabilitation costs. Builder's overhead, builder's profit, bond premium, construction contingency and building permits are not included in this calculation.

Builder's Overhead is limited to 2 percent of the hard construction costs plus the general requirements.

Builder's Profit is limited to 6 percent of hard construction costs plus the general requirements.

Developer's Fee

The developer's fee includes developer's expenses, including overhead, profit and consulting fees. The developer's fee will be limited to 20 percent of the project costs for developments of 24 or fewer units, and 15 percent for developments of 25 or more units. Project costs are the total development costs less acquisition costs and the developer and consulting fees. The Bank may recognize an additional developer fee of no more than five percent of the project's acquisition cost which will be the lesser of the actual amount paid for the building or the appraised value.

The developer's fee may be increased by 5 percent if the amount over the base standard is used to fund an internal rent subsidy or rental subsidy fund (base standard is 20 percent for projects with 24 or fewer units, and 15 percent for projects with 25 or more units). The reinvested developer's fee, equal to or greater than the amount over the base developer fee limit, must be included in the sources of funds.

Rental Soft Costs

Soft costs may increase to a maximum of 35 percent of the total development costs (TDC) (from the base standard of 30 percent of TDC) if a reinvested developer's fee is used to fund an internal rent subsidy or rental subsidy fund. The reinvested developer's fee, equal to or greater than the amount over the base soft cost standard, must be included in the sources of funds.

Capitalized Operating Reserve

Projects may contain a capitalized operating reserve of up to nine months of operating expenses plus annual hard debt service. A reserve of four months operating expenses plus annual hard debt service is encouraged for all projects and is required (1) if the Debt Coverage Ratio (DCR) is below 1.1 or (2) for projects with no debt service where the cash flow is less than 5 percent of the annual operating expenses.

An unconditional and irrevocable letter of credit in favor of the project may be used in lieu of a capitalized reserve.

Other Reserves

All project reserves must be identified in the project's financials submitted to the Bank and be justified to the Bank's satisfaction. Specific reserves can include, but are not limited to, the reserves listed below:

Transformation Reserve – Documentation from both the lender and investor verifying the necessity for this reserve must be submitted, along with a detailed analysis of the method used to calculate it, to determine its reasonableness.

Rental Subsidy Fund – The Rental Subsidy Fund is a voluntary fund established to subsidize rent for accessible units and/or units for residents at or below 50 percent of the area median income, as designated in the application, for the 15 year compliance period. The funds may be held in an escrow account by an independent third party. A Rental Subsidy Fund will be allowed if the application demonstrates a compelling need for the reserve based upon the targeted income level of the tenants to be residing in the units and a projected operating budget that is reasonable as determined by the Bank. A narrative must be submitted that demonstrates the source of funding and how it will be used to reduce rents. The Rental Subsidy should not be used on rents above the 50 percent median income level. A letter from the anticipated escrow agent acknowledging its intent to act as disbursing agent and a copy of the draft escrow agreement outlining the proposed terms of disbursement may be requested.

Real Estate Taxes Escrow – The Real Estate Taxes Escrow represents the estimate of first year taxes at full assessment after rehabilitation or construction. A detailed calculation of taxes, including a letter from the county tax assessor, must be submitted. Any applicable tax abatement information must be included. In addition, the Tax Escrow cannot be counted toward the minimum four month operating reserve. For preservation or other applications that include buildings that have a history of sustaining occupancy, a real estate tax escrow should not be included in the development budget.

Insurance Escrow – The Bank requires an insurance quote for all properties of 12 units or more. The quote must include the cost of hazard, general liability, and any other applicable premiums for the first year of operations. In addition, the Insurance Escrow cannot be counted toward the minimum four month operating reserve. For preservation or other applications that include buildings that have a history of sustaining occupancy, an insurance escrow should not be included in the development budget. The Bank reserves the right to request a quote for properties of 11 units or less if the reasonableness of the amount budgeted is in question.

Additionally, all reserves, excluding operating and supportive services reserves, are limited to four percent of the total development costs (TDC) excluding acquisition costs for projects financed with low-income housing tax credits (LIHTC) and one percent of the TDC excluding acquisition costs for non-LIHTC projects.

Financing

Low Income Housing Tax Credits – Projects must secure net equity equal to or greater than the rate set by the Bank prior to each AHP funding round. The Bank net equity minimum will be developed in consultation with the state HFAs in Delaware, Pennsylvania and West Virginia.

Historic Tax Credits – Projects must secure net equity equal to or greater than the rate set by the Bank prior to each AHP funding round.

Operating Costs

A rental project must be able to operate in a financially sound manner during the AHP compliance period, in accordance with the feasibility guidelines contained herein.

Projects shall provide the revenue and expenses associated with the operation of the residential portion of the development. Supportive services costs must be submitted in a separate operating budget. Revenue and expenses related to non-residential components, such as commercial space and sponsor offices, must be included on a separate operating budget and not in the AHP financial forms.

Tenant Rent and Third-Party Rent – Tenant rents must be affordable per the AHP regulation Section 1291.1.

Tenants must pay at least 15 percent of their income for rent. The maximum rent charged cannot 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 persons per unit without a separate bedroom).Third-party rental payments are permitted provided that the project can document the commitment of the rental assistance payments.

Controllable Operating Costs – Must be at least $1,100 per unit annually and may not exceed the limit established by the state HFA where the project is located. Controllable operating expenses include administrative costs, operating and maintenance costs and payroll expenses. For projects containing 11 units or less, projects preserving existing rental housing and special needs projects, the controllable limits will be used as a guideline. If these types of projects exceed the controllable guidelines listed, the Bank will secure additional documentation, as necessary, to validate the controllable costs.

Non-Controllable Operating Costs – Include utilities, real estate taxes and insurance. Projects must provide the Bank with documentation that supports these costs.

Replacement Reserves – A project's annual replacement reserve must be $200-$500 per unit.

Management Fee – 5 percent to 10.5 percent of the gross rents. Organizations that charge a management fee of less than 5 percent must provide the Bank with an explanation and documentation, as necessary, to demonstrate the financial condition of the organization.

Stabilized Vacancy Rate – 3 percent to 7 percent of gross rents

Debt Capacity and Viability – The Bank will evaluate a project's debt capacity (its ability to support a loan or a higher loan amount) using the projections in the 15-year operating pro forma. For all projects, the Bank uses the following to determine debt capacity:

1) For projects with hard debt, the Debt Coverage Ratio (DCR) must be between 1.05-1.35 throughout the 15-year operating proforma. The DCR will be calculated using hard debt only. Soft and cash flow dependent debt service will not be considered in calculating the DCR. If a project does not meet this standard, the sponsor must provide an explanation.

2) For projects with no hard debt, the Bank will use the year with the lowest cash flow in the 15-year pro forma in a conversion analysis to determine a project's ability to support debt. The conversion uses the following assumptions:

    - A DCR of 1.15, or a DCR of 1.10 if a capitalized operating reserve exceeds nine months of expenses at any point after year 8;

    - A 15-year loan at the Bank's maximum interest rate; and

    - If the project receives rental or operating assistance from a government entity that prohibits using the assistance for debt service, the Bank will exclude these funds from the debt capacity conversion calculation.

    Through this conversion analysis, if the project can support a loan, the Bank may reduce the AHP subsidy requested and may require the project to secure a loan to replace the reduced AHP subsidy. In any conversion scenario, if the amount of additional debt that the project can support is lower than $50,000 or 50 percent of the AHP subsidy request, whichever is less, the Bank may not require a reduction in the AHP grant request.

Projects with no debt that rely on operating subsidy and/or have any year where cash flow is less than 5 percent of annual expenses will be required to document to the Bank's satisfaction that a dedicated revenue source, such as HUD rental support or other resources, are available to ensure project viability. Projects that will rely on donations or fundraising to support the real estate operations will be required to demonstrate that the sponsor and/or owner has a track record of raising funds necessary to support the project's operations throughout the pro forma period.

Income/Expenses Trending – Income trending may not exceed expense trending. Acceptable ranges are: income 2 percent to 4 percent and expenses 3 percent to 5 percent. For projects with DCR of 1.25 to 1.35 in the first year of stabilized occupancy, the expense trending percentage must exceed the income trending percentage. The difference between the revenue and expense trending must be no more than 1 percent.

Supportive Services – For projects that have a dedicated supportive services source of funds, including an escrow in the capital budget and/or a third-party funder, supportive services income and expenses should be reflected in a separate supportive services pro forma. For projects receiving a per diem payment from a third-party funder, which may include housing, supportive services and other costs necessary to support the population to be served by the project, the sponsor will be required to separate the amount of per diem allocated to housing. The sponsor must provide documentation from the funding source, if available, and/or a rationale for the amount of the per diem allocated to housing costs. The portion of the per diem allocated to housing should be included in the rental income worksheet and the residential pro forma. Some or all of the balance of the per diem may be used for supportive services and reflected on the supportive services pro forma.

An explanation of the supportive services to be provided to the project will be requested. At a minimum, the following information will need to be provided:

- Anticipated resident needs and program goals, including identifying the target population, the goals of the supportive service program and measurable target outcomes related to each goal;

- Implementation of services, programs and activities, including who is responsible for providing each service, where each service will be provided, frequency of program activity, eligibility requirements or fees for residents, and methods to market the service program and encourage resident participation;

- Staffing, including identifying staff positions, their location and number of hours per week dedicated exclusively to services and describing supervision and support;

- Coordination with and commitment of community resources

The limit on the supportive services escrow is $5,000 per unit. The sponsor must provide the funder in the permanent sources of funds that permits funding for the supportive services escrow. The amount of the escrow will need to be included in the supportive services pro forma. The expenditure of these funds must be for services directed to the project’s residents, and the escrow must be used within the AHP compliance period.

If supportive services expenses are included in the pro forma, the Bank will calculate the project’s debt capacity using the Net Operating Income (NOI) for the project in year 15 after removing the supportive services line item from the expenses. Debt capacity and viability standards mentioned above must be met which may result in a reduction in the AHP grant.

Need for Subsidy 12 C.F.R.§1291.5(c)(2)(i),(ii),(iii)

The Bank will use the feasibility guidelines above to determine if a project has adequately demonstrated that its costs are reasonable and customary and that the project has secured an appropriate level of hard debt financing. The Bank will analyze the committed and proposed sources of funds to determine the need for AHP funds. A project's estimated sources of funds shall equal its estimated uses of funds, as reflected in a project's development budget. AHP funds may be used to fill a gap in the permanent funding sources to the extent that one exists. Based on its analysis, the Bank may determine the project does not need AHP or may reduce the AHP amount requested.

ATTACHMENT C

Scoring - 12 C.F.R.§1291.5(d)

	Category	Points	Type
1.	Use of donated government property or other properties	5	Fixed
2.	Sponsorship by not-for-profit or government entity	5	Fixed
3.	Targeting	22	Variable
4.	Housing for the homeless	6	Variable
5.	Empowerment	10	Variable
6.	First district priority	16	Variable
7.	Second district priority	8	Fixed
8.	Subsidy per unit	8	Variable
9.	Community stability	20	Variable
	Total	100	

Applications will be scored and ranked in declining order using the 100-point scale. Applications will be approved in rank order until all of the funds available are allocated, except for any amount insufficient to fund the next highest scoring application.

In the event of a scoring tie between two or more applications, the following logic will be used to make approval determinations:

- Step 1: The application located in Delaware, Pennsylvania or West Virginia will receive the AHP award approval. If the applications' scores are still tied, proceed to Step 2 below.

- Step 2: Compare the applications' scores in the Second District Priority scoring category. The application that scores the highest number of points in the Second District Priority scoring category will receive the AHP award approval. If the applications' scores are still tied, proceed to Step 3 below.

- Step 3: Compare the applications' scores in the First District Priority scoring category. The application that scores the highest number of points in the First District Priority scoring category will receive the AHP award approval. If the applications' scores are still tied, proceed to Step 4 below.

- Step 4: Compare the applications' scores in the Community Stability scoring category. The application with the highest score in the Community Stability scoring category will receive the AHP award.

The Bank shall score only those applications meeting the AHP eligibility requirements of Section 1291.5(d) and the Bank's feasibility guidelines. Points awarded to the various categories will be either fixed or variable. Variable point criteria are those where there are varying degrees to which an application can satisfy the criterion. An application meeting a fixed-point criterion shall be awarded the total number of points allocated to that criterion.

Information submitted in the application for each scoring category must clearly substantiate the claim being made for scoring points.

1. Use of donated government property or other properties 5 points Fixed

The land or units for the AHP project must be donated by a transfer of property made between two unrelated parties. Any person or organization involved in the AHP project or affiliated with organizations involved in the AHP project including, but not limited to, the sponsor, member, members of the development team and entities that have a financial interest in the project are considered related parties. A related party may donate the property and qualify for donated property points if it acquired the property in a manner that meets the AHP definition of donation or has owned the property for at least five years from the date of the round closing date. A municipality or local authority is not considered a related party if they are acquiring properties through a public acquisition process with the express purpose, as evidenced by acceptable verification documentation, of supporting the development of affordable housing units.

To be considered for Donation points, projects must only complete and attach the Bank's signed Property Conveyance Form. The Bank will not accept other documentation for Donation consideration in the application. Projects will receive 5 points if one of the following criteria is met as indicated in the Bank's completed and signed Property Conveyance Form. The Bank, in its sole discretion, may require documentation to verify the claims made in the Property Conveyance Form

1) At least 20 percent of the land or units is received for a nominal sales price, which is defined as $100 or less. Sales price is the monetary amount paid for the property/land and does not include typical and customary closing and settlement costs. Payoffs of prior liens are not considered customary and are considered part of the sales price. Property being leased may qualify as a donation if the lease term is at least 20 years and includes the period of AHP affordability.

2) At least 50 percent of the units or land is acquired at 50 percent or less of the Fair Market Value. Fair Market Value must be established by an as-is appraisal completed by a certified appraiser that is independent of the project and/or any member of the development team, and dated no more than one year from the date of application submission.

3) At least 20 percent of the land or units is acquired from the federal government, a federal agency or instrumentality thereof including, but not limited to, the U.S. Government, the U.S. Department of Housing and Urban Development, Rural Development, Fannie Mae or Freddie Mac.

The documentation that may be requested by the Bank that verifies the acquisition price must explicitly indicate that the property will be conveyed to the AHP project and include the monetary amount paid for the property.

Any assumption of debt relating to the donation will be included as part of the sales price paid for the property/properties.

If the documentation to evidence donation is a Quit Claim Deed, a legal opinion from the project's legal counsel will need to accompany the Quit Claim Deed to evidence clear title.

In instances where there is a claim of donation based on units, the final configuration of the AHP units must be situated on a parcel or parcels that meets a donation definition.

In instances where there is a claim of donation based on land area, a third party must document that all parcels being donated are necessary for the project. If less than 100 percent of the property in the project is being donated, proof of the dimensions for all properties in the project, including the donated land property(ies), must be provided by a third party.

For any documentation that does not indicate an address and only refers to a site description, sufficient third-party documentation must be provided to verify that the description in the documentation references the addresses for the AHP project listed in the AHP application.

2. Sponsorship by a not-for-profit organization or government entity 5 points Fixed

Project sponsorship involves participation in a project by a qualified organization. A qualified organization is defined as a not-for-profit organization, a state or a 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.

Documentation to prove the type of the qualified organization must be provided, including all IRS designations under Section 501(c). If a not-for-profit organization is indicated as the qualified organization, documentation from the appropriate federal or state agency that has classified the organization as tax exempt must be submitted.

Organizations that do not have a 501(c) designation letter of their own but are affiliates of a not-for-profit group must submit the not-for-profit determination for the umbrella organization, along with a letter from the umbrella organization indicating that the affiliate is part of the not-for-profit determination of the umbrella organization dated within six months of the application's due date.

For a rental project, sponsorship must entail an ownership interest (including any partnership interest) and integral involvement in the project by a qualified organization. Integral involvement means exercising control over the planning, development or management of the project by a qualified organization. Ownership interest in a project may include ownership by an organization that is an affiliate of a qualified organization. For purposes hereof, affiliate means any organization that controls, is controlled by, or is under common control with the qualified organization.

For an owner-occupied project, sponsorship must include integral involvement in the project by a qualified organization. Integral involvement means exercising control over the planning, development or management of the project or by qualifying borrowers and providing or arranging financing for the owners of the units.

For both rental and owner-occupied projects, integral involvement in a project can be performed by an organization that is an affiliate of a qualified organization. For purposes hereof, affiliate means any organization that controls, is controlled by, or is under common control with the qualified organization. Documentation to evidence the connection of the affiliated organizations must be submitted.

3. Targeting 0 - 22 points Variable

The extent to which a project creates housing for very-low-, low- or moderate-income households. Applications for owner-occupied and rental projects will be scored separately. The total number of units in the project will be used to determine the targeting score.

<u>Rental Projects</u>

Projects will be scored using the following methodology:

- Projects with 60 percent or more of units targeted to households at 50 percent or less of area median income (AMI) will receive 22 points
- Remaining projects will be scored using the following scale:
  1. Percent of units at 50 percent or less multiplied by 22
  2. Percent of units at 51 percent-60 percent multiplied by 14
  3. Percent of units at 61 percent-80 percent multiplied by 8

  Total score is the sum of 1, 2 and 3 above rounded to the nearest whole number.

<u>Owner-Occupied Projects</u>

Projects will be scored using the following scale:

1. Percent of units at 50 percent or less multiplied by 22
2. Percent of units at 51 percent-60 percent multiplied by 18
3. Percent of units at 61 percent-80 percent multiplied by 16

Total score is the sum of 1, 2 and 3 above rounded to the nearest whole number.

4. Housing for homeless households 6 points Variable

Six points will be awarded for the creation of transitional housing for homeless households permitting a minimum of six months occupancy or, the creation of rental housing, excluding overnight shelters, or the creation of permanent owner-occupied housing, reserving equal to or greater than 50 percent of the units for homeless households.

Projects that reserve at least 20 percent of the total units but less than 50 percent of the total units will receive three points.

The Bank has the sole discretion to reduce homeless points based on its assessment of the project's ability to reserve and occupy those units for the homeless.

Homeless is defined as follows:

1. Persons who are sleeping in places not meant for human habitation (e.g., cars, parks, streets/sidewalks, and so forth)
2. Persons sleeping in emergency shelters
3. Persons graduating from a transitional housing program specifically for homeless persons
4. Persons being discharged from an institution or foster care with no permanent residence available
5. Persons *who would* be discharged from an institution if they had a permanent residence to go to
6. Victims of domestic violence
7. Persons who are "doubled-up" and are in a situation of overcrowding, which is defined as:

Unit Size	Number of People
Efficiency	3 or more
1 Bedroom	4 or more
2 Bedrooms	6 or more
3 Bedrooms	8 or more
4 Bedrooms	10 or more

5. Promotion of Empowerment 0 - 10 points Variable

Points will be awarded to projects to the extent and degree that the housing is provided in combination with a program or programs offering services and opportunities, including education, training, employment, homebuyer, homeownership or tenant counseling, day care services, resident involvement in the decision-making affecting the creation or operation of the project, or other services that assist residents and buyers to move toward better economic opportunities.

Points will be awarded to projects providing housing in combination with a program offering one or more of the following activities that assist residents in moving toward better economic opportunities. Projects will receive points as indicated for each activity offered, up to a maximum of 10 points at the Bank's sole discretion, based on the extent to which the Bank determines that the programs and services provided by the sponsor play an integral part in the concept of the project, have been actively secured for the residents, demonstrate a direct link or commitment to the residents and are appropriate for the targeted population. Applications will be evaluated based on the empowerment details and provider information contained in the application and supporting documentation.

To receive points for each empowerment activity selected in the application, project sponsors are required to complete the empowerment activity questionnaire. Additionally, a signed 2018 Memorandum of Understanding (MOU) will be required for each empowerment activity.

Empowerment techniques may only be submitted on the 2018 MOU. Any deviations from this will not be eligible for consideration.

Each empowerment technique may only be considered once. For example, if a project is providing educational techniques such as GED and computer classes, the project would receive two (2) points for empowerment through education rather than being awarded points for each element within the education category.

If a third party is providing the service, the 2018 MOU must be signed and dated by the sponsor and the third party provider at time of AHP application submission to receive scoring consideration.

If homebuyer counseling or child/adult daycare is applicable to the project, the counseling curriculum or the daycare license must be submitted as part of the Empowerment submission.

Empowerment scoring:

Four points will be awarded for the following techniques:

- *Pre-Homeownership Counseling* – Complete at least four hours of face-to-face homeownership counseling provided by an organization recognized as experienced in homeownership counseling. Counseling must take place prior to the purchase of the home. Points will be awarded for pre-homeownership counseling only if counseling is mandatory for all AHP-assisted homeowners. Pre-homeownership counseling points will only be awarded to new construction owner-occupied projects and rehabilitation of for-sale housing projects. The course curriculum must be submitted with the application and include the topic of predatory lending to be eligible for scoring consideration.

  A project cannot receive points for both pre-homeownership counseling and financial literacy/credit counseling/budgeting because of the similarities between these techniques. Only one of these techniques will be eligible for consideration.

- *Post-Homeownership Counseling* – Points will be awarded for post-purchase face-to-face homebuyer counseling only if counseling is mandatory for all AHP-assisted homeowners and is at least four hours. Topics may include maintenance, repairs and improvements, and so forth. Post-homeownership counseling points will only be awarded to owner-occupied projects.

Two points for the following techniques:

- *Case Management* – Encompasses the assessment, planning, facilitation and advocacy for a client's individual needs and supports the residents' ability to find or sustain employment or be self-sufficient, or promotes their economic betterment. May also include family self-sufficiency programs.

- *Counseling* – Mental and behavioral health services, substance abuse prevention and treatment programs or residential support services. Services provided must promote economic betterment by supporting residents' ability to find or sustain employment or be self-sufficient.

- *Daycare Services* (youth or adult) that allow residents to pursue economic opportunity. A current operating license for the daycare center dated within 12 months of application submission must also be included.

- *Education* (related to economic empowerment other than employment training) – May include adult accredited education programs, GED, vocational training, computer classes, English as a second language or literacy programs.

- *Employment Training* – Services and/or job training programs to assist residents with procuring employment (job search assistance, career counseling, apprenticeships, resume writing assistance, job placement).

- *Financial* – Project financially empowers its residents other than by providing rental assistance, restricted rents or down payment assistance. Eligible financial benefits may include the provision of matched savings programs (i.e., individual development accounts) or other programs or services that provide direct and quantifiable cash assistance to residents.

- *Financial Literacy/Credit Counseling/Budgeting* – Includes topics such as basic financial planning and money management, overview of credit and credit reports, assessment of individual credit reports, steps to repair credit, successful money management and establishing a budget, early warning signs of debt problems, and so forth. An application cannot receive points for this technique if it also receives pre-homeownership counseling points.

- *Homeowners Association* – An association of homeowners created to allow regular discussions of homeownership issues and neighborhood and community issues. The association should have regular meetings and some policies and procedures governing its business, but it does not have to be formally chartered or incorporated.

- *Life Skills Classes* that promote economic betterment or self-sufficiency.

- *On-site Primary Health Care Services* including food service programs that are delivered on-site and directly benefit the residents of the project and vaccination/screening programs or health care management programs that support residents' ability to find or sustain employment or be self-sufficient.

- *Resident Serving on Sponsor's Board* – Means a resident serving on the board of directors of the sponsor. The resident of the project must have been elected by other residents and there must be procedures that describe the selection process, including eligibility and filling vacancies.

- *Sweat Equity* – Activities required of the homebuyers or their families directly related to the construction/rehabilitation of the home.

- *Tenant Council* – An organization comprised of tenants of the property with regular meetings and operating rules and procedures (such as by-laws and elections) affecting the operation of the project.

- *Transportation* – Project-specific private transportation services provided by the project and tied to residents' economic empowerment.

- *Youth or After-school Programs* that serve as a substitute for child care, enabling the youth's parents or guardians to find or sustain employment.

6. First-District Priority 0 - 16 points Variable

The Bank's first-district priority will include the following criteria:

<u>Special Needs</u> 8 points Variable

Eight points will be awarded for the creation of housing reserving equal to or greater than 50 percent of the units for occupancy by persons or households with special needs as defined below.

Projects that reserve at least 20 percent of the total units but less than 50 percent of the total units will receive four points.

The Bank has the sole discretion to reduce special needs points based on its assessment of the project's ability to reserve and occupy those units for individuals with special needs.

Special needs are defined as:

1. *Physically and/or mentally disabled* – A person (1) with a physical and/or mental (i.e., psychiatric disorder) impairment that results in substantial functional limitations and who is receiving disability benefits from federal or state government or (2) who is deemed physically and/or mentally disabled by a qualified professional who attests that by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning or socializing.

2. *Developmentally disabled* – A person (1) with a severe chronic developmental disability who has been diagnosed with mental retardation and who is receiving disability benefits from federal or state government or (2) who is deemed developmentally disabled by a qualified professional who attests that by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning or socializing.

3. *Persons recovering from domestic abuse (physical abuse)* – A person who has been subjected to a willful action of inflicting bodily injury or physical mistreatment as documented by a qualified service provider.

4. *Persons recovering from domestic abuse (emotional abuse)* – A person who has been subjected to a willful action of inflicting emotional mistreatment, but has not been physically abused, as documented by a qualified service provider.

5. *Persons recovering from chemical dependency* – A person with a history of substance abuse and/or dependency who is receiving treatment for the abuse and/or dependency from a qualified service provider.

6. *Persons with HIV/AIDS* – A person with a medical diagnosis of Auto Immune Deficiency Syndrome or who is medically diagnosed by a qualified professional as HIV positive and who is receiving medical care for the condition diagnosed.

Any member of a household with any of the qualifying special needs conditions outlined above qualifies the household as a special needs household.

The number of units reserved/occupied by persons or households with special needs in an approved AHP project must be maintained for the AHP retention period.

<u>Rural</u> 5 points Fixed

Projects located in rural areas will receive 5 points. The types of documentation that will be considered are: 1) a print out of the rural determination for each AHP project site in the application provided by the USDA Rural Development, which can be found at the USDA's website http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do, or 2) the Bank's rural certification form for the project site(s) signed by the USDA, which must be submitted with the application to classify projects as rural under this criterion.

If the application contains multiple sites, the application may receive rural points in two ways:

- If the sites are known and at least 75 percent of the site addresses for the AHP units identified in the application are determined to be rural per USDA Rural Development and acceptable documentation from USDA Rural Development as described above is submitted with the application for all site addresses
- If all of the units in the application will be located in a county or counties that are determined to be rural per USDA Rural Development

<u>Member Financial Participation</u> 3 points Fixed

Projects will receive three points if a member of the Bank provides at least one of the following:

- *Equity Investment* – Investor in Low Income Housing Tax Credits, New Markets Tax Credits, Historic Tax Credits or other similar tax credit programs

- *Loans or Letters/Lines of Credit* – The amount of the permanent, construction or bridge loan or the letter/line of credit must be greater than five percent of the project's total development cost

- *Donation of Cash or Services* – Must be valued at least $300 per AHP unit

- *Donation of Property* – Must meet the Bank's Donation definition, including:

    1. At least one unit or property must be received for a nominal sales price, which is defined as $100 or less. Sales price is the monetary amount paid for the property/land and does not include typical and customary closing and settlement costs. Payoffs of prior liens are not considered customary and are considered part of the sales price. Property being leased may qualify as a donation if the lease term is at least 20 years and includes the period of AHP affordability.

       OR

    2. At least one unit or property must be acquired at 50 percent or less of the Fair Market Value. Fair Market Value must be established by an as-is appraisal completed by a certified appraiser that is independent of the project and/or any member of the development team, and dated no more than one year from the date of application submission.

To be considered for Donation of Property points within Member Financial Participation, projects must only complete and attach the Bank's signed Property Conveyance Form. The Bank will not accept other documentation for Donation of Property consideration in the application. The Bank, in its sole discretion, may require documentation to verify the claims made in the Property Conveyance Form.

Any assumption of debt relating to the donation will be included as part of the sales price paid for the property/properties.

If the documentation to evidence donation is a Quit Claim Deed, a legal opinion from the project's legal counsel will need to accompany the Quit Claim Deed to evidence clear title.

In instances where there is a claim of donation based on units, the final configuration of the AHP units must be situated on a parcel or parcels that meets a donation definition.

In instances where there is a claim of donation based on land area, a third party must document that all parcels being donated are necessary for the project.

If the project receives points in the Donation scoring category for the donation of property by a member, additional points will not be awarded in the donation of property section in the Member Financial Participation category.

Any Member Financial Participation must be committed at the time of application. An authorized individual at the member must verify the Member Financial Participation by completing and signing a Bank template. Any representations made on the Member Financial Participation template must reconcile with the amounts indicated on the sources of funds worksheet with the exception of services to be provided by a member to be eligible for points. All forms of member financial participation must also benefit the project itself; it cannot be the general purposes of the sponsor or other organization involved in the project.

For each project, the total points received for meeting the three first-district priority criteria are added together, which provides the final score for first-district priority.

7. Second-District Priority 8 points Fixed

Readiness to Proceed

The purpose of the readiness to proceed category is to reward affordable housing projects that have met certain development benchmarks and are expected to be completed in a timely manner.

To receive points for the readiness to proceed category, sponsors are required to provide documentation that demonstrates that a project meets the development benchmarks. The Bank retains the discretion to determine whether a project has satisfactorily met the benchmarks. Eight points will be awarded to projects that meet **all** four of the following development benchmarks, unless an exception is indicated:

1. *Evidence of Site Control*

   The sponsor must have secured site control for 100 percent of the properties required to complete the project. Projects should only complete and attach the Bank's signed Property Conveyance Form to evidence 100 percent site control. The Bank will not accept other documentation for Evidence of Site Control consideration in the application. The Bank's Property Conveyance Form must indicate that site control is demonstrated by one of the following. The Bank, in its sole discretion, may require documentation to verify the claims made in the Property Conveyance Form

   a. Deed in the name of the sponsor or ownership entity in which the sponsor has an "ownership interest." If the documentation includes a Quit Claim Deed, a legal opinion from the project's legal counsel will need to accompany the Quit Claim Deed to evidence clear title

   b. Executed purchase contract or option to purchase (contract or option date cannot expire before the AHP round closing date)

c. Executed lease or option to lease for a term of at least 20 years, including the period of AHP affordability (lease option date cannot expire before the AHP round closing date). Any amendment must include the original executed agreement.

d. Resolution from a local government or other organization that is committing to transfer the property describing the terms of the commitment, the transfer price and the location of the property

Rehabilitation of currently owner-occupied housing projects must demonstrate the ability to complete the proposed units within 12 months of AHP approval and must submit a waiting list equal to or greater than the number of units proposed in the AHP application.

Projects that include only acquisition of property with no rehabilitation or construction involved in the project, a waiting list equal to or greater than the number of units proposed in the AHP application must be submitted.

For any documentation that does not indicate an address and only refers to a site description, sufficient third-party documentation must be provided to verify that the description in the documentation references the addresses for the AHP project listed in the AHP application.

2. *Permissive Zoning*

The sponsor must demonstrate that the project complies with current zoning by providing a municipal or planning commission resolution, letter from local municipal officials, a permit or a legal opinion from the municipality's or developer's attorney indicating that the project complies with the zoning for the project area. If the project is subject to attempts to prohibit or delay the project through unfair zoning practices, the Bank will secure the necessary documentation and make a determination as to whether the project meets this benchmark.

If an area is not subject to zoning requirements, documentation of such must be evidenced by providing a municipal or planning commission resolution, letter from a local municipal official or a legal opinion from the municipality's or developer's attorney.

This benchmark does not apply to rehabilitation of currently owner-occupied housing projects.

3. *Remediation of Environmental Issues*

Projects must demonstrate that they have taken the required actions defined below to identify the environmental issues and, if necessary, have developed a remediation plan acceptable to the Bank.

Required Actions to Identify Environmental Issues

All projects are required to describe the process taken to identify potential environmental issues. If the project involves the rehabilitation of currently owner occupied housing and units have not been identified, a narrative explaining the process that will be taken to identify potential environmental issues must be submitted.

Additionally, a Phase I Environmental Assessment will be required if the following site uses or conditions exist or have ever existed on the project property(ies):

- Gas station
- Dry cleaner
- Laundromat
- Brownfield
- A site that will undergo a conversion of use (non-residential to residential)

If the Phase I identified the need for further testing, the project must demonstrate that the additional testing is complete.

If an Environmental Assessment(s) was performed, projects must submit the report(s) with the AHP application.

Acceptable Remediation Plan

If environmental issues are identified, the project must describe the plan to remediate the issues as part of the proposed project. As part of the plan, a detailed description of the process and costs needed to remediate the environmental issues and a date of completion will be required. The costs and source(s) of funds to remediate the environmental issues must be included in the project's sources and uses financial statements in the AHP application.

4. *Funding Commitments*

The project must have secured commitments for at least 75 percent of the gap funding sources (including AHP) at the AHP application due date and demonstrate the ability to secure all funding within six months of AHP approval. Firm commitment letters from the approving organization of the source of funds must be submitted with the application.

Gap funding includes all equity, grants, soft and deferred loans, subsidized loans, and the anticipated FHLBank Pittsburgh AHP funding and does not include conventional loans, bond financing or end mortgages to homebuyers.

Acceptable evidence of commitment of LIHTC must include the award letter from the agency administering the tax credits or a fully executed final partnership agreement or operating agreement with the tax credit investor as a party. An investor letter of intent alone will not suffice to evidence commitment of low-income housing tax credits.

Acceptable evidence of commitment of historic tax credits includes a National Park Service certification for federal historic tax credits, a comparable state agency certification for state historic tax credits or other documentation acceptable to the Bank in its sole discretion.

Documentation to validate the market value of in-kind donations of materials must indicate that it is secured from the donating party.

8. Subsidy Per Unit 0 - 8 points Variable

Points are awarded based on the extent to which a project uses 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. Applications for owner-occupied projects and rental projects will be scored separately. Projects will be scored on a declining scale using the following tables. Points will be awarded in one-half-point increments.

RENTAL PROJECTS

LOW RANGE	HIGH RANGE	POINTS
Equal to or less than	$3,525.00	8.0
$3,525.01	$4,289.99	7.5
$4,290.00	$5,054.99	7.0
$5,055.00	$5,819.99	6.5
$5,820.00	$6,584.99	6.0
$6,585.00	$7,349.99	5.5
$7,350.00	$8,114.99	5.0
$8,115.00	$8,879.99	4.5
$8,880.00	$9,644.99	4.0
$9,645.00	$10,409.99	3.5
$10,410.00	$11,174.99	3.0
$11,175.00	$11,939.99	2.5
$11,940.00	$12,704.99	2.0
$12,705.00	$13,469.99	1.5
$13,470.00	$14,234.99	1.0
$14,235.00	$14,999.99	0.5
Equal to or greater than	$15,000.00	0.0

OWNER-OCCUPIED PROJECTS

LOW RANGE	HIGH RANGE	POINTS
Equal to or less than	$8,125.00	8.0
$8,125.01	$9,083.33	7.5
$9,083.34	$10,041.67	7.0
$10,041.68	$11,000.00	6.5
$11,000.01	$11,958.33	6.0
$11,958.34	$12,916.66	5.5
$12,916.67	$13,875.00	5.0
$13,875.01	$14,833.33	4.5
$14,833.34	$15,791.66	4.0
$15,791.67	$16,749.99	3.5
$16,750.00	$17,708.33	3.0
$17,708.34	$18,666.66	2.5
$18,666.67	$19,624.99	2.0
$19,625.00	$20,583.32	1.5
$20,583.33	$21,541.66	1.0
$21,541.67	$22,499.99	0.5
Equal to or greater than	$22,500.00	0.0

9. Community Stability 0 - 20 points Variable

Projects will be scored on a 0-20 point scale based on the degree to which they meet the following components in the section.

The purpose of the category is to reward and encourage affordable housing development that has a positive impact on the well-being of the community.

The category will measure the likelihood and degree to which an affordable housing project will (1) improve the quality of life of residents that will live in the development and in the community, (2) enhance and conform to the natural and built environment and (3) contribute to, and derive benefit from, community development activities. To be considered for points under this category, a project must first meet the following threshold requirements for displacement:

- To the maximum extent feasible, no permanent displacement of low- or moderate-income households will occur or, if such displacement will occur, assure that such households will be assisted to minimize the impact of displacement based on the following guideline:

Projects that have resulted or will result in the permanent displacement of low-income residents will be ineligible to receive points under the community stability criterion unless the sponsor completes and signs the Bank’s Displacement Form in a manner that is deemed to be satisfactory to the Bank. Projects may be requested to document to the satisfaction of the Bank the effectiveness of notice given to the residents. The Bank may also request a copy of the project’s displacement plan.

- Once the threshold requirement for displacement is satisfied, points will be awarded based on the project description and other supporting information provided in the application.

Projects will then be scored on a 0-20-point scale based on the degree to which they meet the following components:

Planning (up to 3 points)

Projects may receive one point for demonstrating consistency with a community plan and up to two additional points if able to demonstrate that the project meets targeted priorities identified in the plan.

The following types of plans are eligible for consideration as a community plan:

- A community or neighborhood stabilization plan approved by a local or state government
- A community plan approved by a community organization
- A homeless or special needs plan

To receive the one point, the Bank's Plan Consistency Certification Form must indicate that at least 75 percent of the properties in the project are located within the area covered by the Plan and must be signed by a representative of the entity that approved the plan. An additional two points will be awarded if the project is certified to meet targeted priorities in the plan by a representative of the entity that approved the plan. Only one plan will be accepted. The original plan approval or plan update approval must be no more than ten years from the AHP application due date.

Impact (up to 17 points)

Up to 17 points will be awarded to applications that will (1) enhance the surrounding community, (2) be a catalyst to revitalizing the community and (3) demonstrate the likelihood of positive outcomes in the community resulting from community activities.

Impact Categories

Projects meeting the impact categories below will receive three points per category with the exception of the owner occupied rehabilitation category which is a variable category up to 10 points:

- At least 75 percent of the properties in the project are located in a community with an awarded designation by a local, state or federal government entity or quasi-government entity, such as Main Street, Elm Street, Weed and Seed, Transit Oriented Development Zone, Blueprint Communities, other local designation, etc. The designation must be in effect at the time of the AHP application due date and it must provide some tangible and/or economic benefit to the designated area, such as financial incentives or other services. To receive points for a designation, the project site and/or the area of the project's development must be known and identified, and the Bank's Community Designation Form signed by the designating entity must be attached to the application. For active Blueprint Communities recognized by the Bank, the head of the local implementing entity may sign the form. For existing owner-occupied rehabilitation projects, a waitlist of properties is acceptable to indicate those potential properties as known and identified.

- At least 75 percent of the properties in the project are located in one of the following areas designated as Metro or Non-metro:
  - A) Difficult to Develop area as published on the Housing and Urban Development's (HUD) website, or
  - B) Qualified Census Tract as published on the HUD website, or
  - C) Distressed or Underserved Non-Metro Middle-Income Geographies as published by the Federal Reserve. For scattered site projects, the project may qualify if a project's boundaries are known and 75 percent of properties will be within a Distressed Designation area, even if the exact project sites are unknown.

  To receive points under this part of the definition, the documentation as listed below must be provided:

  A) If qualifying under a Difficult to Develop Area (DDA),the "X" in the grid below corresponds to the required documents/forms based on the project's type and if addresses are known or unknown.

	Project with single site/ known address(es) OR scattered site known addresses	Project with scattered site, unknown addresses	Owner-occupied rehabilitation projects
Executed Distressed Community Form by the sponsor	X	X	X
Copy of current HUD DDA Designation print-out verifying applicable county	X	X	X
Third-party documentation verifying address(es) and county for project	X		
Complete the section on the Distressed Community Form certifying that at least 75 percent of the project address(es)		X	X

will be in the DDA			

B) If qualifying under a Qualified Census Tract (QCT), metro or non-metro, the "X" in the grid below corresponds to the required documents/forms based on the project's type and if addresses are known or unknown.

	Project with single site / known address(es) OR scattered site known addresses	Project with scattered site, unknown addresses	Owner-occupied rehabilitation projects
Executed Distressed Community Form by the sponsor	X	X	X
Copy of current HUD QCT print-out verifying applicable census tract	X	X	X
FFIEC.gov Geocoding address table for every qualifying address	X		
Complete the section on the Distressed Community Form certifying that at least 75 percent of the project address(es) will be in the QCT		X	X

C) If qualifying under Distressed or Underserved Non-Metro Middle-Income Geographies, the "X" in the grid below corresponds to the required documents/forms based on the project's type and if addresses are known or unknown.

	Project with single site / known address(es) OR scattered site known addresses	Project with scattered site, unknown addresses	Owner-occupied rehabilitation projects
Executed Distressed Community Form by the sponsor	X	X	X
Copy of current PDF	X	X	X

of Distressed or Underserved Non-Metro Middle-Income geographies from federal reserve.gov (relevant pages only permissible)			
FFIEC.gov Geocoding address table for every qualifying address	X		
Complete the section on the Distressed Community Form certifying that at least 75 percent of the project address(es) will be in the Distressed or Underserved Geographies		X	X

- Three points will be awarded to promote the development of housing as a way to improve and rebuild a community where at least 75 percent of the project address(es) are located in a "Major Disaster Declaration" area, as designated by FEMA, no more than 30 months prior to the application's due date. To receive points for this technique, the Major Disaster Declaration Certification Form must be signed by an official from a local, state or federal government entity certifying that the project is needed because the housing in the project area has been affected by the disaster. In addition to the signed certification, a print out of the PDF map under "Geographic Information" on the FEMA website must be provided to demonstrate that the project is located in an area that has been declared as a "Major Disaster Declaration" and receives Individual Assistance or Individual and Public Assistance as defined by FEMA. In instances where the project is scattered site and addresses are not yet known, the sponsor must complete the sponsor certification section of the form that indicates at least 75 percent of the project addresses will be located in a "Major Disaster Declaration" area.

- Rehabilitation of existing owner-occupied units meeting the criteria below:

  The following must be done for at least 75 percent of the properties in the project for the project to qualify for 10 points:

  - Each property must be fully inspected by a qualified individual (third party or qualified individual at the sponsor). The full/comprehensive inspection of each property should identify all hazardous or uninhabitable conditions, and determine the remaining useful life of all major systems in each property

- A third party or qualified individual must certify that all hazardous or uninhabitable conditions will be corrected as part of the scope of the project and all major systems must have a reasonable remaining useful life at project completion
- A certification completed by the third party or qualified individual will include the inspection process and the qualifications of the individual completing the inspection

Up to 25 percent of the units may receive needed rehabilitation and/or accessibility improvements on specific components but may not meet the comprehensive definition above.

Five points may be awarded for rehabilitation projects where the above criteria is not met, such as in accessibility and weatherization programs.

- Project creates homeownership opportunities in a census tract(s) with a homeownership rate of less than 50 percent. At least 75 percent of the AHP properties must be located in census tracts with homeownership rates below 50 percent to receive points. To receive points, all properties in the project must be known and identified and a printout from the FFIEC website demonstrating that the census tract(s) for all project site(s) meets this category must be attached to the application. In instances where sites are known but addresses are not identified, FFIEC census tract documentation reflecting the exact property/properties must be provided. The Bank will accept the homeownership rate for census tracts only. Block group data will not be accepted.

- Project redevelops blighted or brownfield property (structures or land). To be eligible for this category, one of the following must be met:

  1. Project redevelops blighted structures or land provided that 75 percent of the property used in the project meets the definition of blight. If the project involves rehabilitation, the hard rehabilitation cost per rehabilitated unit must be greater than $25,000. To receive points, all properties in the project must be known and identified, and a blight certification form must be signed by a state or local government representative, architect or attorney who is qualified to make the determination that the condition of the property/properties meets the definition of blight: a property that because of its physical condition is a public nuisance, is vacant or abandoned for a period of at least six months; is dilapidated, unsanitary and unsafe, lacking in facilities that have been disconnected, destroyed, removed or rendered ineffective and therefore causing the property to be unfit for human habitation; a vacant or unimproved lot or parcel in a predominately built-up neighborhood that has become a place where trash and debris accumulates and/or is vermin-infested; or a property that is a fire hazard or is unsafe to persons or property.
     -OR-
  2. Project redevelops structures or land designated as a brownfield provided that 75 percent of the property used in the project qualifies for brownfield designation. If the project involves rehabilitation, the hard rehabilitation cost

per rehabilitated unit must be greater than $25,000. To receive points, all properties in the project must be known and identified, and a Brownfield Certification Form must be signed by a representative of the state entity responsible for Brownfield determination.

- Project adaptively reuses a property involving greater than $25,000 per rehabilitated unit of hard rehabilitation costs. Adaptive reuse means the AHP project converts a non-housing use to permanent housing. To receive points, the architectural certification form must be attached to the application and must indicate the adaptive reuse.

- Project rehabilitates a property of historic significance involving greater than $25,000 per rehabilitated unit of hard rehabilitation costs. To receive points, the property must meet the definition of historic significance as defined by the Bank's Property of Historic Significance Form which must be attached to the application. The form must be signed by the State Historic Preservation Office (SHPO).

- Project preserves existing subsidized housing provided that hard rehabilitation costs are greater than $10,000 per rehabilitated unit. To meet the criteria for this category, the subsidized units must be within two years of any permitted repayment or expiration of the restricted use requirement. Additionally, if the project proposes both rehabilitation and new construction of units, the preserved rehabilitated units must be at least 75 percent of the project's total AHP units. To receive points, the Preservation of Existing Subsidized Housing Certification Form must be attached to the application indicating 100 percent of properties are within two years of either permitted repayment or restricted use expiration and must be signed by the original funder(s).

- Projects that incorporate mixed-income housing in the development scheme. To receive points in this technique, one of the following must be met:
  1. For rental projects, 20 percent or more units are targeted to households >60 percent of the AMI (the total number of units in the project will be used to determine the economic diversity score); or
  2. For owner-occupied projects, 20 percent or more units are targeted to households >80 percent of the AMI (the total number of units in the project will be used to determine the economic diversity score); or
  3. For either rental or owner occupied projects at least 75 percent of the properties in the project are located in a census tract(s) with a median family income that is equal to or greater than 100 percent of the regional median family income (Metropolitan Statistical Area [MSA]/Metropolitan Division [MD] or non-MSA/MD) as published on the Federal Financial Institutions Examination Council's (FFIEC) website. To receive points under this part of the definition, all properties in the project must be known and identified and the FFIEC printout must be attached to the application for all project site(s). In instances where sites are known but addresses are not identified, FFIEC census tract documentation reflecting the exact property/properties must be provided.

- Project that acquires property/properties from a land bank or land reuse agency as authorized by state legislation or local government ordinance. To meet the criteria for this category, the project must acquire at least one known and identified property that will be used in the project. To be considered for land bank or land reuse agency points, the Bank’s Property Conveyance Form must be completed by a representative from the land bank. The Bank, in its sole discretion, may require documentation to verify the claims made in the Property Conveyance Form. In instances where the claim of property conveyance from a land bank is based on land area, a third party must document that the parcel(s) being conveyed or have been conveyed are necessary for the project. If less than 100 percent of the property in the project is being conveyed from the land bank, proof of the dimensions of all properties in the project, including the conveyed land bank property(ies) must be provided by a third party.

Projects meeting the impact categories below will receive one point per category. To receive points for the categories below, the relevant sections of the architectural certification form must be completed and signed:

- Creates one or more physical assets from which the project residents and residents of the surrounding community can benefit

- Is 100 percent visitable for new construction and/or 25 percent visitable for rehabilitation
  - A visitable unit must have:
    - One zero-step entrance
    - Doors with 32 inches of clear passage space
    - One bathroom on the main floor that is accessible by wheelchair

- Is architecturally compatible with the community within which it is located

The total score will be the sum of all categories met, but the total impact score will not exceed 17 points.

For details relative to the Bank’s three subjective categories (Empowerment, Readiness to Proceed, and Community Stability), refer to the Bank’s AHP Guidebooks available at www.fhlb-pgh.com.

ATTACHMENT D

Monitoring - 12 C.F.R.§1291.7

The Bank's Community Investment Department (CID) shall monitor projects that have received funding under the Affordable Housing Program (AHP), in accordance with the Bank's Monitoring Program. The Monitoring Program shall provide reasonable assurance that the following five critical areas are ascertained with respect to approved projects:

1. Accountability of AHP funds
2. Eligibility of recipients
3. Level of compliance with approved AHP application
4. Level of compliance with the Federal Home Loan Bank Act and 12 C.F.R. Part 1291, as may be amended from time to time
5. Level of compliance with the Bank's AHP policies and procedures and the Plan

To achieve the aforementioned, the AHP Monitoring Program will have, as its primary focus, three levels of review. The three levels are:

Level 1 – Preliminary Monitoring Review
Level 2 – Initial Monitoring Review/Full Scope Monitoring
Level 3 – Long-Term Monitoring Review

The three levels of review are presented and discussed as follows:

LEVEL 1 PRELIMINARY MONITORING REVIEW

A. Overview

A Level 1 review is conducted during the project's incomplete stage from application approval to project completion. This review is conducted every six months and includes analysis of the Semi-Annual Report (SAR). Additionally, a Certification Report provided by the sponsor/owner at project completion will be reviewed. Both the SAR and certification reviews will be documented within the monitoring file for each project.

B. Procedures

1. Beginning six months after the Bank's approval of the member's AHP competitive application, and continuing until project completion, the project sponsor must submit to the Bank a SAR on at least a semiannual basis. The SAR will address the six-month periods ending June 30 and December 31. The SAR is required to be filed during the period of construction or rehabilitation of a project and will detail the progress and overall status of the project. The project sponsor will complete and certify the SAR via the AHP Online system. Once the SAR is certified by the project sponsor, the member will review the SAR and inform the Bank of any issues or discrepancies regarding the project. The SAR is required to be filed until the

project is deemed complete by the Bank. Project completion is defined as follows:

Owner-occupied project:

- Construction and/or rehabilitation complete on all units
- All AHP funds disbursed
- All units sold

Rental project:

- Construction and/or rehabilitation complete on all units
- At a minimum, 75 percent of units occupied
- All AHP funds disbursed

2. A SAR will be reviewed to determine:

   - Level of progress towards completion and occupancy
   - Project status
   - Level of compliance with the approved application

3. Satisfactory progress towards completion will be determined based on the following:

   - AHP funds will be disbursed to the project within 24 months from application approval.
   - Construction or rehabilitation of AHP units will commence within 24 months from application approval.
   - All AHP units will be complete within 48 months from application approval.
   - Exceptions to these requirements may be granted only when circumstances causing the delay are beyond the control of the project sponsor/owner.

4. Projects that are not in compliance with the above satisfactory progress guidelines will be placed on the Problem Project Report and may be subject to de-obligation and/or recapture of AHP funds and/or subject to the Bank's compliance remedies as detailed within the Bank's Monitoring Procedures.

5. Certification Reports for owner-occupied and rental projects are required to be filed by the sponsor or owner. Certification Reports are required to be filed in accordance with the following requirements:

Project Type	**Reporting Entity**	**Date Required**
Rental	Project Owner	Within six months of completion date
Owner-occupied	Project Sponsor	Within six months of completion date

For a rental project, the project owner will certify the following:

- The individual executing the certification is duly authorized to make the representations contained in the certification.
- The services and activities committed to within the project's approved AHP application were provided in connection with the project.
- The list of actual tenant rents and incomes for the project are accurate and in compliance with the rent and income targeting commitments made in the project's approved AHP application.
- The project owner maintains documentation regarding tenant rents and incomes to support the certification that is available for review by the member and Bank.
- The AHP-assisted unit is subject to deed restriction or other legally enforceable retention agreement or mechanism meeting the requirements of Section 1291.9 of the AHP regulations.

For an owner-occupied project, the project sponsor will certify the following:

- The individual executing the certification is duly authorized to make the representations contained in the certification.
- The AHP subsidy has been used according to the commitments made within the project's approved AHP application.
- The household income for the homeowner as reported in the Homeowner Funding Record is accurate and in compliance with the income targeting commitments made in the project's approved AHP application or any approved modification.
- The AHP-assisted unit is subject to deed restriction or other legally enforceable retention agreement or mechanism meeting the requirements of Section 1291.9 of the AHP regulations.

LEVEL 2 INITIAL MONITORING REVIEW

A. Overview

A Level 2 review is defined as Full Scope Monitoring (FSM) of the project and is conducted after project completion. FSM encompasses a review of the project to determine the level of the project's compliance with the approved application, any approved modification(s), law, regulation, Bank policy and/or procedures. A Monitoring Report is produced that details the results of FSM. This review may start earlier if there is any indication of noncompliance.

B. FSM Procedures

1. For all completed rental and owner-occupied AHP projects, a Level 2 Monitoring Review will be completed within a reasonable period of time after project completion. Project completion is based on the date the SAR is received that indicates a project is complete, as defined by the Bank.

2. During the Level 2 Monitoring process, 20 percent of a project's units, or at least two units, will be selected for monitoring.

3. When an AHP project is subject to FSM, the following will be determined by the Bank:

   - Level of compliance with the approved application
   - Level of compliance with 12 C.F.R. Part 1291
   - Level of compliance with the Bank's AHP policies and procedures
   - Whether the AHP subsidy was used for eligible purposes according to the commitments made in the approved AHP application
   - Whether the household incomes comply with the income targeting and affordability commitments made in the approved AHP application
   - Whether the project's actual costs were reasonable in accordance with the Bank's project feasibility guidelines. The Bank requires that the project's final sources of funds and development costs be validated by an independent accounting firm or a Certified Public Accountant.
   - Whether the AHP subsidy was necessary for the completion of the project, as currently structured
   - Retention agreements

4. Once the Level 2 Monitoring review is completed, a Monitoring Report is written detailing a project's level of compliance based on the following compliance ratings:

   Satisfactory – Assigned to projects that have provided all monitoring documentation and have been determined to be in compliance with the approved AHP application, approved modification (if any) and AHP regulations.

   Incomplete – Assigned to projects that have not provided requested documentation. Once documentation is provided, a follow-up monitoring report is written indicating the level of compliance.

Unsatisfactory – Assigned to projects that are not in compliance with the approved AHP application, approved modification (if any) and/or AHP regulations.

5. For Unsatisfactory rated projects: The project will be placed under an Action Plan to resolve the non-compliant issues within a reasonable period of time, or the Bank will utilize the actions noted within 12 CFR § 1291.8.

LEVEL 3 LONG TERM MONITORING REVIEW

A. Overview

A Level 3 review is conducted solely for rental projects and in accordance with 12 C.F.R.§ 1291.7.

B. Owner-Occupied Projects

Owner-occupied projects are not subject to ongoing household income requirements, and transfers of ownership are monitored through recorded retention mechanisms.

C. Rental Projects

Conducted solely for rental projects in compliance with 12 C.F.R.§ 1291.7. Rental projects will be categorized based on the following criteria, then assigned a risk category:

- Low-Income Housing Tax Credit projects
- Non-tax credit projects monitored by a federal, state or local government entity
- Bank-monitored projects

For AHP rental projects monitored by a federal, state or local government entity and by the Bank, a risk category will be assigned to each project, and long term monitoring will be based on the risk category assigned.

Risk categories and review requirements are as follows:

Minimal Risk:	Annual Project Owner Certification (POC)
Low Risk:	Long-term monitoring review every six years and POC for Bank-monitored projects
Moderate:	Long-term monitoring review every four years and POC for Bank-monitored projects
High:	Long-term monitoring review every two years and POC for Bank-monitored projects

After the risk category designation, all rental projects will be assigned a Long-Term Monitoring Code (LTMC) and will be monitored long-term starting in the second year after project completion, as follows:

LTMC 1 Low-Income Housing Tax Credit Projects

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 administrating the tax credits for the income targeting and rent requirements applicable under the Low-Income Housing Tax Credit Program. Under the AHP regulation, the Bank is not required to obtain and review reports from such an agency or otherwise monitor the project's long-term AHP compliance.

LTMC 2 Monitored by a Federal, State or Local Government Entity

For rental projects that received funds from a federal, state or local government entity, the Bank will rely on the monitoring by such entities for the income targeting and rent requirements applicable under their programs, provided the income targeting requirements, rent requirements and retention period monitored by the entity for purposes of its own program are substantively equivalent, and provided that the conditions enumerated within 12 C.F.R. § 1291.7(a)(3)(ii) and (iii) are satisfied. For projects meeting these requirements, monitoring reports will be obtained from the federal, state or local government entity in accordance with the following risk categories:

AHP Subsidy	AHP as a % of TDC	Risk Category
< $250,000	< 20%	Low
< $250,000	> 20%	Moderate
$250,001 to $750,000	< 20%	Moderate
$250,0001 to $750,000	> 20%	High

LTMC 3, 4 and 5 Monitored by the Bank

Long-term monitoring by the Bank shall be performed as follows:

AHP Subsidy	AHP as a % of TDC	Risk Category
< $100,000	< 20%	Minimal
< $100,000	> 20%	Low
$100,001 to $250,000	< 20%	Low
$100,001 to $250,000	> 20%	Moderate
$250,001 to $750,000	< 20%	Moderate
$250,001 to $750,000	> 20%	High

LTMC 3 Monitored by Bank and Low-Risk Category

Monitored long-term starting in the second year after project completion as follows:

- Annual certification from project owner for 15 years; and

- The Bank will review project documentation for a 20 percent sample, or a minimum of two, of the project's units once every six years after completion of the Level 2 review to determine whether the project's household incomes and rents comply with the income targeting and rent commitments made in the approved AHP application or any approved modification(s).

LTMC 4 Monitored by the Bank and Moderate-Risk Category

Monitored long-term starting in the second year after project completion as follows:

- Annual certification from project owner for 15 years; and
- The Bank will review project documentation for a 20 percent sample, or a minimum of two, of the project's units once every four years after completion of the Level 2 review to determine whether the project's household incomes and rents comply with the income targeting and rent commitments made in the approved AHP application or any approved modification(s).

LTMC 5 Monitored by the Bank and High-Risk Category

Monitored long-term starting in the second year after project completion as follows:

- Annual certification from project owner for 15 years; and
- Bank will review project documentation for a 20 percent sample, or a minimum of two, of the project's units once every two years after completion of the Level 2 review to determine whether the project's household incomes and rents comply with the income targeting and rent commitments made in the approved AHP application or any approved modification(s).

In addition to the risk criteria described previously, rental projects that have the following issues will be assigned a High-Risk Category:

a) Material and outstanding compliance issues
b) Issues involving project type, size, location, viability and sponsor experience

In addition to being placed in the LTMC 5 High-Risk Category for monitoring purposes, projects with any of the above issues will be subject to a corrective action process that involves contact with the member and/or project owner on a frequent basis until the issue(s) are resolved.

Site Visits

The Bank may, at its sole discretion, perform a project site visit on any AHP project. In determining whether to conduct a site visit, the Bank will consider the following factors:

- Projects not in compliance with the approved AHP application and/or FHFA regulations that cannot be resolved within six months, or projects with issues that cannot be confirmed or resolved with off-site monitoring

- Projects with AHP funds representing the majority (more than 50 percent) of a rental project's gap funding

- Projects on the Bank's watch list, rated as high-risk as determined by the Bank's AHP Risk Evaluation Process or are subject to FHFA concern

- The Bank becomes aware of concerns related to long-term monitoring being conducted by third parties

- Projects that are financially troubled, including those with a bankrupt sponsor, that call into question the long-term viability of the project

- The Bank suspects fraud or misrepresentations on part of the sponsor, owner, managing agent or other party such as misrepresented factual information or falsified income documents and verification or altered homeowner/tenant files

First Front Door Monitoring - 12 C.F.R. §1291.7(b)

The Bank's CID shall monitor the First Front Door (FFD) program households that have received funding under FFD, in accordance with the FFD monitoring procedures. FFD monitoring shall determine the following:

1. The AHP subsidy was provided to households meeting all applicable eligibility requirements in §1291.6 (c) (2) and the Bank's FFD monitoring policy and procedures.

2. All other applicable eligibility requirements in §1291.6 (c) and §1291.6 (f) and the Bank's FFD policy and procedures have been met including that the AHP-assisted units are subject to retention agreements required under §1291.6 (c) (5).

FFD Monitoring Review Procedures

Monitoring of the FFD program occurs at the time of homebuyer registration, disbursement for each FFD homebuyer and after disbursement of FFD funds.

At homebuyer registration, the following items are determined by the FFD Program Administrator:

- Household income eligibility, by reviewing the FFD Income Calculation Form and supporting third-party documentation, to determine if the FFD household has household income 80 percent or less of AMI

- Member certifies that the homebuyer(s) is a first-time homebuyer, as defined in the FFD program requirements

- Member certifies the homebuyer(s) will receive at least 4 hours of homeownership counseling, including the topic of predatory lending.

At disbursement, the following items are required:

- Member provides a copy of the executed retention mechanism, which includes either an FFD mortgage or a mortgage rider for FHA and VA loans.

- Member provides a copy of the executed FFD Note

- Member provides documentation evidencing the completion of homeownership counseling

- Member provides a copy of the HUD-1 settlement statement to determine subsidy use for down payment and/or closing costs assistance, member concession(s), reasonable financing costs and cash back to homebuyer that does not exceed $250

- Member certifies that the FFD subsidy is provided in accordance with 1291.6(c) of the AHP regulation

- FFD subsidy does not exceed $5,000

After disbursement, the FFD Program Administrator, on an annual basis, will collect **recorded** FFD mortgages using the following sampling methodology:

- The sampling methodology for the recorded FFD mortgages is based on a review of each member's funded FFD homebuyers. The sample will be selected on a random basis and will be based on 5 percent of the member's funded FFD homebuyers or a minimum of 2 and a maximum of 15.

- Once the sample is selected, the FFD Program Administrator will request the member to provide a copy of the recorded mortgages for the sample to determine that the member is recording FFD mortgages.

- If the review determines that the member is not recording FFD mortgages the sample will be expanded and the member will be required to record all unrecorded FFD mortgages. Additionally, the member may be suspended from FFD participation until the Bank is satisfied that the member has implemented satisfactory corrective action(s) to alleviate any future occurrence of non-recorded FFD mortgages.

- Once this review is completed, the level of compliance with the sample review requirements shall be identified by the FFD Program Administrator in the form of a memo to the CID Director and Manager of Operations and Compliance. The FFD Program Administrator is responsible to develop and implement corrective action(s) to resolve any issues of non-compliance.