AHP Implementation Plan

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I. Introduction

This FHLBank Policy, governed by the board of directors (board), sets forth the provisions of the 2018 Affordable Housing Program (AHP) Implementation Plan (Plan) for the Federal Home Loan Bank of Topeka (FHLBank). FHLBank's board is required to adopt, after consultation with its Affordable Housing Advisory Council (Advisory Council), a written Plan as set forth in 12 C.F.R. Part 1291—Federal Home Loan Banks' Affordable Housing Program (Regulations). The board shall not amend the Plan without first consulting its Advisory Council, which shall provide recommendations of amendments to the board for consideration. The board shall not delegate to FHLBank officers or other FHLBank employees the responsibility to consult with the Advisory Council prior to adopting or amending the Plan. FHLBank shall notify the Federal Housing Finance Agency (FHFA) of any amendments made to its Plan within 30 days after the date of adoption. FHLBank shall publish its current Plan on its website and any amendments made thereto within 30 days after the amendments are adopted. While the Plan includes information pertaining to FHLBank's AHP, it is not intended to be a comprehensive statement of all AHP policies and procedures. In the event of a conflict between the Plan and the Regulations, the Regulations shall govern.

II. Overview

A. Purpose. The purpose of this Plan is to set forth the policy and provisions of the AHP for FHLBank as required by the Regulations. This Plan shall serve to establish requirements for AHP, which includes the Homeownership Set-aside Program (HSP).

B. Scope. This Plan provides the framework and guidance for managing FHLBank's AHP.

C. Applicable Statutory and Regulatory Provisions. Applicable provisions of the Federal Home Loan Bank Act (Act) and the Regulations supersede this Plan, and any actions taken hereunder shall be consistent with such provisions.

D. Defined Terms. Terms used within this Plan and in all applicable AHP agreements, AHP forms, AHP applications and on FHLBank's website related to the AHP shall have the meanings as set forth in Exhibit D.

E. Affordable Housing Advisory Council. Per 12 C.F.R. §1291.4, FHLBank's board shall appoint an Advisory Council of 7 to 15 members. These members shall reside in FHLBank's District and shall be drawn from the community and not-for-profit organizations that are actively involved in providing or promoting low-and moderate-income housing and community lending in FHLBank's District.

1. FHLBank shall solicit nominations for membership on the Advisory Council from the community and not-for-profit organizations.
2. The board shall appoint Advisory Council members from a diverse range of organizations so that representatives of no one group constitute an undue proportion of the membership of the Advisory Council, giving consideration to the size of FHLBank's District and the diversity of low- and moderate-income housing and community lending needs and activities within FHLBank's District.
3. Advisory Council members shall be appointed to serve a three-year term with term limitations of three full consecutive terms, which shall be staggered to provide continuity in experience and service to the Advisory Council (except that Advisory Council members may be appointed to serve for terms of one or two years solely for purposes of reconfiguring the staggering of the three-year terms). An Advisory Council member appointed to fill a vacancy shall be appointed for the unexpired term of his or her predecessor in office.
4. The Advisory Council shall elect from among its members a chairperson, a vice chairperson, and any other officers the Advisory Council deems appropriate.

5. The Advisory Council shall meet quarterly with the FHLBank board Housing and Governance Committee (HGC) to provide advice regarding how to carry out the housing finance and community lending mission of FHLBank, including, but not limited to, advice on the low- and moderate-income housing and community lending programs and needs in FHLBank's District, and on the use of AHP subsidies, FHLBank advances, and other FHLBank credit products for these purposes.
6. The Advisory Council's advice shall include recommendations on:
    a. The amount of AHP subsidies to be allocated to FHLBank's competitive program and HSP;
    b. The Plan and any subsequent amendments thereto;
    c. The scoring criteria, related definitions, and any additional optional FHLBank District eligibility requirements for the competitive program; and
    d. The eligibility requirements and any priority criteria for the HSP.
7. Prior to adoption, the Advisory Council shall review the Plan and any subsequent amendments thereto, and provide its recommendations to the HGC.
8. The Advisory Council annually shall submit to the FHFA by May 1 its analysis of the low- and moderate- income housing and community lending activity of FHLBank. Within 30 days after the date the analysis is submitted to the FHFA, FHLBank shall publish the analysis on its publicly available website.

F. **Housing and Governance Committee.** The HGC shall provide primary review and oversight of all activities regarding FHLBank's housing initiatives. Among other responsibilities, the HGC is charged with advising the board with respect to the following:
    1. FHLBank's AHP Plan;
    2. Competitive awards;
    3. Advisory Council Charter; and
    4. Advisory Council appointments.

III. Affordable Housing Program

A. **Program Summary** The AHP is a special program that helps members provide financing for owner-occupied and rental housing that is affordable to very low-income (VLI), low- and moderate-income households through the use of subsidized advances and direct subsidies. Each year, FHLBank shall allocate the greater of (1) ten percent of its net earnings from the prior year, or (2) FHLBank's pro rata share of an aggregate of $100 million to be contributed in total by all Federal Home Loan Banks, such proration being made on the basis of the net earnings of all the Federal Home Loan Banks for the prior year (except that the required annual AHP contribution for FHLBank shall not exceed its net earnings in the prior year) to award in AHP subsidies.

B. **Allocation of Contribution.** FHLBank, after consultation with its Advisory Council and pursuant to the Plan, shall allocate its annual required AHP contribution as follows:
    1. FHLBank shall allocate that portion of its annual required AHP contribution that is not set aside to fund HSP, to provide funds to members through a competitive program.
    2. FHLBank may accelerate to its current year's Program from future annual required AHP contributions an amount up to the greater of $5 million or 20 percent of its annual required AHP contribution for the current year. FHLBank may credit the amount of the accelerated contribution against required AHP contributions pursuant to the Regulations over one or more of the subsequent five years.

C. Funding Period and Application Process. FHLBank shall offer one competitive program funding period in 2018. The 2018 application period shall begin May 14, 2018, and end June 29, 2018. All applicants shall be notified regarding the final status, either approved or denied, of application no later than October 31, 2018.

D. Eligible Applicants. FHLBank shall accept applications for AHP subsidy only from institutions that are members of FHLBank at the time the application is submitted.

E. Applications. Complete applications must be submitted through FHLBank's online application system utilizing FHLBank's current forms and instructions by 5:00 p.m., Central time on June 29, 2018.

IV. AHP Minimum Eligibility Requirements

A. Maximum Funding Per Project and Per Unit. The maximum 2018 AHP subsidy per project is $750,000. Each AHP project is limited to a maximum AHP subsidy of $40,000 per AHP eligible unit. Multiple applications representing the same project, as determined in FHLBank's sole discretion, will be deemed a single project regardless of the year or years in which the applications were submitted and/or awarded and limited to receiving the maximum project subsidy and subsidy per unit allowable in the year of the original award.

B. Eligible Projects. FHLBank shall determine whether the application involves projects or activities meeting either of the two broad purposes of the Program for which the AHP subsidy shall be used exclusively, as identified below:

1. **Owner-occupied Projects.** The purchase, construction, or rehabilitation of an owner-occupied project where 100 percent of the units in the project are for VLI or low- or moderate-income households. Status as VLI or low- or moderate-income household shall be determined for owner-occupied units using the applicable AMI as defined in Exhibit D. An eligible household must have income meeting the income targeting commitments in the approved AHP application at the time it is qualified by the member or project sponsor for participating in the project. An owner-occupied project sponsor may include only one each of the following project types per application round, but not a combination thereof: rehabilitation or purchase.

2. **Rental Projects.** The purchase, construction, or rehabilitation of a rental project, where at least 20 percent of the units in the project are occupied by and affordable for VLI households. Status as VLI shall be determined for rental projects using the applicable AMI as defined in Exhibit D. An eligible household must have income meeting the income targeting commitments in the approved AHP application upon initial occupancy of the rental unit, or for projects involving the purchase or rehabilitation of rental housing that already is occupied, at the time the application for AHP subsidy is submitted to FHLBank for approval.

C. Need for Subsidy. A project's estimated sources of funds, including AHP subsidy, must equal its estimated uses of funds, as reflected in the project's development budget. The difference between a project's sources of funds (net the AHP subsidy) and uses of funds is the project's funding gap, which shall not exceed the maximum funding per project.

1. **Sources of Funds.** The project's estimated sources of funds include conventional financing, funds from other agencies, and donations. It may include the estimated market value of in-kind donations and voluntary professional labor or services (excluding the value of sweat equity), provided that the project's uses of funds also includes or excludes, respectively, the value of such estimates.

a. A project's cash sources of funds include: all cash contributions from the project sponsor or project owner, other cash sources, and estimates of funds a project sponsor or project owner intends to obtain but which have not yet been committed to the project.
b. In owner-occupied projects where the project sponsor provides permanent financing, the project sponsor's cash contribution must include the present value of the buyer's payments including cash down payments, plus the present value of any purchase note the project 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.
c. In owner-occupied purchase projects, the homebuyer must contribute a minimum $500 down payment or other costs paid outside of closing of at least $500. Homeowners who receive AHP subsidy for owner-occupied rehabilitation projects are not required to provide a down payment.
d. FHLBank shall determine if a project's sources, as reflected in the sources of funds on the development budget, are reasonable.

2. **Uses of Funds.** The project's estimated uses of funds are the actual outlay of cash needed to pay for materials, labor and acquisitions or other costs of completing the project. If the sources of funds included the estimated market value of in-kind donations and voluntary professional labor or services (excluding the value of sweat equity), they must also be included in the uses of funds.
   a. Cash costs shall not include in-kind donations, voluntary professional labor or services or sweat equity.
   b. FHLBank shall determine if a project's costs, as reflected in the uses of funds on the development budget, are reasonable.
3. **FHLBank's Review of Need for Subsidy.** A project may not need the AHP subsidy even if the project has demonstrated feasibility. FHLBank may, in its sole discretion, determine that certain development costs (e.g., ineligible LIHTC basis finance costs) are not eligible for funding.
   a. FHLBank shall deny funds to an application, even if the application's score was high enough to be funded, if FHLBank, in its sole discretion, determines that the project does not meet FHLBank's established feasibility guidelines, the project does not demonstrate a need for AHP subsidy, or proposed costs are not reasonable and customary in light of industry standards for the location of the project and the long-term financial needs of the project.
   b. A project should not be complete as evidenced by having a certificate of occupancy or other indications of completion, as determined by FHLBank in its sole discretion, prior to the date of board approval of the project's application.
   c. Any request for additional AHP subsidy for a previously awarded project must be made through a modification request. Requests for additional subsidy must be justified and not for the sole purpose of increased fees to the developer. Total subsidy for the project cannot exceed the maximum subsidy per project allowed at the time of application. Maximum subsidy per unit cannot exceed the maximum subsidy per unit allowed at the time of application, if applicable.
   d. FHLBank may request an independent third-party review of any aspect of a project's feasibility to be completed at the expense of the project sponsor or project owner.

4. **Subsidy Allowable/Changes.** Based on the evaluation of feasibility and the project's funding gap, FHLBank shall estimate the amount of AHP subsidy allowable for the project at the time of application based upon the project's estimated sources/uses of funds. This determination is made solely at FHLBank's discretion and is not a representation as to the actual funding gap or feasibility of the project. The amount of allowable AHP subsidy may change during the project's life as actual development costs, mortgage amounts, tax credits and other funding source allocations become available. If there are changes in sources/uses of funds or other material changes that would decrease the project's need for AHP subsidy, FHLBank shall adjust the amount of approved AHP subsidy or, if already disbursed, recapture the appropriate amount of the AHP subsidy.

D. **Project Costs.** In determining the reasonableness of the project's total cost, FHLBank shall take into consideration the geographic location of the project, development conditions, and other non-financial household or project characteristics, in accordance with the Project Cost Guidelines identified in Exhibit A.

1. **Reasonableness of Fees.** FHLBank has established limits for fees that may be charged in competitive projects. For purposes of determining the reasonableness of a developer's fee as a percentage of development costs, FHLBank will include estimates of the market value of in-kind donations and volunteer professional labor or services (excluding sweat equity value) committed to the project as part of the total development costs.

2. **Cost of Property and Services Provided by a Member Institution.** The purchase price of a property or services, as reflected in the project's development budget, sold to the project by a member providing AHP subsidy to the project, or, in the case of property, upon which such member holds a mortgage or lien, cannot exceed the market value of such property or services as of the date the purchase price was established. In the case of real estate owned property sold to a project by a member providing AHP subsidy to the project, or property sold to the project upon which the member holds a mortgage or lien, the market value of such property is deemed to be the "as-is" or "as-rehabilitated" value of the property, whichever is appropriate. The value shall be determined by an independent appraisal of the property performed by a state-certified or licensed appraiser, as defined in 12 C.F.R. §564.2(j), (k), within six months prior to the date of the disbursement of the AHP subsidy.

3. **Acquisition Costs of Rental Projects.** If the proposed project budget includes the acquisition of vacant land and/or existing buildings, documentation of the proposed acquisition costs (see Exhibit D) and market value (see Exhibit D) is required at the time of the AHP application submission; such documentation must be dated within the current or previous calendar year of the application date and must be submitted through AHP Online. If the transaction has closed the documentation must be from the current or previous calendar year of the purchase closing date.

E. **Reasonable Financing Costs.** The rate of interest, points, fees, and any other charges for all loans made in conjunction with the AHP direct subsidy shall not exceed guidelines for interest, points, fees, and other charges for loans of similar maturity, terms, and risk. (See Exhibit A and Exhibit B).

F. **Project Feasibility.** FHLBank reserves the right, in its sole discretion, to regard an application as infeasible and therefore ineligible if it appears unlikely that debt or equity funds identified in the sources of funds will be obtained in a timely manner. (See Exhibit B).

1. **Developmental Feasibility.** The project must be likely to be completed and occupied, based on relevant factors, including, but not limited to, the project's development budget, operating

proforma statement (rental projects only), market analysis and the project sponsor's experience in providing the requested assistance to households. FHLBank evaluates a project's readiness to proceed and its capacity to finish. (See Exhibit B.)

a. The status of debt and equity sources will be assessed at the time of feasibility analysis. Projects without firm debt and equity commitments may be regarded as infeasible for the applicable AHP funding period.
b. FHLBank in its sole discretion may recommend approval of an AHP application for which additional documentation (including but not limited to cost reasonableness data, or Low-income Housing Tax Credits (LIHTC) awards) is required in order to demonstrate cost reasonableness or feasibility. The additional documentation must be provided by the end of the calendar year in which the AHP application was approved. If such documentation is not provided in the prescribed time frame, the award will be deobligated and offered to a qualified alternate or, if no alternates are available, returned to the AHP fund.
c. The property and buildings associated with the application must be owned, leased, subject to a commitment to purchase or subject to a commitment for a long term lease.

2. **Operational Feasibility of Rental Projects.** A rental project must be feasible, i.e., able to operate in a financially sound manner as projected in the project's operating proforma statement. (See Exhibit B).

a. The proforma is used to evaluate the project's likelihood to operate as committed through the retention period. The proforma is located in the Rental Feasibility Workbook. Guidelines are provided for operating costs, annual reserve contributions, income and expense escalators, reasonable vacancy rates, debt coverage ratio and fees. (See Exhibit B.)
b. Rental acquisition projects shall provide three years of operating or income statements that demonstrate the validity of all assumptions provided in the proforma.
c. Projects that rely on donations for the support of the operating proforma must be able to demonstrate it has a track record of raising the funds necessary to support the project.
d. FHLBank, at its sole discretion, may request the project to demonstrate the ability to cover any operating shortfalls. The member, project sponsor, or project owner must establish that a market exists for the units, as proposed, and that a significant number of potential homebuyers or potential tenants exist in the marketplace for those units.

G. **Previous Experience with the Member, Project Sponsor, or Project Owner.**

1. A project sponsor must be qualified and able to perform its responsibilities as committed to in the application for AHP subsidy funding of the project.
2. Members, project sponsors or project owners with previous experience must have a demonstrated ability to provide timely monitoring information and to complete projects on a timely basis. FHLBank reviews performance on past AHP projects as an indication of performance on new applications.
3. Members, project sponsors or project owners with no previous experience must provide information as required in the application exhibits sufficient to demonstrate qualifications and abilities.

H. **Project Sponsor Qualifications.** A project sponsor must be qualified and able to perform its responsibilities as committed to in the application for AHP subsidy and as determined by FHLBank in its sole discretion. If the project sponsor is not qualified and able to perform its responsibilities, such project sponsor will not be eligible to participate in AHP, and any pending applications will be deemed ineligible to participate in AHP. An application with a project sponsor determined by FHLBank, in its sole discretion, to be of insufficient capacity may be subject to an adjustment in the number of units requested or to the requested subsidy.

I. Timing of AHP Subsidy Use. Within 12 months of the date of AHP application approval, one of the following must be submitted by the project:

- For rental projects, the project must submit a disbursement request for a minimum of 25 percent of the subsidy awarded, or, provide documentation establishing that AHP subsidy was used to procure financing commitments that were not approved at the time of AHP application.
- For owner-occupied projects, the project must submit a minimum of one disbursement request.

In its sole discretion, FHLBank may determine that the subsidy request is insufficient to demonstrate project start (See Exhibit B). FHLBank may extend the project start date for one six-month period, provided that reasonable progress is being made in obtaining funding or toward completion of the project (See Exhibit B). All requests for disbursement of AHP subsidy must be submitted within 42 months from project approval date. The project must be completed with all requested funds disbursed no later than 48 months from project approval date.

J. Counseling Costs. AHP funds may be used to pay for counseling costs only where: 1) such costs are incurred in connection with counseling of homebuyers who actually purchase an AHP-assisted unit; and 2) the cost of the counseling has not been covered by another funding source, including the member.

K. Cash Back to Household. A household may not receive cash back at closing. Any AHP direct subsidy that exceeds what is needed to address closing costs and the approved mortgage amount shall be applied as a credit to reduce the principal of the mortgage loan or as a credit toward the household's monthly payment on the mortgage loan.

L. Reimbursement to Household. Households may be reimbursed only for eligible rehabilitation expenses paid outside of closing for which there is supporting documentation. FHLBank, in its sole discretion, will determine the eligibility of items paid outside of closing.

M. Occupancy. Non-occupying co-borrowers and co-owners, as defined in Exhibit D, are not permitted. At least one occupant of the house or residence must be of legal age to enter into an enforceable contract.

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

O. Retention.

1. Owner-occupied projects shall be subject to agreements ensuring retention for five years (60 months) from: a) the closing date for the purchase of the property as evidenced by the closing document for purchase projects, or b) the effective date of the AHP retention document for rehabilitation projects. FHLBank or its designee shall be given notice of any sale or refinancing of the unit occurring prior to the end of the retention period. If a unit is sold or refinanced before the end of the retention period, an amount equal to a pro rata share of the

AHP subsidy that financed the purchase, construction, or rehabilitation of the unit, reduced for every month beginning the month following the date of the AHP mortgage attached to the seller owned unit, shall be repaid to FHLBank from any net gain realized upon the sale or refinancing, unless: (1) the unit was assisted with a permanent mortgage loan funded by an AHP subsidized advance; (2) the unit is sold to a VLI, low-, or moderate-income household, or proxy for such household; or (3) following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism.

2. Rental projects shall have agreements ensuring retention for 15 years (180 months) from the project completion date. The rental units must remain occupied by and affordable to households with incomes at or below the income commitments. FHLBank or its designee is to be given notice of any sale or refinancing of the unit occurring prior to the end of the retention period. If the project or any portion thereof is sold or refinanced before the end of the retention period, an amount equal to the full amount of the AHP subsidy shall be repaid to FHLBank, unless the project continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the AHP application for the duration of the retention period.

P. **Affirmative Fair Housing.** The project as proposed and as approved must, and the member, project sponsor and project owner must agree to comply with all federal and state laws on fair housing and housing accessibility including but not limited to: Fair Housing Act, the Architectural Barriers Act of 1969, the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990. The member, project sponsor and project owner must demonstrate how the project will be affirmatively marketed to promote fair housing in the community.

Q. **Calculating Subsidy to Reduce Interest Rate.**

1. **Lender Loans.** When AHP funds are used to write down the interest rate on a loan, extended by a member, project sponsor, or other party to a project, the net present value of the interest foregone from making the loan below the lender's market interest rate shall be calculated as of the date of the AHP application submission and subject to adjustment as provided by Regulations.
2. **Subsidized Advances.** When an AHP subsidized advance is provided to a project, the net present value of the interest revenue foregone from making a subsidized advance at a rate below FHLBank's cost of funds shall be determined as of the earlier of the date of disbursement of the subsidized advance, or the date prior to distribution on which FHLBank obtains the funding to support the subsidized advance through its asset/liability management system, or otherwise.

R. **Prohibited Uses of AHP Subsidies.** AHP subsidies may not be used to pay for any of the following:

1. FHLBank prepayment fees imposed on a member for a prepaid subsidized advance unless:
   a. The project is in financial distress that cannot be remedied through a project modification pursuant to 12 C.F.R §1291.5(f) of the Regulations and as set forth in this Plan;
   b. The prepayment of the subsidized advance is necessary to retain the project's affordability and income targeting commitments;
   c. Subsequent to such prepayment, the project shall continue to comply with all original terms of the AHP application and all applicable Regulations for the duration of the original retention period;
   d. Any unused AHP subsidy is returned to FHLBank and made available for other AHP projects;
   e. The amount of subsidy used for the prepayment fee may not exceed the amount of the member's prepayment fee on the subsidized advance to FHLBank.

2. Processing fees charged by members for providing AHP subsidies to the project.

S. Site Visits. FHLBank, in its sole discretion, may perform site visits, access the property and review project tenant and financial information.

V. AHP Application Scoring. Applications submitted to FHLBank for AHP funding consideration are scored based upon specific criteria (See Exhibit C). Applications shall be scored based only on the information provided in the application and obtained during the follow-up process initiated by FHLBank.

VI. AHP Agreements.

A. Agreements between FHLBank and Members. FHLBank shall have in place with each member receiving an AHP subsidized advance or AHP direct subsidy an agreement or agreements containing, at a minimum, the following provisions, where applicable:

1. **Notification of Member.** The member has been duly notified (notification may be made via letter delivered by U.S. Postal Service, a fax sent from FHLBank, linked announcement on FHLBank's website or an email sent by FHLBank) of the requirements of the Regulations, as they may be amended from time to time, and all FHLBank policies relevant to the member's approved application for AHP subsidy.
2. **AHP Subsidy Pass-Through.** The member receiving the AHP subsidy shall pass on the full amount of the AHP subsidy to the project or household, as applicable, for which the subsidy was approved.
3. **Use of AHP Subsidy.**
   a. Use of Subsidy by Member. The member shall use the AHP subsidy in accordance with the terms of the member's approved application for the subsidy and the requirements of the Regulations.
   b. Use of AHP Subsidy by the Project Sponsor or Project Owner. The member shall have in place an agreement with each project sponsor or project owner and FHLBank in which the project sponsor or project owner agrees to use and repay the AHP subsidy in accordance with the terms of the member's approved application for the subsidy and the requirements of the Regulations. This agreement shall contain a provision stating that if the project sponsor or project owner is found in noncompliance, the project sponsor or project owner shall repay AHP subsidies to the member or FHLBank in accordance with the Regulations.
4. **Repayment of AHP Subsidies in Case of Noncompliance.**
   a. In the instance of noncompliance by a member, the member shall repay AHP subsidies to FHLBank in accordance with the Regulations.
   b. The member shall have in place an agreement with each project sponsor and in the case of rental projects also the project owner, in which the project sponsor, and project owner if applicable, agrees to repay AHP subsidies to the member or FHLBank in accordance with the Regulations.
5. **Monitoring.**
   a. The member shall comply with the monitoring requirements applicable to the member as established by FHLBank in this Plan pursuant to the Regulations.
   b. The member shall have in place an agreement with each project sponsor and in the case of rental projects also the project owner, in which the project sponsor, and project owner if applicable, agrees to comply with the monitoring requirements applicable to such parties as established by FHLBank in its monitoring policies pursuant to Regulations.

6. **Transfer of AHP obligations.**
   a. The member shall make best efforts to transfer its obligations under the approved application for AHP subsidy to another member in the event of its loss of membership in FHLBank prior to FHLBank's final disbursement of AHP subsidies; or
   b. If, after final disbursement of AHP subsidies to the member, the member undergoes an acquisition or a consolidation resulting in a successor organization that is not a member of FHLBank, the nonmember successor organization assumes the member's obligations under its approved application for AHP subsidy, and where the member received an AHP subsidized advance, the nonmember assumes such obligations until prepayment or orderly liquidation by the nonmember of the subsidized advance.
7. **Deed Restriction - Owner-occupied Projects.** The member shall ensure that an AHP-assisted owner-occupied unit is subject to a deed restriction or other legally enforceable retention agreement or mechanism requiring that:
   a. FHLBank or its designee is to be given notice of any sale or refinancing of the unit occurring prior to the end of the retention period;
   b. In the case of a sale or refinancing of the unit prior to the end of the retention period, an amount equal to a pro rata share of the AHP subsidy that financed the purchase, construction, or rehabilitation of the unit, shall be repaid to FHLBank from any net gain realized upon the sale or refinancing, reduced for every month beginning the month following the date of the AHP mortgage attached to the seller owned unit, unless:
      - The unit was assisted with a permanent mortgage loan funded by an AHP-subsidized advance;
      - The unit is sold to a VLI, low-, or moderate-income household, or proxy for such household; or
      - Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism described in this section.
   c. In the case of a direct subsidy, such repayment of the AHP subsidy shall be made to FHLBank, if FHLBank has not authorized re-use of the repaid AHP subsidy or has authorized re-use of the repaid subsidy but not retention of such repaid subsidy by the member or project sponsor pursuant to the Regulations, or has authorized retention and re-use of such repaid subsidy by the member or project sponsor pursuant to such section and the repaid subsidy is not re-used in accordance with the requirements of FHLBank and such section.
   d. The obligation to repay AHP subsidy to FHLBank shall terminate after any foreclosure, deed-in-lieu of foreclosure, assignment to the Secretary of the U.S. Department of Housing and Urban Development, or the death of the homeowner.
   e. Compliance with these provisions must be maintained through the retention period.
8. **Deed Restriction - Rental Projects.** Before disbursement, the member shall ensure that an AHP-assisted rental project is subject to a deed restriction or other legally enforceable retention agreement or mechanism requiring that:
   a. The project's rental units, or applicable portion thereof, must remain occupied by and affordable for households with incomes at or below the levels committed to be served in the approved AHP application for the duration of the retention period;
   b. FHLBank or its designee be given notice of any sale or refinancing of the project occurring prior to the end of the retention period;

c. In the case of a sale or refinancing of the project prior to the end of the retention period, the full amount of the AHP subsidy received by the project owner shall be repaid to FHLBank, unless:
    - The project continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the approved AHP application for the duration of the retention period; or
    - If authorized by FHLBank, in its discretion, the households are relocated, due to the exercise of eminent domain, or for expansion of housing or services, to another property that is made subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the approved AHP application for the remainder of the retention period.

d. The income eligibility and affordability restrictions applicable to the project shall terminate after any foreclosure; and

e. Compliance with these provisions must be maintained through the retention period.

9. **Final Closing Documents for Owner-occupied Projects.** Member must submit to FHLBank a copy of the recorded deed restriction or other legally enforceable retention agreement or mechanism as required by FHLBank, final closing document, if applicable, and other documentation requested by FHLBank with the request for disbursement. Real Estate Retention Agreements for Owner-occupied Rehabilitation Projects must be signed by the homeowner within 30 days after the rehabilitation completion date as listed on the signed Final Cost Certification.

10. **Lending of AHP Direct Subsidy.** If a member, project sponsor, or project owner lends AHP direct subsidy to a project, any repayments of principal and payment of interest received by the member, project sponsor, or project owner must be paid within a reasonable amount of time to FHLBank.

11. **Special Provision – For Subsidized Advances.**

a. The term of the AHP-subsidized advance shall be no longer than the term of the member's loan to the project funded by the advance, and at least once in every 12-month period, the member shall be scheduled to make a principal repayment to FHLBank equal to the amount scheduled to be repaid to the member on its loan to the project in that period.

b. Upon a prepayment of an AHP subsidized advance, FHLBank shall charge a prepayment fee only to the extent FHLBank suffers an economic loss from the prepayments.

c. If all or a portion of the loan or loans financed by an AHP subsidized advance are prepaid by the project to the member, the member may, at its option, either:
    - Repay to FHLBank that portion of the advance used to make the loan or loans to the project, and be subject to a fee imposed by FHLBank sufficient to compensate FHLBank for any economic loss FHLBank experiences in reinvesting the repaid amount at a rate of return below the cost of funds originally used by FHLBank to calculate the interest rate subsidy incorporated in the advance; or
    - Continue to maintain the advance outstanding, subject to FHLBank resetting the interest rate on that portion of the advance used to make the loan or loans to the project to a rate equal to the cost of funds originally used by FHLBank to calculate the interest rate subsidy incorporated in the advance.

B. **Agreements between FHLBank and Project Sponsor or Project Owner.** FHLBank shall have in place an agreement with each project sponsor, and in the case of rental projects also the project owner, in which the project sponsor and/or project owner agrees to repay AHP subsidies directly to FHLBank in accordance with the Regulations.

VII. AHP Processes

A. AHP Funding Procedures.

1. **Project Approval.** FHLBank's board shall approve AHP applications beginning with the highest scoring application until the total funding amount available is exhausted (except for any amount insufficient to fund the next highest scoring application). The board shall also approve the next six highest scoring applications as alternates. FHLBank may fund an approved alternate within one year of approval if any previously committed AHP subsidies become available. Alternates must provide updated feasibility information, if requested, at the time AHP funding is offered.
2. **Agreements.** A written agreement must be fully executed among FHLBank, the member, project sponsor and project owner, as applicable, for each approved AHP project.
3. **Modifications.** If the project would like changes to the commitments made in the executed AHP Agreement, the project sponsor (for owner-occupied projects) or the project sponsor and project owner (for rental projects) must submit a written modification request signed by the member including an explanation of good cause for the modification. FHLBank may approve/deny the request, in writing, based upon but not limited to the following: the project meets regulatory eligibility requirements including project feasibility; the revised score is high enough to have been approved in the funding period in which it was originally scored and approved; and there is good cause for the modification. Good cause shall be determined by FHLBank, in its sole discretion. If FHLBank determines the project requires a modification, FHLBank may initiate a modification. Modifications involving an increase in AHP subsidy: 1) may not be requested by projects that are complete at the time the increase in subsidy is requested; and 2) must be approved or denied by FHLBank's board.
4. **Disbursements.** Prior to each disbursement, FHLBank shall verify FHLBank membership and that a project meets AHP eligibility requirements, including all commitments relative to the status and type of the project.
   a. All AHP funds for a project must be requested within 42 months and all requested funds must be disbursed no later than 48 months from the date of FHLBank's board approval of the AHP project.
   b. AHP subsidies may not be combined with HSP assistance for any single household, unless the unit is being assisted with a permanent mortgage loan funded by an AHP subsidized advance.
   c. All disbursement request amounts must be rounded down to the nearest whole dollar.
   d. For rental projects, disbursement requests, except the final disbursement request, must be for a minimum of 25 percent of the subsidy award amount. The final disbursement request amount may be for the remaining amount available if the remaining amount available is less than 25 percent of the subsidy award amount.
   e. All disbursed funds for rental projects must be transferred to the project within 60 days after the funds have been deposited in the member's DDA.
   f. Owner-occupied purchase disbursement requests must be submitted no later than 90 days from the closing of the purchase.

g. Owner-occupied Rehabilitation expenses must be a minimum of $2,500 per unit (excluding sponsor fee, developer/contractor fee, and homeowner education costs).
h. Owner-occupied projects will be funded on a reimbursement basis after either closing of the purchase transaction or, for Owner-occupied Rehabilitation projects, after completion of the rehabilitation and payment of all rehabilitation costs. The Member or Project Sponsor will provide the funds at the purchase transaction closing or for payment of the AHP rehabilitation costs and will request reimbursement from FHLBank through a disbursement request. Disbursement of AHP Subsidy for an Owner-occupied project is at the Member's and/or Sponsor's risk, with reimbursement subject to FHLBank review and approval as set forth in this Plan.
i. AHP funds shall not be used for repayment of other debt as part of an owner-occupied home purchase.
j. Projects approved prior to 2017 will be required to meet FHLBank's feasibility guidelines (see Exhibits A and B) as defined in the Plan for the year in which the disbursement request was submitted. Projects approved in 2017 and after will be required to meet FHLBank's feasibility guidelines (see Exhibits A and B) as defined in the Plan at the time the application was approved for funding.

5. **Loss of FHLBank Membership.** If a member with an approved AHP subsidy loses its FHLBank membership, FHLBank can transfer the AHP subsidy to another FHLBank member to whom the institution has transferred its obligation under the approved AHP application or a member of another Federal Home Loan Bank who has assumed the obligations of the former member. Otherwise, any non-disbursed AHP funds shall be retained and de-obligated by FHLBank.
6. **Subsidies for Write Down of Loan Principal or Rate.** If a decrease in the principal amount or market interest rates causes the AHP subsidy needed to maintain the debt service cost for the loan to decrease from the amount of subsidy initially approved, FHLBank shall reduce the AHP subsidy amount accordingly and the amount of the reduction shall be repaid to FHLBank and added to the AHP fund for appropriate utilization.

B. AHP Monitoring—General Information.

1. **Back-up and Other Project Documentation.**
   a. Project sponsor and project owner shall maintain and provide for FHLBank's review, back-up project documentation regarding household income and rents and other documentation, which in FHLBank's sole discretion, is deemed necessary to support the certification submitted by the project sponsor.
   b. For shelters serving the homeless and victims of domestic violence, FHLBank shall not require back-up documentation regarding household incomes and rents but shall rely solely on certifications by the shelters that the shelter residents' incomes and rents comply with the income targeting and rent commitments made in the executed AHP Agreement.
   c. Back-up documentation shall be made available for FHLBank review upon request. FHLBank may elect to use a risk-based sampling plan to review documentation, but FHLBank shall not use a sampling plan to select the projects to be monitored.
2. **Project Progress--Prior to Project Completion.** At least semi-annually, the member and project sponsor must provide reports to FHLBank indicating whether reasonable progress is being made toward project completion, in compliance with the commitments made in the approved AHP application, the Plan, and the Regulations.

3. **Annual Adjustment of Income Targeting Commitments.** To determine compliance with income targeting commitments made for both initial and long-term monitoring purposes, such commitments shall be adjusted annually to reflect the most current applicable AMI.

C. **AHP Initial Monitoring.**

1. Within one year of the project completion date for owner-occupied projects or one year and 150 days for rental projects: a) FHLBank shall conduct a review of the project commitments and requirements; b) FHLBank will request a certification of compliance from the member or project sponsor, as applicable; c) FHLBank will notify the member or project sponsor of receipt of certification. This notification is acknowledgement of receipt of certification only and does not indicate compliance with the AHP Plan or Regulations.
2. **Required Documentation.** The sponsor must provide documentation to support the following:
    - Satisfactory progress is being made toward occupancy by eligible households;
    - AHP subsidy was used for eligible purposes according to the commitments made in the executed AHP Agreement;
    - Household incomes comply with the income targeting commitments made in the executed AHP Agreement;
    - For rental projects, household rents must comply with rent commitments made in the executed AHP Agreement;
    - Project's actual costs were reasonable in accordance with FHLBank's Project Cost Guidelines (See Exhibit A);
    - AHP subsidy was necessary for project completion as currently structured;
    - Services and activities committed to in the executed AHP Agreement have been provided in connection with the project; and
    - Each AHP-assisted unit is subject to AHP retention agreements as required by Regulations;
    - A third-party cost certification of project costs is required for rental projects.

D. **AHP Long-Term Monitoring.**

1. **Exemption of Long-Term Monitoring for Certain Rental Projects.** For completed AHP rental projects that have been allocated LIHTCs, FHLBank shall rely solely on the monitoring performed by the state-designated housing tax credit agency administering the LIHTCs of the income targeting and rent requirements applicable under the LIHTC program. FHLBank shall not obtain and review reports from such agency or otherwise monitor these projects' long-term AHP compliance.
2. **Long-Term Monitoring of All Other Rental Projects.**
    a. In the second year after project completion date and annually thereafter through the retention period, the project sponsor must certify to FHLBank that tenants' rents and incomes are in compliance with the current targeting and affordability commitments. FHLBank will review the certification provided by the project sponsor.
    b. FHLBank shall request and review back-up documentation regarding household incomes and rents and other project documentation as follows:
        - For projects receiving \$100,001 - \$250,000 in AHP subsidy, FHLBank shall review project documentation for a sample of a project's units every six years;
        - For projects receiving \$250,001 - \$500,000 in AHP subsidy, FHLBank shall review project documentation for a sample of the project's units every four years.

- For projects receiving more than $500,000 in AHP subsidy, FHLBank shall review project documentation for a sample of the project's units every two years.

c. FHLBank, in its sole discretion, may perform site visits, access the property and review project tenant and financial information.

d. FHLBank, in its sole discretion, may monitor projects more frequently.

E. Compliance and Monitoring Certifications. Certifications submitted to FHLBank shall be executed by the sponsor.

F. Reuse of Repaid AHP Direct Subsidies in Same Project. AHP direct subsidy, including any interest, repaid to a member or project sponsor must be repaid by such parties to FHLBank within a reasonable amount of time as determined by FHLBank, but not exceeding 30 calendar days. Retention by a member or project sponsor or project owner of repaid AHP direct subsidies for subsequent re-use is prohibited by FHLBank.

G. Noncompliance Remedial Actions.

1. **Recovery of AHP funding.** FHLBank shall recover the amount of an AHP subsidy, plus interest when deemed appropriate, not used in compliance with project commitments, if the noncompliance occurs as a result of the actions or omissions of the member, the project sponsor or the project owner or if the project is in noncompliance with Regulations. If the member causes the subsidy to be misused the member shall repay the subsidy to FHLBank. If the project sponsor or project owner causes the subsidy to be misused, at the direction of FHLBank, either the member shall recover the subsidy and repay it to FHLBank or the project sponsor or project owner shall repay directly to FHLBank. All recovered funds shall be made available for other AHP eligible projects. FHLBank shall reimburse the AHP fund for misuse or noncompliance with Regulations caused by FHLBank.
2. **Settlements.** In its sole discretion, FHLBank may settle a claim for AHP subsidies for less than the amount due from either the member, project sponsor or project owner.
3. **Non-recovery of AHP funding.** Recovery is not required if:
   a. The member, project sponsor or project owner cures the noncompliance and provides appropriate documentation of the cure within the timeframe established by FHLBank;
   b. The circumstances of noncompliance are eliminated through an FHLBank-approved modification of the terms of the executed AHP Agreement; or
   c. The member is unable to collect the AHP subsidy after making reasonable efforts to collect it (i.e. producing documents related to collection efforts or producing legal documentation of foreclosure or other legal means that prevent collection, acceptable at FHLBank's sole discretion on a case-by-case basis).
4. **Monitoring.** Projects that are not in compliance may be subject to additional monitoring.
5. **Disbursement or AHP Participation Restriction.** If FHLBank determines the member, project sponsor or project owner is not in compliance with the terms and conditions of the AHP Agreement or AHP regulations, FHLBank in its sole discretion may withhold disbursement of AHP funds and deem the member, project sponsor or project owner ineligible to participate in the AHP.
6. **Suspension and Debarment.** FHLBank may suspend or debar a member, project sponsor or project owner from AHP participation if such party shows a pattern of noncompliance or engages in a single instance of flagrant noncompliance, with the terms of an executed agreement for

AHP subsidy or the requirement of the Regulations. Final determination of suspension or debarment shall be made by the CEO of FHLBank.

VIII. Disposition of AHP Subsidies. AHP subsidies recaptured, repaid, or de-obligated, including any interest received, shall be made available by FHLBank in the current AHP funding year as follows:

A. To fund alternate projects in descending order based on score provided the alternate project was designated by the Board within the previous 12 months;

B. Used for another eligible household by the same project at FHLBank's sole discretion within timeframes identified by HCD;

C. Placed in the AHP reserve for deployment; and

D. For modifications to increase previously-awarded AHP subsidies subject to availability and the approval of the modification by FHLBank's Board of Directors;

E. Rolled forward into the next year's AHP.

IX. Homeownership Set-aside Program (HSP).

A. Program Summary. HSP provides down payment and closing cost, or funding for repairs related to the transaction for first-time homebuyers earning at or below 80 percent of the AMI for households purchasing or constructing homes in Colorado, Kansas, Nebraska or Oklahoma. HSP funding is provided on a reimbursement basis to eligible members, after closing. A minimum of $4.5 million shall be allocated to HSP.

B. Eligible Members. Homeownership Set-aside Program Member Registration Agreements (Registration Agreements), HSP Funds Reservation, and HSP Disbursement Requests will only be accepted from eligible members of FHLBank at the time the applicable document is submitted.

C. Member Registration. Members must register to participate by submitting a Registration Agreement. Registration Agreements will be be made available on FHLBank's website to members to sign and return after January 1, 2018.

D. Funding Period. Reservations will be accepted March 5, 2018 through November 30, 2018. Disbursement requests must be submitted by the member to FHLBank within 90 days of reservation approval. All funds must be disbursed on or before May 31, 2019.

E. Member Limit. HSP funds are available on a first-come, first-served basis of $25,000 in reservations per member per calendar month beginning March 5, 2018. The member limit will be adjusted by 9:00 a.m. Central time on the first business day of each month. Members may access the current month's limit plus the unused portion of previous months' limits if funds are available. FHLBank will evaluate funds remaining after July 1, 2018 and determine whether to continue, discontinue or change the member limit. Any change in member limits will be announced to members. Members are neither allocated nor guaranteed $25,000 in reservations per month.

F. Maximum Grant Amount. The maximum subsidy per household is $5,000.

G. Minimum Eligibility Requirements.

1. **First-time Homebuyer.** Homebuyer must be a First-time Homebuyer, as defined in Exhibit D.
2. **Occupancy.** Non-occupying co-borrowers and co-owners, as defined in Exhibit D, are not permitted.
3. **Income Eligibility.**
   a. <u>Eligible Households</u> - Income Eligibility Guidelines. The maximum household income must be at or below 80 percent of the applicable AMI at the time the household is accepted for

enrollment by the member in FHLBank's HSP. The household's enrollment date is the date the reservation is received by FHLBank.

b. Income Calculation - The income calculation is pursuant to FHLBank's Income Calculation Guidelines, as described on FHLBank's website. Income must be documented for all household members age 18 or over, whether or not shown as borrowers for the purpose of other financing.

4. **Minimum Down Payment.** The homebuyer must contribute a minimum $500 down payment or other costs paid outside of closing of at least $500.
5. **Cash Back to Household.** A household may not receive cash back at closing. Any HSP subsidy that exceeds what is needed to address closing costs and the approved mortgage amount shall be applied as a credit to reduce the principal of the mortgage loan or as a credit toward the household's monthly payment on the mortgage loan.
6. **Reimbursement to Household.** Households may be reimbursed only for eligible repair expenses paid outside of closing for which there is supporting documentation. FHLBank, in its sole discretion, will determine the eligibility of items paid outside of closing.
7. **Financing Costs.** Rate of interest, points, fees, and other charges for all loans made for the project in conjunction with the AHP subsidy shall not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms and risk. (See Exhibit B.)
8. **Cost of Property and Services Provided by a Member Institution.** The purchase price of property or services sold to a household by a member providing HSP subsidy to the household, or, in the case of property, upon which such member holds a mortgage or lien, cannot exceed the market value of such property or services as of the date of the HSP reservation. In the case of real estate owned property sold to a household by a member providing HSP subsidy to the household, or property sold to the household upon which the member holds a mortgage or lien, the market value of the property is deemed to be the "as-is" or "as-rehabilitated" value of the property, whichever is appropriate. The value must have been determined by an independent appraisal of the property performed by a state-certified or licensed appraiser, as defined in 12 C.F.R. §564.2(j) and (k), within six months before the date of the reservation of the HSP subsidy.
9. **Homebuyer Education Requirement.** Recipients must complete a homebuyer education program provided by, or based on one provided by, an organization recognized as experienced in homebuyer education. FHLBank designates organizations to approve homebuyer education providers.
10. **Counseling Costs.** The HSP subsidy may be used to pay for counseling costs (homebuyer education) only where the costs are incurred in connection with counseling of homebuyers who actually purchase an HSP-assisted unit and the cost of the counseling has not been covered by another funding source.
11. **Processing Fees:** Processing fees shall not be charged by any entity for providing HSP subsidy to a household.
12. **Prohibited Uses of HSP Subsidy.** HSP funds shall not be used to pay for any of the following:
    a. Home purchases closed prior to FHLBank approval of household income or prior to the HSP funding period.
    b. Repayment of other debt as part of a home purchase.

13. **Use of Subsidy.** Households must agree to use the HSP subsidies to pay for down payment, closing cost, counseling (homebuyer education), or repairs (see definition of rehabilitation/repairs in Exhibit D) in connection with the household's purchase of a home, including a condominium or cooperative housing unit or manufactured housing, to be used as the household's primary residence.
14. **Retention Period.** Households must agree to a five-year retention period.

H. Other Guidelines.

1. HSP subsidies may not be combined with other AHP assistance for any single household, unless the unit was assisted with a permanent mortgage loan funded by an AHP subsidized advance.
2. The member shall make best efforts to transfer its obligations under the approved application for HSP subsidy to another member in the event of its loss of membership in FHLBank prior to FHLBank's final disbursement of HSP subsidies.

I. Noncompliance Remedial Action. FHLBank shall recover from the member the amount of any HSP subsidy that is not used in compliance with this Plan, the regulations, or the HSP Member Registration Agreement, if the misuse is the result of the actions or omissions of the member.

J. HSP Funding Procedures.

1. Requests for both reservations and disbursement of HSP funds must be submitted through HSP Online, FHLBank's online system.
2. **Reservation of HSP Subsidy.** To reserve funds for a prospective homebuyer, a member must submit an Income Calculation Workbook, income documentation as specified in the Income Calculation Guidelines, and other documentation as required, to FHLBank through HSP Online. FHLBank shall notify the member when the HSP reservation has been approved or denied.
3. **Disbursement Request.** FHLBank must receive, and shall review the documentation required per the disbursement request.
4. **Retention Agreements.** The member shall ensure the unit is subject to a deed restriction or other legally enforceable retention agreement or mechanism requiring:
   a. FHLBank or its designee be given notice of any sale or refinancing of the unit occurring prior to the end of the retention period;
   b. In the case of a sale or refinancing of the unit prior to the end of the retention period, an amount equal to a pro rata share of the HSP subsidy, reduced by a pro rata amount of every month the homebuyer owned the unit, shall be repaid to FHLBank from any net gain realized upon the sale or refinancing, unless:
      - The unit is sold to a VLI, low-, or moderate-income household or proxy for such household; or
      - Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism described in this section.
   c. The obligation to repay HSP subsidy to FHLBank shall terminate after any foreclosure, deed-in-lieu of foreclosure, assignment to the Secretary of the U.S. Department of Housing and Urban Development, or the death of the homeowner.
   d. Member must submit to FHLBank a copy of the recorded deed restriction or other legally enforceable retention agreement or mechanism noted above, and other documentation requested by FHLBank in order to receive an HSP funds disbursement.

e. Failure to provide such documentation may result in suspension of disbursements, recapture of funds or exclusion from participation in the HSP and AHP programs.

5. **Cancelling Reservation or Disbursement Request.** A member may cancel reservations or disbursement requests without penalty through HSP Online.

6. **Repayment of Subsidy.**

a. If the property is sold before the end of the retention period, a pro rata share of the subsidy calculated to the nearest whole month must be repaid from any net gain unless the unit is sold to a VLI, low-, or moderate-income household, or proxy for such household. The amount of subsidy subject to repayment declines 1/60th each month for 60 consecutive months and is then forgiven.

b. In the case of refinancing before the end of the retention period, an amount equal to a pro rata share of the direct subsidy that financed the purchase, construction or rehabilitation of the unit, reduced 1/60th each month for every month the occupying household has owned the unit shall be repaid to FHLBank from any net gain unless the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism described in this section.

c. The obligation to repay HSP subsidy to FHLBank shall terminate after any foreclosure, deed-in-lieu of foreclosure, assignment to the Secretary of the U.S. Department of Housing and Urban Development, or the death of the homeowner.

K. **HSP Monitoring.** FHLBank shall use a sampling plan to select the households subject to a review of back up documentation of household income. FHLBank shall monitor compliance with all other HSP requirements including HSP eligibility requirements and member certifications for each household prior to disbursement. FHLBank reserves the right to request documentation to support member certifications post disbursement.

X. Incorporation of Laws and Regulations.

The requirements of Section 10(j) of the Act (12 U.S.C. §1430(j)) and the provisions of the Regulations are incorporated into all agreements between FHLBank, members, project sponsors and project owners, as applicable, receiving AHP subsidies under the competitive application program, and between FHLBank and members under the HSP. No amendment to the Regulations shall affect the legality of actions taken prior to the effective date of such amendment.

XI. Conflict of Interest Policy.

FHLBank's Code of Ethics, which is available on FHLBank's website, addresses conflicts of interest involving FHLBank directors, employees and Advisory Council members in regards to the AHP.

XII. Diversity and Inclusion.

FHLBank's *Diversity and Inclusion Policy*, which is available on FHLBank's website, provides guidance regarding the principles of non-discrimination and the inclusion of minorities, women, individuals with disabilities, and individuals in the lesbian, gay, bisexual, transgender and queer (LGBTQ) community, and minority-, women-, disabled-, and LGBTQ-owned businesses in FHLBank's business activities, including management, employment and contracting.

XIII. Policy Review.

This Plan shall be reviewed annually and revised as needed by the Director of HCD. Any such revisions shall be submitted for review by the Executive Team and approval by the President and CEO, submitted to the Advisory Council for review and its recommendations and then submitted for review and approval by the HGC and the board.

XIV. Exhibits

A. **Exhibit A – Project Cost Guidelines**

B. **Exhibit B – Project Eligibility, Feasibility and Progress Milestone Guidelines**

C. **Exhibit C – Scoring Criteria- Point Determinations**

D. **Exhibit D – Definitions**

EXHIBIT A: PROJECT COST GUIDELINES

These guidelines are intended to assist in the evaluation of the feasibility of AHP-assisted projects and the need for the amount of AHP subsidy requested or approved for the project. If warranted by special circumstances, these standards may be waived by FHLBank, in its sole discretion. Any exceptions to these guidelines shall be documented as part of the feasibility review process at the time the application is reviewed, at disbursement and after the project is completed, and duly reported to FHLBank's board.

ITEM	Rental Project Costs Guidelines (Targets are Maximums)
1. DEVELOPMENT BUDGET	
a. Contractor Overhead, Contractor Profit, General Requirements and Developer Fees.	Within values as established at the time of AHP application in the most recent LIHTC qualified allocation plan adopted by the state LIHTC allocating agency for the state in which the project is located. Calculation of fees shall be done according to each state's LIHTC qualified allocation plan.
	In the event of a subsequent request for increase in subsidy, any additional developer fee must be no more than the original ratio of developer fee to costs and based on rates stated in the applicable state's qualified allocation plan at the time of AHP application. The subsequent request must include additional hard costs excluding developer fees.
b. Contingency	• 15% of hard costs for rehabilitation and adaptive reuse. • 10% of hard construction costs, new construction. • Contingency costs for combinations of rehabilitation and new construction will be proportionate to the respective costs. • 3% of soft costs.
c. Operating Reserves (capitalized)	9 months of operating expenses.
d. Replacement Reserves (capitalized)	$350 per unit
e. Debt Service Reserves	9 months of debt service.
f. Total Development Costs	Prior to project completion, variances in excess of 5% of primary funder's development budget(s) including but not limited to LIHTC, HUD and USDA must be explained in writing.
g. New Construction Costs	FHLBank will use data established by RS Means Company or other industry construction data to determine whether costs appear reasonable.
h. Rehabilitation Costs	Cost reasonableness will be determined by comparison to data established by RS Means Company or other industry construction data or justified as a result of competitive bidding process.
2. PROJECT FINANCING	
a. Construction Loan Fees	2% of the construction loan amount.
b. Permanent Loan Fees	2% of the permanent loan amount.
c. Interest Rate	• Permanent Loan/TIF Loan – 300 basis points over the comparable 15-year or 30-year CHP rate. (Applies to permanent loans not paid out of net cash flow.) • Construction Loan – 500 basis points over the 15 year CHP rate.

ITEM	**AHP Competitive Owner-occupied Project Costs Guidelines** (Targets are Maximums)
1. DEVELOPER/CONTRACTOR FEE	
a. New Construction	The developer/contractor fee for a newly constructed house where the developer/contractor is the sponsor shall not exceed 15% of total construction costs (net of developer/contractor fee), land costs and site costs per unit.
b. Purchase	No developer/contractor fee is permitted.
c. Rehabilitation	For projects approved on or after January 1, 2016, the aggregate fee for nonprofit processing and developer/contractor fee shall not exceed $500 per unit, unless the non-profit sponsor and the developer/contractor are different entities, in which case each can receive a fee not to exceed $500 per unit. For projects approved prior to January 1, 2016, the nonprofit processing fee and the developer/contractor fee each shall not exceed $500.00 per unit.
2. CONSTRUCTION COSTS	
(Habitat for Humanity, New Construction projects and Owner- occupied Rehabilitation projects)	FHLBank will use data established by RS Means Company or other industry construction data to determine whether costs appear reasonable.

EXHIBIT B: PROJECT ELIGIBILITY, FEASIBILITY AND COMPETITIVE PROGRAM PROGRESS MILESTONE GUIDELINES

These guidelines are established pursuant to the provisions of the Regulations and contain reasonable parameters for feasibility. These guidelines are intended to assist in the evaluation of the feasibility of AHP-assisted projects and the need for the amount of AHP subsidy requested or approved for the project. If warranted by special circumstances, these standards may be waived by FHLBank, in its sole discretion. Any exceptions to these guidelines shall be documented as part of the feasibility review process at the time the application is reviewed, at disbursement and after the project is completed, and duly reported to FHLBank's board.

1. AHP Competitive RENTAL

ITEM	Project Eligibility and Feasibility Guidelines
a. Vacancy Rate/Bad Debt	Up to and including 7% of gross rent revenue.
b. Management Fee	Maximum 15% of net rent for 20 units or less. Maximum of 10% of net rent for less than 50 but greater than 20 units. Maximum of 5% of net rent for 50 or more units.
c. Operating Costs	Between $3,200 and $5,000 per unit per year without reserves and including real estate taxes or within operating costs approved per Section 8 operating agreement or equivalent requirement.
d. Replacement Reserves	Minimum $250 and Maximum $500/unit per year in any year on the 15-year proforma.
e. Debt Capacity Measurement	Debt Coverage Ratio (DCR) - Use DCR when total debt divided by total development cost is greater than or equal to 3 percent. DCR shall be between 1.05 and 1.50 in any year on the 15-year proforma. Effective Gross Income Percentage (EGI%) - Use EGI% when total debt divided by total development cost is less than 3 percent. EGI% shall be between 85% to 100% in every year on the 15-year proforma.
f. Income and expense annual increase	Proforma projections of income and expense must use projected annual increase of 2% income and 3% expenses.
g. Deferred Developer Fee Repayment	Deferred developer fees must be projected to be paid within the 15-year proforma period.

2. AHP Competitive OWNER-OCCUPIED

ITEM	Project Eligibility and Feasibility Guidelines
a. Mortgage Term	All Owner-occupied purchase project units must be funded with a mortgage that meets the following guidelines: 1) Maximum mortgage term is forty (40) years. 2) Minimum mortgage term is five (5) years.
b. Mortgage Rate	First mortgage: A maximum of 200 basis points over 30-Year Fixed-rate Mortgage rate published by Freddie Mac in its Compilation of Weekly Survey Data on the first week of each calendar quarter. Second mortgage: A maximum of 400 basis points over the 30-Year Fixed-rate Mortgage rate published by Freddie Mac in its Compilation of Weekly Survey Data on the first week of each calendar quarter.
c. Mortgage Lender Fees	Lender fees paid by buyer including origination fee shall not exceed 4.0% of loan amount.
d. Mortgage Lender Discount Fees	Loan discount fees paid by buyer shall not exceed 2.5% of the loan amount.
e. Consumer Loan Interest Rate	The maximum interest rate shall be limited to 15%.
f. Consumer Loan Lender Fees	Lender fees shall not exceed 5% of the loan amount or $100 whichever is greater.
g. Consumer Loan Discount Fees	Discount fees shall not exceed 2% of the loan amount.
h. Homebuyer/ Homeownership Education Fee	The fee for homebuyer/homeownership education shall not exceed $500 per unit.
i. Front ratio	A front ratio (defined as principal, interest, property taxes, property insurance, other housing-related fees [e.g., homeowners' association fees, flood insurance], and private mortgage insurance, etc.) shall not exceed 38 percent of gross monthly income. Front ratio does not apply to owner-occupied rehabilitation subsidies.
j. Sponsor fee	The fee for a project sponsor shall not exceed $500 per unit.
k. Construction Costs	Construction costs: FHLBank will use data established by RS Means Company or other industry construction data to determine whether costs appear reasonable.
l. Minimum down payment for Owner-occupied Purchase Projects	The homebuyer must contribute a minimum $500 down payment or other costs paid outside of closing of at least $500. There is no homeowner contribution requirement for owner-occupied rehabilitation projects.

3. Homeownership Set-aside Program

ITEM	Project Eligibility and Feasibility Guidelines
a. Mortgage Term	All HSP home purchases must be funded with a mortgage that meets the following guidelines: 1) Maximum mortgage term is forty (40) years. 2) Minimum mortgage term is five (5) years.
b. Mortgage Rate	First mortgage: A maximum of 200 basis points over the conventional mortgage interest rate published in the Wall Street Journal on the first week of each calendar quarter. Second mortgage: A maximum of 400 basis points over the conventional mortgage interest rate published in the Wall Street Journal on the first week of each calendar quarter.
c. Lender Fees	Lender fees paid by buyer including origination fee shall not exceed 4.0 percent of loan amount.
d. Lender Discount Fees	Loan discount fees paid by buyer shall not exceed 2.5 percent of the loan amount.
e. Homebuyer Education Fee	The fee for homebuyer education shall not exceed $500.
f. Minimum down payment for Homeownership Set-aside Program.	The homebuyer must contribute a minimum $500 down payment or other costs paid outside of closing of at least $500.

Competitive Program Progress Milestones Guidelines

Progress milestones such as those listed below are used by HCD to quantify a project's readiness to proceed at application, judge the merit of a project's extension request, and in evaluating the status of a project at disbursement and monitoring.

Application Milestones

Projects completed prior to AHP approval are not eligible to apply. Applicants should be in the process of, or have completed, these activities at the time of application (or have completed such other objective as agreed to by FHLBank and the project):

Rental	Owner-occupied
• All funding source applications initiated or submitted	• Needs Assessment completed
• Site purchase agreement in place	• Scope of project defined
• Market Study or Market Needs Assessment completed	• Preliminary cost estimates developed
• Scope of work and construction specifications defined	• Other funding sources identified
• Preliminary cost estimates developed	

Project Start Milestones

The project may demonstrate project start as identified below:

Rental	Owner-occupied
• Submit a disbursement request for at least 25% of the subsidy awarded	• Submit a minimum of one disbursement request
• Provide documentation establishing that AHP subsidy was used to procure a financing commitment that was not approved at the time of the AHP application and must meet the criteria provided below. • Amount of financing commitment must be at least $20,000. • Project must submit a disbursement request for at least 25% of the subsidy awarded within 18 months of the date of the AHP application approval.	• Provide documentation establishing that AHP subsidy was used to procure a financing commitment that was not approved at the time of the AHP application and must meet the criteria provided below. • Amount of financing commitment must be at least $5,000. • Project must submit a minimum of one disbursement request within 18 months of the date of the AHP application approval.

Project Extension Milestones

One six-month extension may be granted, in FHLBank's sole discretion, to the 12-month start requirement. Written requests for extension will be considered if some or all of the following have been completed (or if such other objective has been completed as agreed to by FHLBank and the project):

Rental	Owner-occupied
• All funding source applications approved	• Buyers/owners selected for 25% of total AHP units
• Architectural and/or other specifications completed	• Project Marketing started
• Contractor selection completed	
• Zoning change approved	
• Building permits obtained	
• Construction financing closing	
• Environmental review process completed	

Disbursement Milestones

At the time of a disbursement request or a project progress review (semi-annual report), a project must demonstrate a continuing need for subsidy and continued eligibility, as well as progress toward one or more of the following (or progress toward such other objective as agreed to by FHLBank and the project):

Rental	Owner-occupied
• Other funding source applications approved	• Other funding source applications approved
• Site acquisition	• Commitments are progressing with each disbursement
• Construction/Rehabilitation started	

Monitoring Milestones

At the time of initial monitoring, a project must demonstrate the following have occurred:

Rental	Owner-occupied
• Construction/Rehabilitation completed	• All commitments are fulfilled at project completion.
• Project occupancy is adequate for monitoring	
• Financial reports are available	
• Commitments have been fulfilled	

EXHIBIT C: SCORING CRITERIA – POINT DETERMINATIONS

Regulations require FHLBank to allocate 100 points among the nine scoring criteria listed below. Each applicant receives points based on their satisfaction of the nine scoring criteria. Applications are recommended for funding in descending order of score until the total amount of funds available is exhausted.

In the event of a tied score between two or more applications when the funds are sufficient to satisfy the funding requests of all of the tied applications, the tied projects will be ranked highest to lowest according to the scores awarded in one or more of the following scoring criteria, until the scores differentiated and the AHP funds are exhausted, in this order: Subsidy Per Unit, Targeting, First District Priority - Special Needs, and Second District Priority – Federally Declared Disaster Area.

In the event of a tied score between two or more applications when the funds are insufficient to satisfy the funding requests of all of the tied applications, the tied projects will be ranked highest to lowest according to the scores awarded in one or more of the following scoring criteria, until the scores are differentiated and the AHP funds are exhausted, in this order: Subsidy Per Unit, Targeting, First District Priority - Special Needs, and Second District Priority – Federally Declared Disaster Area, and then the total points awarded in each of the following categories: First District Priority, Second District Priority, and finally Community Stability.

1. **Use of Donated or Conveyed Government-owned or Other Properties (Variable: 5 points maximum).** To be considered donated property, the land or units must be donated at no or a de minimis cost to the project, excluding transfer or closing costs. Donations of property by the project sponsor, owner, or developer are not eligible to receive points under this scoring criterion.

   Creation of rental or owner-occupied housing using a significant proportion of land or units donated or conveyed by the federal government or any agency or instrumentality thereof will be awarded 1 point.

Rental: Points will be awarded to applications which have a minimum of 20% of land or units fully donated.	
Donation made within five years of current AHP application deadline.	5 points
Donation made more than five years from the current AHP application deadline.	2.5 points

Owner-occupied: Points will be awarded to applications which have a minimum of 20% of land or units fully donated.	
Donation made within five years of current AHP application deadline.	5 points
Donation made more than five years from the current AHP application deadline.	2.5 points

2. **Sponsorship by a Not-for-Profit Organization or Government Entity (Variable: 7.5 points maximum).** This criterion includes project sponsorship by a not-for-profit organization that is also tax exempt as determined by the Internal Revenue Service, a state or political subdivision of a state, a state housing agency, a local housing authority, a Native American Tribe, an Alaskan Native Village, or the government entity for Native Hawaiian Home Lands. Sponsorship can also include a not-for-profit organization that owns a for-profit entity that is the general partner in the partnership that owns an AHP-eligible rental project.

Rental Full points will be awarded if the not-for-profit or government sponsor meets one of the following criteria:
• has a controlling interest (>50%) in the ownership entity, or
• has a controlling interest in the general partner (GP) or the limited partner (LP) or the managing partner(s) of the owner (>50% ownership of the project).
2.5 points will be awarded if the not-for-profit or government sponsor meets one of the following criteria:
• has an ownership interest of at least 10% in the ownership entity, or
• has an ownership interest of at least 10% in the general partner (GP) or the limited partner (LP) or the managing partner(s).

Owner-occupied Full points will be awarded if the not-for-profit or government sponsor meets one of the following criteria:
• manages the construction or rehabilitation of the property;
• exercises control over the planning, development, or management of the project; or
• qualifies borrowers and provides or arranges financing for the owners of the units.

3. **Targeting (Variable: 20 points maximum)**
Targeting reflects the extent to which a project creates housing for very low-, low-, or moderate-income households. Projects are awarded points based on a declining scale with projects having the highest percentage of units targeted to households with the lower percentage of AMI awarded the highest number of points. The number of points awarded is calculated based on the number of units targeted within each of the income targeting categories. Each category is weighted with a value of 20, 18 16, or 0. The weightings and income categories are:

WEIGHTINGS	INCOME CATEGORIES
20	Less than or equal to fifty percent (50%) of AMI
18	Greater than fifty percent (50%) of AMI but less than or equal to sixty percent (60%) of AMI
16	Greater than sixty percent (60%) of AMI but less than or equal to eighty percent (80%) of AMI
0	Greater than eighty percent (80%) of AMI (market-rate units)

a. **Owner–occupied projects.** All owner-occupied units must be targeted to households at or below 80 percent of AMI. Points will be awarded as follows:

Points Awarded = [20 * (% of Units ≤ 50% of AMI)] + [18 * (% of Units > 50% of AMI but ≤ 60% of AMI)] + [16 * (% of Units > 60% of AMI but ≤ 80% of AMI)].

Using the formula as depicted above, an application with 30% of the units targeted to households with incomes at or below 50 percent of AMI, 30 percent of the units targeted for households greater than 50 percent (50%) of AMI but less than or equal to 60 percent (60%) of AMI and 40 percent to households greater than 60 percent (60%) of AMI but less than or equal to 80 percent (80%) of AMI would be receive 17.8 points, computed as follows: (20*30%) + (18*30%) + (16*40%) = 17.8.

b. **Rental projects.** A minimum of 20 percent of the units must be reserved for households at or below 50 percent of the AMI to be eligible for scoring.

- 20 points shall be awarded to projects with 60 percent or more of the units in the project reserved for occupancy by households with incomes at or below 50 percent of the AMI.
- For projects with at least 20 percent of the units and less than 60 percent of the units reserved for occupancy by households with incomes at or below 50 percent of the AMI, the points shall be awarded as follows:

Points Awarded = [20 * (% of Units ≤ 50% of AMI)] + [18 * (% of Units > 50% of AMI but ≤ 60% of AMI)] + [16 * (% of Units > 60% of AMI but ≤ 80% of AMI)] + [0 * (% of Units > 80% of AMI)].

Using the formula as depicted above, an application with 20 percent (20%) of the units targeted to households with incomes at or below 50 percent (50%) of AMI, 40 percent (40%) of the units targeted for households greater than 50 percent (50%) of AMI but less than or equal to 60 percent (60%) of AMI, 39 percent (39%) to households greater than 60 percent (60%) of AMI but less than or equal to 80 percent (80%) of AMI, and one percent (1%) of the units targeted to households exceeding 80 percent (80%) of AMI would receive 17.44 points, computed as follows:

Points Awarded = (20*20%) + (18*40%) + (16*39%) + (0*1%) = 17.44.

NOTE: A manager's or caretaker's unit cannot receive AHP funding unless it is income restricted according to the application targeting. If the manager's or caretaker's unit shall not be income restricted, the unit shall be excluded from the total number of AHP-assisted units in the project.

4. **Housing for Homeless Households (Variable: 5 points maximum).**

This criterion includes the financing of housing, excluding overnight shelters, reserving at least 20 percent of the units for homeless households, the creation of transitional housing for homeless households permitting a minimum of six months' occupancy, or the creation of permanent owner-occupied housing reserving at least 20 percent of units for homeless households. A project must reserve units for occupancy by homeless households, not merely market to homeless persons or give priority to the homeless for waiting list purposes.

Points awarded are based upon the percentage of units in the project meeting the AHP definition for homeless household units. The calculation is as follows: (units reserved for homeless households/total AHP units = percent of units reserved for homeless). Points are distributed utilizing the following ranges:

Range	Points Awarded
<20% Homeless Units	0.00 points
≥20% and <50% Homeless Units	1.75 points
≥50% and <75% Homeless Units	3.50 points
≥75% and ≤100% Homeless Units	5.00 points

For example: A project reserving 50 percent of units for homeless households would receive 3.50 points.

5. **Promotion of Empowerment (Variable: 7.5 points maximum).**

This criterion includes the provision of housing in combination with program offerings such as homebuyer/homeownership counseling; tenant counseling; assistance to find or sustain employment; financial education; formal education courses; or other services that assist residents to move toward better economic opportunities. Project programs or services that promote residents' quality of life or personal well being but not their economic betterment do not qualify.

Points will be awarded over ranges based on the number of empowerment commitments made in the application as follows:

Number of Commitments	Points Awarded
1 commitment	2.5 points
2 commitments	5.0 points
3 commitments	7.5 points

a. **Owner-occupied projects.** Points are awarded based on the following:

• Commitments to participation in (minimum of 50% of units): • Sweat equity programs; • Homebuyer/homeownership counseling (taken separately from financial education/credit counseling).
• Commitments to make available to AHP-assisted households any of the following: • Assistance to find or sustain employment and/or job training • Financial Education/credit counseling; • Formal Education Programs (general equivalency diploma (GED), English as a second language (ESL), Literacy); • Resident involvement in decision making affecting the creation and/or operation of the project
Scoring example: a project contains a financial education program and a minimum of 50% of the units are committed to a homebuyer counseling program for a total of two commitments = 5.0 points awarded.

b. **Rental projects.** Points are awarded based on commitments to the following:

• Commitments to participation in (minimum of 20% of units): • Tenant counseling.
• Commitments to make available to AHP- assisted households any of the following: • Assistance to find or sustain employment and/or job training; • Financial education and/or credit counseling; • Formal Education Programs (GED, ESL, Literacy); • Resident involvement in decision making affecting the creation and/or operation of the project.
Scoring example: a project provides assistance to find or sustain employment, tenant counseling (minimum 20% of AHP-assisted units), and resident involvement for a total of three commitments = 7.5 points awarded.

6. **First District Priority (Variable: 25 points maximum)**
FHLBank awards the sum of applicable points to applications in each category up to a maximum of 25 points.

• **In-district -** 5 points shall be awarded to projects in which 50 percent or more of the project units are located in Colorado, Kansas, Nebraska or Oklahoma.	
• **Special Needs -** as defined in Exhibit D.	
o 10 points shall be awarded to projects in which at least 50% of the units are reserved for occupancy by households with special needs,	
o 5 points shall be awarded to projects in which at least 20% and less than 50% of the units are reserved for occupancy by households with special needs.	
• **Member Financial Participation -**	
• Owner-occupied projects	10 points shall be awarded to owner-occupied projects in which any Federal Home Loan Bank system member loans a minimum of $1,000 to the homebuyer/homeowner or donates at least $500 towards the purchase transaction/rehabilitation costs for at least 20 percent of the project's total units;
• Rental projects	10 points shall be awarded to rental projects in which the amount of credit extended and drawn from/advanced by a Federal Home Loan Bank system member is at least five percent of the total development costs.

7. **Second District Priority (Variable: 15 points maximum)**
FHLBank awards the sum of applicable points to applications in each category up to a maximum of 15 points.

Federally Declared Disaster Area	5 points shall be awarded if 50 percent or more of the units will be located in a Federally Declared Disaster Area with the initial declaration date being no more than 24 months prior to the AHP application period opening date. (See Exhibit D)
Preservation of Federally Assisted Housing	5 points shall be awarded for Preservation of Federally Assisted Housing. PHA units are eligible with no other requirements.
Large Units	5 points shall be awarded if 50 percent or more of the units will have three (3) or more bedrooms.
Military Veterans	5 points shall be awarded if 20 percent or more of the units are provided to military veterans (including their widows or widowers), whose condition of discharge was by any means other than dishonorable or bad conduct.
Economic Diversity	5 points shall be awarded if 50 percent or more of the units are provided to very low- or low- or moderate-income households located in Census tracts where the median income equals or exceeds the median income for the county or Metropolitan Statistical Area in which the Census tract is located. (See Exhibit D)

8. **AHP Subsidy per Unit (SPU) (Variable: 7.5 points maximum)**
Points shall be awarded based on the extent to which projects propose to use the least amount of AHP SPU within the ranges specified below:

Owner-occupied SPU Scoring Formula.	Points awarded = [(12,501 – X)/9,000]*7.5, where X = SPU requested.
NOTE: SPU owner-occupied has a range of $12,500 to $3,500.	
Rental SPU Scoring Formula.	Points awarded = [(30,001 – X)/26,500]*7.5, where X = SPU requested.
NOTE: SPU rental has a range of $30,000 to $3,500.	

Applications with SPU less than or equal to the minimum SPU will receive 7.5 points.

9. **Community Stability (Variable: 7.5 points maximum)**
The promotion of community stability, such as providing for the adaptive reuse of existing properties, and not permanently displacing low- or moderate-income households, or if such displacement shall occur, assuring that such households shall be assisted to minimize the impact of such displacement.

If project shall be displacing low-or moderate-income households, a displacement plan acceptable to FHLBank should be submitted with the application. If an acceptable displacement plan is not submitted, no Community Stability points shall be awarded.

FHLBank awards the sum of applicable points for the promotion of Community Stability to applications for each of the following factors up to a maximum of 7.5 points:

• **Owner-Occupied Rehabilitation:** Rehabilitation expenses must be a minimum of $2,500 per unit (excluding sponsor fee, developer/contractor fee, and homeowner education costs). 5 points shall be awarded for projects demonstrating a commitment of 100 percent of the proposed project units to this factor.
• **Adaptive Reuse:** Units meeting the criteria for adaptive reuse. 2.5 points shall be awarded for projects demonstrating a commitment of 80 percent of the proposed project units to this factor.
• **Neighborhood Revitalization Area (NRA)/Stabilization Plan (NSP):** The proposed project or project type is an integral part of an NRA/NSP approved by a unit of state or local government, located in a target area within the plan and is eligible for the receipt of state or local government funding or support services in the stabilization of the neighborhood. 2.5 points will be awarded for projects demonstrating a commitment of a minimum of 20 percent of the proposed project units to this factor.
• **New construction in an area designated by HUD:** A qualified Census tract, distressed area or difficult to develop area. 2.5 points will be awarded for projects that have committed a minimum of 20 percent of the AHP units to this factor.
• **Abatement of Hazardous Environmental Conditions:** Units meeting the following criteria: 1) The project has proof of the existence of the hazardous environmental condition; 2) The project has a plan in place for the removal of the hazardous environmental condition by a qualified contractor; and 3) Costs associated with the removal are included in the development budget. 2.5 points will be awarded for projects demonstrating a commitment to this factor.

EXHIBIT D: DEFINITIONS

Abatement of Hazardous Environmental Conditions – The removal of hazardous substances such as lead based paint, asbestos, mold, radon and other waste.

Acquisition Cost – The final price of an asset including purchase price, legal costs, closing costs, and other costs associated with the acquisition of a property. Acceptable documentation includes, but is not limited to: an executed purchase agreement, executed settlement statement, executed option to purchase, or other documentation acceptable to FHLBank.

Adaptive Reuse – The conversion of a building from a non-housing use to a housing use, including the reuse of religious buildings for housing purposes. Examples include, but are not limited to: a warehouse converted to apartments or condominiums; a hotel converted to apartment units other than overnight shelter units; school houses converted to apartments; or convents and monasteries converted to a housing use for the general public.

Affiliate – Any person or entity that controls, is controlled by, or is under common control with the organization.

Affirmatively Marketed – Marketing actions to provide information about the project to the broadest number of the targeted population in order to attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, gender, religion, familial status or disability.

Affordable (rental) – (1) The rent charged to a household for a unit that is to be reserved for occupancy by a household with an income at or below 80 percent of the AMI, does not exceed 30 percent of the income of a household of the maximum income and size expected, under the commitment made in the AHP application, to occupy the unit (assuming occupancy of 1.5 persons per bedroom or 1.0 person per unit without a separate bedroom); or (2) The rent charged to a household, for rental units subsidized with Section 8 assistance under 42 U.S.C. 1437f or subsidized under another assistance program where the rents are charged in the same way as under the Section 8 program, if the rent complied with this 12 C.F.R. §1291.1 at the time of the household's initial occupancy and the household continues to be assisted through the Section 8 or another assistance program, respectively.

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

AHP Reserve – Internal FHLBank account containing AHP funds that have not been appropriated for approved AHP projects or an HSP funding round.

AHP Units – Units committed to occupancy by households at or below 80 percent of AMI.

Area Median Income (AMI) – For owner-occupied households, as defined in 26 U.S.C. §143(f), Mortgage Revenue Bond Income Limits as published by a State agency or instrumentality or as published by HUD for an area and adjusted for household size. For rental projects, as published by HUD for an area and adjusted for household size. NAHASDA income limits may be used for either owner-occupied or rental households for Native American projects.

Assistance to Find or Sustain Employment – Career counseling that leads to the development of skills that enhance employability; assistance with professional resume preparation; transportation to job interviews and employment placement services.

Builder's Overhead – An allowance for the portion of the builder's off-site (home office) expenses that are attributable to the project.

Builder's Profit – The builder's revenue minus cost, typically a function of the size of the project, the total development cost and the risk associated with the project.

CHP Rate— The rate of interest charged to a Member for an advance under the Community Housing Program. CHP rates are only available to FHLBank Members.

Closing Costs – Expenses over and above the price of the property incurred by the buyer when transferring ownership of the property.

Eligible Closing Costs include, but are not limited to: loan origination fee, loan discount fee, appraisal fee, credit report, mortgage insurance, application fee, closing fee, document preparation, attorney fees, title insurance (for mortgagee or owner), abstracting fees, recording fees, tax stamp fees, survey fees, pre-paid interest for up to 30 days, initial flood insurance premium, two months' escrow of mortgage insurance, escrow of property tax as appropriate for the jurisdiction in which the property is located, two months' escrow of flood insurance, first year's premium for homeowner's insurance, first year's premium for mortgage insurance, property inspection fees, homebuyer education classes (not to exceed maximum cost set forth in this Plan), financial education programs, etc.

Ineligible Closing Costs include, but are not limited to: single premium or monthly life and/or disability insurance coverage, escrow of principal and interest payments, or payments of personal obligations of the households including personal loans, judgments or liens.

Co-borrower – Individual(s) included on the deed, mortgage/deed of trust, and promissory note for a property in conjunction with another individual(s) and is liable for repayment of debt secured by the mortgage/deed of trust.

Co-owner – Individual(s) included on the deed and/or mortgage/deed of trust for a property in conjunction with another individual(s).

Co-signer – Individual(s) that is included on the promissory note and is liable for repayment of debt for real estate, but is not on the deed and/or mortgage/deed of trust for property.

Community Development Block Grant (CDBG) – A flexible program that provides communities with resources to address a wide range of unique community development needs. The CDBG program provides annual grants on a formula basis to units of local government and states.

Community Housing Development Organization (CHDO) – A private nonprofit organization with a 501(c) federal tax exemption, the CHDO must include providing decent, affordable housing to low-income households as one of its purposes in its charter, articles of incorporation, or by-laws. It must serve a specific, delineated geographic area; a neighborhood, several neighborhoods, or the entire community, but not the entire state. Nonprofit organizations must meet certain criteria to be considered a CHDO, as defined by HUD HOME program regulations.

Community Stability – The stabilization of neighborhoods by: a) being an integral part of a neighborhood stabilization plan that has been approved by a unit of state or local government; b) adaptive reuse of existing properties; and c) not displacing low-or moderate-income households and if displacement shall occur, assuring that households shall be assisted to minimize the impact of displacement.

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

Consumer Loan – An amount of money lent to an individual that is not secured by a mortgage on the household's principal residence.

Cost of Funds – The estimated cost of issuing FHLBank System consolidated obligations with maturities comparable to that of the subsidized advance.

Credit Counseling - A program that educates consumers about how to avoid recurring debts that cannot be repaid through establishing an effective debt management plan or budget. The education is provided to help people achieve their personal housing and financial goals.

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 as a result of: (1) withdrawals, cancellations or modifications or (2) the maximum disbursement time limitation has expired.

Deferred Developer Fee – The portion of a developer fee invested in the project and shown as a source of funds on the Source of Funds worksheet and evidenced by a promissory note, partnership agreement, or other written agreement acceptable to FHLBank, such fee to be repaid from the Project's cash flow after payment of operating expenses of the Project and after payment of debt service for all superior liens.

De minimis Cost — A de minimis cost for purposes of donated property shall be $100 or less, or for leased property an amount of $100 or less per year.

Developer Fee – Fees paid to the project developer as shown on the Development Budget worksheet. Developer fees also include consultant fees for consultants who perform tasks that a developer would normally perform, e.g. tax credit, AHP and loan applications, manage local government approvals, act as an owner agent for pre-construction or construction activities.

Difficult to Develop Area – Any area designated by the HUD Secretary as an area that has high construction, land, and utility costs relative to the area median gross income.

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

Director — The Director of the Federal Housing Finance Agency, or his or her designate.

Disability – A physical or mental impairment that substantially limits one or more of the major life activities of an individual.

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

Discount Rate – A rate which is used to discount cash flows, in the case of homeownership projects where the sponsor extends permanent financing to the homebuyer below market interest rates, to estimate the present value of the re-payments made to the sponsor.

Displacement Plan – A plan to provide housing accommodations to low/moderate income persons who are temporarily or permanently removed from their residence. The plan must indicate the steps that shall be taken in order to minimize the effects of relocating such persons.

District – The states of Colorado, Kansas, Nebraska and Oklahoma (i.e. District 10).

Donated Property – Land or housing units donated or conveyed at a de minimis cost to the project. Donations of property by the project sponsor, owner, or developer are not eligible to receive Donated Property points.

Economic Diversity – The provision of housing units to very-low, low-, or moderate-income households in Census tracts in which the median income is equal to or greater than the median income for the county or Metropolitan Statistical Area in which the Census tract is located as demonstrated via the Federal Financial Institutions Examination Council (FFIEC) Geocoding System website.

Effective Gross Income – Gross rents for all units plus miscellaneous income less vacancy allowance.

Elderly – Age 55 and above.

Empowerment – A type of program that offers: assistance to find or sustain employment, financial education, formal education, homebuyer, homeownership, or tenant counseling, resident involvement in the project, or other services to assist resident movement towards better economic opportunities.

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

Feasibility — The ability of a project to start (readiness to proceed), finish, and operate as it committed in the application through the retention period (viability).

Federally Declared Disaster Area - Counties with a “Major Disaster Declaration” (Individual Assistance and/or Public Assistance) from the Federal Emergency Management Agency (FEMA).

FEMA – Federal Emergency Management Agency. Created in 1979 to establish a single point of contact for State and local governments to deal with all emergency management programs at the Federal level, to broaden the application of emergency preparedness and response resources to all hazards, and to take advantage of the similarities that exist in planning and response functions for peacetime and attack emergencies.

Finance Agency (FHFA) — The Federal Housing Finance Agency is the Federal Home Loan Bank System’s regulator.

Financial Education – A program that provides education of how to manage personal finances including, but not limited to: avoiding financial scams, balancing a checkbook, online banking/billing, budgeting, planning for retirement, paying for college, etc. (as appropriate for the project’s residents).

First-time Homebuyer – At least one household member, not a minor child, who does not own and is not an investor in another residence, and who wishes to purchase a home that will be his/her primary residence. In addition, the homebuyer must meet any one of the following criteria:

1. Have had no ownership in a residence during the prior three-year period ending on the date of purchase of the property;
2. Is divorced but has only owned a residence with a former spouse;
3. Have only owned a residence not permanently affixed to a permanent foundation in accordance with applicable Regulations;
4. Has only owned a property that was not in compliance with State, local or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure; or
5. Is a household displaced as a result of a Federally Declared Disaster (as designated by FEMA) within 24 months of the reservation date (See Exhibit D).

Formal Education Programs – Programs that are academic in nature such as GED preparation, English as a Second Language (ESL), adult high school completion programs, literacy programs and college preparation.

Funding Period – A time period, as determined by FHLBank, during which FHLBank accepts AHP competitive applications for subsidy.

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

Government Entity – A state or political subdivision of a state, a state housing agency, a local housing authority, a Native American Tribe, an Alaskan Native Village, or the government entity for Native Hawaiian Home Lands.

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

Hard Construction Cost Contingency – Funds budgeted for unforeseen hard construction costs.

Hard-to-Develop Area – An area designated by HUD as a qualifying census tract (QCT), distressed area or hard to develop area.

HCD Programs – Includes FHLBank's AHP, CICA (including CHP and CDP), and Homeownership Set-aside Program (HSP).

HOME Funds – Funds provided via HUD's Home Investment Partnerships (HOME) Program to States and local government entities used by communities in partnership with local nonprofit groups to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or home ownership or provide rental assistance to low income people.

Home Mortgage — A mortgage upon real estate, in fee simple, or on a leasehold (1) under a lease for not less than 99 years which is renewable or (2) under a lease having a period of not less than 50 years to run from the date the mortgage was executed, upon which is located, or which comprises or includes, one or more homes or other dwelling units and shall include, in addition to first mortgages, such classes of first liens as are commonly given to secure advances on real estate.

Homebuyer/Homeownership Education – Recipients must complete a homebuyer education program, within the current or previous calendar year of the purchase closing date or rehabilitation completion date (for Owner-ocupied Rehabilitation projects), provided by, or based on one provided by, an organization recognized as experienced in homebuyer education. FHLBank designates organizations to approve homebuyer education providers.

Homeless Household – Based on the McKinney-Vento Homeless Assistance Act as amended by S. 896 The Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009:

1. an individual or family who lacks a fixed, regular and adequate nighttime residence;
2. an individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground;
3. an individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including hotels and motels paid for by Federal, State or local government programs for low-income individuals or by charitable organizations, congregate shelters, and transitional housing);
4. an individual who resided in a shelter or place not meant for human habitation and who is exiting an institution where he or she temporarily resided;
5. an individual or family who:
    a. will imminently lose their housing, including housing they own, rent, or lie in without paying rent, are sharing with others, and rooms in hotels or motels not paid for by Federal, State, or local government programs for low-income individuals or by charitable organizations,
        i. a court order resulting from an eviction action that notifies the individual or family that they must leave within 14 days;
        ii. the individual or family having a primary nighttime residence that is a room in a hotel or motel and where they lack the resources necessary to reside there for more than 14 days; or
        iii. credible evidence indicating that the owner or renter of the housing will not allow the individual or family to stay for more than 14 days, and any oral statement from an individual or family seeking homeless assistance that is found to be credible shall be considered credible evidence for purposes of this clause;
    b. has no subsequent residence identified; and
    c. lacks the resources or support networks needed to obtain permanent housing; and
6. homeless families with children defined as homeless under other Federal statutes who:
    a. have experienced a long term period without living independently in permanent housing,
    b. have experienced persistent instability as measured by frequent moves over such period, and
    c. can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse, the presence of a child or youth with a disability, or multiple barriers to employment.
7. any individual or family who is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions in the individual's or family's current housing situation, including where the health and safety of children are

jeopardized, and who have no other residence and lack the resources or support networks to obtain other permanent housing.

Household— Includes all the individuals who currently, or will, occupy the house or residence.

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

Identity of Interest – Any party related by family, business or personal interest to a member, project sponsor, project owner, or other party directly involved in an AHP project. For AHP purposes, the developer, tax credit syndicator, consultant, property manager and contractor are all considered related parties.

Job Training – Training that emphasizes skills and knowledge required for a particular job function (such as typing or data entry) or a trade (such as carpentry or welding).

Large Unit – A unit with three or more bedrooms.

Lender Fees – Fees charged by lender in association with the loan.

Low Income Housing Tax Credit (LIHTC) – 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.

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

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

Manufactured Housing – A structure, transportable in one or more sections, which is built on a permanent frame and is designed to be used as a dwelling when connected to the required utilities.

Market Rate Unit – A unit that is not assisted with AHP funds.

Market Value (MV) – Generally: 1) the property value established by the city or county assessor's office; or 2) the market value as established by an independent appraisal of the property performed by a state certified or licensed appraiser.

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

Member Financial Participation – Financial participation by any FHLBank System member (excludes the pass through of AHP direct subsidy) in the project by providing financing including construction loans, bridge loans and permanent financing.

Metropolitan Statistical Area (MSA) – In the United States a metropolitan statistical area refers to a geographical region with a relatively high population density at its core and close economic ties throughout the area.

Military Veteran – A person who served in the active military, naval, or air service and whose condition of discharge was by any means other than dishonorable or bad conduct.

Minor Child – A person who is either: 1) under the age of 18; or 2) 18 or older and is not engaging in substantial gainful activity due to a physical or mental condition that very seriously limits his or her activities and the condition has lasted, or is expected to last, at least one year.

Mortgage Revenue Bond (MRB) Median Income – The MRB AMI, adjusted for household size, as periodically published for use under the MRB program by the State Housing Finance Agency or instrumentality for the state in which the retention document shall be recorded. If a city/county has a targeted area or MRB income determination, FHLBank will use only the non-targeted area incomes.

Multi-family Building – A structure with five or more dwelling units.

Native American Housing Assistance and Self Determination Act (NAHASDA) – Enacted in 1996 to accomplish affordable housing for low income Native Americans with two essential goals: 1) to open the door to private lending; and 2) to merge Federal Indian housing programs into a single, flexible block grant which tribes can use according to their needs. This program is administered by HUD.

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

Neighborhood Stabilization Plan (NSP) or Neighborhood Revitalization Area (NRA) – A formal housing or community development plan adopted by a unit of government that includes a defined geographic area and is targeted for the receipt of state or local government funding or support services for the purpose of stabilizing the neighborhood. Funding examples include HOME, CDBG, tax increment financing, tax abatement, fee waivers, etc.

Net earnings of FHLBank – The net earnings for a calendar year, before declaring or paying any dividend under section 16 of the Act (12 U.S.C. 1436). For purposes of this definition, "dividend" includes any dividends on capital stock subject to a redemption request even if under GAAP those dividends are treated as an "interest expense."

Net Gain – The sales price of the home, or the amount of the new first mortgage after the refinancing of the home, minus the original purchase price, purchase-related closing costs including repairs and the costs associated with the sale or refinancing of the home.

Non-residential Space - Generally referring to a building, space within a building, or property used for business, other commercial purposes or supportive services**.**

Not-for-Profit Organization – A corporation or association that conducts business for the benefit of the general public without shareholders and without a profit motive, and has tax exempt status as determined by the Internal Revenue Service.

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

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

Owner-occupied Rehabilitation – Rehabilitation of units owned and occupied by low-income residents.

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

Ownership Interest— For the purposes of the competitive application program, a rental project sponsor is determined to have an ownership interest in the project if it meets one of the following criteria:

1. Entities not receiving points under the non-profit scoring criterion must meet one of the following criteria:
   a. Project Sponsor must own at least 10% of the ownership entity, or
   b. Project Sponsor must have at least 10% interest in the general partner (GP) or the limited partner (LP) or the managing partner(s) of the owner, or
2. Entities receiving points under the non-profit scoring criterion must meet the ownership requirements listed in the scoring exhibit.

Preservation of Federally Assisted Housing - rehabilitation of federally-subsidized units that would otherwise be lost as affordable housing stock and/or converted to market-rate units or are Public Housing Authority (PHA) owned units. PHA units meet the definition of Preservation of Federally Assisted Housing with no other requirements.

The following types of projects meet the definition of Preservation of Federally Assisted Housing if the federally-subsidized units are within two years of the expiration of the federal subsidization or at risk of losing federal funding as of the AHP application period opening date, including, but not limited to:

- A Low Income Housing Tax Credit (LIHTC) project as evidenced by expiration of the project's initial compliance period;
- The termination of, or opt out of, a project-based Section 8 contract;
- Conversion to Rental Assistance Demonstration within the current or previous calendar year;
- The termination of a U.S. Department of Agriculture Rural Development (RD) 514 or 515 loan or end of term for a 516 grant;
- The termination of HUD 202 or 811 rental assistance.

Procure – to obtain or acquire; secure. For example, the use of AHP subsidy award to obtain the approval for another source of funds.

Project Completion Date – For owner-occupied projects the date of the last disbursement of AHP funds or date that unused AHP funds are de-obligated, whichever occurs last. If a project is de-obligated more than 48 months after project award date, the project completion date shall be 48 months after project award date. For rental projects, the date of the certificate of occupancy issued by the local jurisdiction for new construction. For rental projects not involving new construction or in areas that do not issue such certificates, project completion shall be determined by FHLBank by using the first date units in the rental project are occupied, confirmation from the contractor that all construction is complete, or receipt of such other documentation determined acceptable by FHLBank.

Project Owner – A private person or entity, including a cooperative, an agency of the federal government, or a public housing agency, having the legal right to lease or sublease dwelling units.

Project Sponsor (owner-occupied) – An organization or public entity that is integrally involved in the project by: 1) managing the construction or rehabilitation of the property; 2) providing empowerment services directly as defined in the Implementation Plan; or 3) qualifying borrowers and providing or arranging financing for owners of the units.

Project Sponsor (rental projects) – An organization or public entity that has an ownership interest (including any partnership interest) in the project.

Proxy – A reasonable alternative to determine the purchaser's individual income level in the case of the sale of an owner-occupied unit. FHLBank's proxy is the median household income of the area in which the unit is located as determined by FFIEC Geocoding System. The Census tract median income provided by the FFIEC for the owner-occupied unit must be below the applicable low- or moderate-income limit.

Punitive Lists - Lists in which a project member, sponsor, and/or owner may be placed for noncompliance with monitoring, reporting, viability, and regulatory requirements of the AHP, FHLBank's AHP Implementation Plan, and FHLBank's policies and procedure. Punitive lists include: Disbursement Hold List, Remediation List, Problem Projects List, Suspension List, FHLBank's Suspended Counterparty List, and the FHFA's Suspended Counterparty List.

Qualified Census Tract (QCT) – HUD makes new QCT designations annually. QCT's are Census tracts in which at least 50 percent of households have an income less than 60 percent of the area median gross income or have a poverty rate of at least 25 percent.

Recaptured Funds – Disbursed funds that have returned to FHLBank that are not a result of a sale or refinancing of the unit or project prior to the end of the retention period.

Rehabilitation (owner-occupied rehabilitation)/Repair and(owner-occupied purchase) – To restore those parts of a dwelling in substandard condition, damaged, broken, or not working correctly, back to good condition or working order to address habitability issues, code deficiencies, or underwriting requirements. FHLBank's subsidy for rehabilitation should be used to accomplish the objective of maintaining affordable housing, defined as housing that is targeted to the low-and-moderate income markets. Repairs or improvements inconsistent with the objective of maintaining affordable housing are not eligible as a rehabilitation cost.

Eligible Rehabilitation/Repair Costs - AHP subsidy may be used to pay for rehabilitation including, but not limited to: accessibility, roof, electrical, plumbing, sewer, mechanical, foundation or other structural, windows, doors, floor coverings, wall repair, paint, or hazardous material remediation.

Ineligible Rehabilitation/Repair Costs – AHP subsidy cannot be used to pay for rehabilitation (unless specified above) including, but not limited to: construction/repairs of a detached garage or outbuilding, payments directly to the household for repair labor, luxury items (i.e. landscaping, hot tubs, swimming pools).

Rental Assistance Demonstration (RAD) – A voluntary program of the Department of Housing and Urban Development (HUD). RAD seeks to preserve housing by providing Public Housing Agencies (PHAs) with access to more stable funding to make needed improvements to properties.

Rental Project – One or more dwelling units for occupancy by households that are not owner-occupants, including overnight and emergency shelters, transitional housing for homeless households, mutual housing, single-room occupancy housing, and manufactured housing.

Repaid Funds – Disbursed funds that have been returned to FHLBank due to the sale or refinancing of the unit or project prior to the end of the retention period.

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

Resident Involvement – The opportunity for project residents to influence, change and improve resident's neighborhood and community by becoming members or board members of a formal Homeowner Association, Tenant Association or Resident Council or by participating in the decision-making affecting the creation or the operation of the project.

Residence— Any property that contains at least one housing unit.

Retention Period – Owner-occupied projects shall have agreements ensuring retention for five (5) years (60 months) from a) the date of the closing as evidenced by the closing document for purchase projects; or b) the date of the AHP retention document or deed, or other legally enforceable retention agreement or mechanism for owner-occupied rehabilitation projects. For rental projects, the retention period is 15 years from the date of project completion.

Rural – A location in a county not included in a Metropolitan Statistical Area delineated by the Office of Management and Budget.

Scattered-site Project – A project consisting of multiple residental buildings located on non-contiguous parcels.

Section 8 – A HUD voucher program whereby individuals or families are granted subsidized funding from the federal government to own or rent a home. This program has also been expanded to include help for mortgage payment assistance for first time homebuyers.

Significant Proportion – With regard to donated or conveyed property, means at least 20 percent of units in a project.

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

Single Room Occupancy (SRO) - A residential property that includes multiple single room dwelling units. Each unite is designed for occupancy by a single individual. The unit need not, but may, contain food preparation or sanitary facilities, or both. For determining affordability, an SRO would differ from a one-bedroom unit in that a one-bedroom unit must be for a single household that has the bedroom separate from the unit’s food preparation and sanitary facilities.

Special Needs – Households consisting of one or more residents who are elderly (55 years or older), mentally or physically disabled persons, persons recovering from physical, alcohol or drug abuse, or persons with HIV/AIDS.

Subsidized Advance – An advance to a member at an interest rate below FHLBank's cost of funds by use of a subsidy.

Subsidy — Monetary assistance granted by FHLBank in support of affordable housing in communities served by FHLBank. The AHP subsidy may take one of two forms: 1) A direct subsidy, provided that if a direct subsidy is used to write down the interest rate on a loan extended by a member, project sponsor, or other party to a project, the subsidy must equal the net present value of the interest foregone from making the loan below the lender's market interest rate; or 2) The net present value of the interest revenue foregone from making a subsidized advance at a rate below FHLBank's cost of funds.

Subsidy Per Unit (SPU) – The total subsidy requested divided by the total number of AHP-assisted units.

Supportive Service Housing – Facilities that devote a significant proportion of its units to individuals or families who require and receive support services subsidized by revenue sources separate from housing rent.

Sweat Equity – An individual's contribution to the acquisition, construction, or rehabilitation of a home in the form of labor, as opposed to financial equity.

Targeting (Income) – The extent to which a project provides housing for very low-, low-, or moderate-income households.

Tenant Counseling (rental projects only) – Counseling provided to tenants to help them understand their rights and responsibilities under state and local laws and ordinances. Examples of curriculum include the nature of leases and rental agreements, landlord repair and maintenance responsibilities, landlord/tenant rights, termination of rental agreements, and security deposits and dispute resolution.

TIF Loan – Tax increment financing dedicates tax increments within a certain defined district to finance the debt that is issued to pay for the project. TIF was designed to channel funding toward improvements in distressed, underdeveloped, or underutilized parts of a jurisdiction where development might otherwise not occur. TIF creates funding for public or private projects by borrowing against the future increase in these property-tax revenues.

Urban – A location in a county included in a Metropolitan Statistical Area delineated by the Office of Management and Budget.

Very low-income household (VLI) – A household that has an income at or below 50 percent of the applicable AMI, with the income limit adjusted for household size in accordance with the methodology of the applicable median income standard, unless such median income standard has no household size adjustment methodology.