

Housing & Community Investment

AHP Implementation Plan



Affordable Housing Program
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Affordable Housing Program Implementation Plan

The Affordable Housing Program (AHP) is governed by regulations of the Federal Housing Finance Agency (FHFA) at 12 CFR Part 1291. The AHP regulation requires each of the Federal Home Loan Banks to develop an Implementation Plan (the “Plan”) governing administration of the AHP. This document fulfills such requirements.

I. Applicable Median Income Standards

A. Area Median Income

The FHLB will use the current year’s area median incomes (AMI) published annually by the Department of Housing and Urban Development (HUD) for Multifamily Tax Subsidy Projects (MTSP), as adjusted for household size, as the standard for rental and homeownership projects under the competitive AHP. Any references in this Plan to HUD AMIs are deemed to be references to MTSP limits. Any project located in an area defined as “Rural” in Attachment E of this Plan may use the greater maximum of the area median income or the national non-metropolitan median income.

B. Mortgage Revenue Bond

The FHLB will use the Mortgage Revenue Bond (MRB) income limits for first-time homebuyer programs established by the appropriate state housing finance agencies, as adjusted for household size, for the Welcome Home Program (WHP). Income limits for the Welcome Home Program will be 80 percent of the applicable MRB income limit for the county in which the home is being purchased.

II. Threshold Requirements for the Competitive AHP

In administering the AHP and this Plan and reviewing and evaluating Sponsors, projects, and applications hereunder, the FHLB reserves the right to determine in its good faith discretion (exercised in a uniform and consistent manner) whether the project or any portion of the application in question meets all of the following: the requirements of this Plan, the intended uses of AHP subsidy, the integrity of the program, and the safe and sound operations of the FHLB and use of its assets.

A. Ownership or Rental Housing

AHP subsidy may only be requested and used for projects to provide rental and ownership housing.

1. Ownership properties are those included in the “Ownership” definition contained in the AHP Definitions section of this Plan (Attachment E), where 100% of the project’s units are targeted to households whose annual income is at or below 80% AMI.
2. Rental properties include any housing with units for rent or lease, including shelters and group homes, units for lease-purchase, or units owned in a cooperative not considered an “Ownership cooperative” as included in the AHP Definitions section of this Plan (Attachment E) where at least 20% of the project’s units are targeted to households whose annual income is at or below 50% AMI. Note that the AHP regulation does not accommodate income averaging in the way that Internal Revenue Code Section 42 does, so households meeting the income targets specified in an approved AHP application must occupy all AHP-funded units.
3. AHP funds may not be used in projects that require a Certificate of Need from the state agency regulating health care facilities or that require licensure as an Intermediate Care Facility (ICF) or as an ICF/MR facility.
4. The FHLB has not established a hard feasibility requirement on the amount of non-residential space permissible in an eligible AHP project. However, it is expected that all projects with non-



residential/commercial space will be primarily residential in nature, as determined by the FHLB. If the FHLB does not deem a project to be primarily residential in nature, that project will be ineligible for AHP subsidy.

B. Use of Funds

AHP funds can be used only for costs related to acquisition, rehabilitation, new construction, or necessary soft costs related to project development.

1. AHP subsidy may not be requested for and will not be awarded to projects that are complete on or before the AHP award date.
2. AHP subsidy may not be used to pay prepayment fees except as specifically identified in the AHP regulation.
3. AHP may not be used for “Capitalized costs,” periodic deposits to reserve accounts, operating expenses, or supportive service expenses.

C. Fair Housing and Accessibility

AHP projects must comply with any applicable federal and state laws and local ordinances on fair housing and accessibility, including, but not limited to, the Fair Housing Act, the Rehabilitation Act, the Americans with Disabilities Act, and the Architectural Barriers Act of 1969.

D. Sponsor Requirements

1. Marketing

The Sponsor must demonstrate that the project will be affirmatively marketed consistent with the Fair Housing Act as appropriate for the target population.

2. Role

Sponsors for a rental project must have an “Eligible ownership interest” (at least 51% ownership). Sponsors for ownership projects must be “Integrally involved” in the project.

3. Capacity

The Sponsor must demonstrate sufficient capacity, based on:

- a) A history of conceptualizing, financing, developing, completing, and operating housing projects of similar size/type;
 - (1) Meeting commitments made in prior AHP awards without need for project modification;
 - (2) Utilization of prior AHP awards within prescribed time periods; and,
 - (3) Capacity to comply with all aspects of the application and reporting and compliance requirements of the AHP regulation, including providing reports in a timely fashion for current and previous awards.
- b) In determining Sponsor capacity, the FHLB will rely on information provided as part of the Sponsor Capacity section of the AHP online application and on information from prior or existing AHP or other FHLB projects.
- c) Applications from Sponsors who are delinquent in reporting or compliance monitoring on existing AHP projects or under other FHLB programs may not be considered for funding.
- d) Reference Attachment I regarding FHLB’s Suspension and Debarment List for additional prohibitions.



E. Market Analysis / Evidence of Demand

1. The application must demonstrate that there is market demand for the project by citing vacancy rates, absorption rates, turnover rates, waiting lists, penetration rates, unmet housing needs, or similar information supporting the type of housing proposed. Formal independent market studies are not required but can be used to provide evidence of demand.
 - a) In projects serving households with special needs or homeless households, the application must indicate there are appropriate populations within the market area of the project who would be willing to occupy the project.
 - b) The Sponsor should provide a history of identifying households that meet the FHLB's AHP definitions for "Special needs" and/or "Homeless households."
2. The housing must be appropriate for the population to be served. For example, housing units targeting persons with mobility limitations that do not contain accessibility features might not be appropriate for such households. The FHLB may request other information to determine the appropriateness of the housing proposed.

F. Anti-Predatory Lending

1. AHP projects must comply with applicable federal, state, and local Fair Lending laws and regulations, as well as applicable anti-predatory lending laws, regulations, and orders designed to prevent or regulate abusive and deceptive lending practices and loan terms (collectively, "Anti-Predatory Lending Laws"). For example, Anti-Predatory Lending Laws may prohibit or limit certain practices and characteristics, including, but not limited to, the following:
 - a) Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance;
 - b) Requiring mandatory arbitration provisions with respect to dispute resolution in the loan document; or,
 - c) Charging prepayment penalties for the payoff of the loan beyond the early years of such loan.
2. Any project including a loan that does not comply with all applicable Anti-Predatory Lending Laws will be ineligible for AHP subsidy. Members, Sponsors, and Owners are responsible for avoiding all unlawful practices and terms prohibited by applicable Anti-Predatory Lending Laws, regardless of whether they originate or purchase the loan in connection with an AHP project.

G. Reasonable and Customary Costs

1. The FHLB will not provide AHP subsidy to any project in which a loan exceeds the annual percentage rate or points and fees thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (Federal Reserve Board Regulation Z).
2. All projects must demonstrate to the satisfaction of the FHLB that development costs and operating costs are "reasonable" as defined in the Project Feasibility Guidelines of this Plan (Attachment F).

H. Applications

AHP subsidy may be requested only through the AHP online application, incorporated herein by reference.



1. An application may be submitted only by an FHLB Member.
2. An application may only identify up to two Member organizations through which the AHP subsidy will pass.
3. An application, all supporting documentation, and certifications must be electronically submitted to the FHLB by the deadline stated in the Schedule for Competitive AHP Funding Periods section of this Plan.

I. Funding From Another FHLB

The FHLB Cincinnati will consider funding projects that have applied for or have been awarded AHP subsidy from another Federal Home Loan Bank; however, the following requirements apply:

1. Sponsor must disclose such funding in the project's AHP application.
2. If the project has been submitted (or will be submitted) to another Federal Home Loan Bank for AHP subsidy, the Sponsor will be required to identify the other Federal Home Loan Bank to which the application has been submitted.
3. If a Sponsor is applying to multiple Federal Home Loan Banks for AHP subsidies to cover the same gap in financing, upon award from any Federal Home Loan Bank for the requested funds, all other applications for this same gap in financing must be withdrawn immediately.

J. Subsidy Requests

AHP subsidy may be requested and received as direct subsidy (a grant) or an Advance (a loan).

1. Any funds requested or received as a direct grant must be made available in full to the project for the purposes intended.
2. Regarding AHP Advances:
 - a) The term and amortization of an AHP Advance drawn from FHLB must be 15 years.
 - b) The FHLB product a Member will use to draw the AHP Advance is a Select Pay Mortgage-Matched Advance (SPMMA) with a zero percent Constant Prepayment Rate (CPR).
 - c) The applicants will request an interest rate for the project at the time of AHP application that is not less than zero percent. The AHP subsidy associated with the AHP Advance represents the net present value of the interest revenue foregone from making the Advance at the rate below the Bank's cost of funds:
 - (1) In order to determine the subsidy needed for a project and its scoring, the amount of subsidy associated with an AHP Advance will be calculated using the interest rate as of close of business the day before the AHP application opens to new applications relative to the rate being requested for the project;
 - (2) At the time the AHP Advance is drawn, FHLB will apply the AHP subsidy approved for the project to the current interest rates to determine the ultimate rate that can be offered to the Member for the project using the subsidy approved, which may be higher than the rate requested at the time of AHP application.
 - d) The Member may not mark up the AHP Advance to make the loan to the project and must match the term of the loan to the project to the term and amortization of the AHP Advance.



- e) AHP permanent Advances will be made to Members on a secured basis only, as outlined in the Bank's Credit Policy.
3. In projects involving multiple Members, each Member must request at least 20 percent of the AHP direct subsidy awarded to the project.

K. Need for AHP Subsidy

The project must demonstrate a need for AHP subsidy. Sources and uses of funds, including the amount of AHP subsidy requested, must match at the time of application submission and at the time of any disbursement.

1. The AHP Development Budget may include the value of donated property, donated professional labor, and donated materials, but the value must be offset by a funding source of the same amount.
2. The AHP Development Budget should never include volunteer labor or sweat equity.
3. Assumed loans that appear as a cost on the AHP Development Budget must show an offsetting source of funds on the AHP Development Budget equal to the cost.
4. A Sponsor providing a zero-interest or other deeply discounted permanent first mortgage loan must include the net present value of the loan (based on an "Assumed market rate" determined by the FHLB) as a cash contribution from the Sponsor as a funding source to the project.
 - a) The online application will calculate the net present value based on the information provided in the application, and the amount will be shown as a contribution from the Sponsor in the AHP Development Budget of the AHP application.
 - b) The FHLB will determine at least annually and more frequently, if warranted, the "Assumed market rate" of any loan by adding a risk adjustment for lower-income or lower credit quality borrowers to estimate the current market rate for 30-year fixed-rate mortgages. The assumed rate will be used in the competitive AHP applications and for determining the net present value of any discounted first mortgage loan in any disbursements for closings occurring on or after adoption of the rate. The assumed market rate for 2025 is 9.875 percent.

L. Readiness

The project must demonstrate readiness to proceed by:

1. Incurring expenses eligible for AHP within 12 months of award;
2. Receipt of at least one other funding commitment within 12 months of award; and,
3. Reaching "Project completion" within 36 months of award.
4. See Section II.A.1. of the Compliance Requirements section of this Plan (Attachment C) for additional deadlines and requirements related to the requirement to demonstrate progress toward completion and occupancy.

M. Site Control

1. For Ownership projects, the Sponsor must provide an Acquisition Plan that describes how homebuyers will be selected and qualified. If "First-time homebuyer," "Homeless household," and/or "Special needs" populations are being targeted, describe how they will be identified.



2. For Rental projects, the Sponsor, ownership entity, developer, or other entity involved in the project must demonstrate site control for the specific location(s) in the project at the time of application submission and until the date of AHP award through:
 - a) Deed in the name of the Sponsor, ownership entity in which the Sponsor has an “Ownership interest,” developer, or other entity involved in the project; or
 - b) Executed purchase contract or option to purchase that is effective until at least 120 days after the AHP application date; or
 - c) Executed long-term lease for a term of at least 20 years or option to lease that is effective until at least 120 days after the AHP application date; or
 - d) Resolution from the local government or other organization that is committing to transfer the property describing the terms of the commitment, the transfer price, and the location of the property.

N. Retention

Specific retention language may be found in the Retention Agreement Requirements section of this Plan (Attachment G).

1. FHLB’s retention mechanism is not permitted on owner-occupied projects involving rehabilitation only.
2. All other housing projects and units receiving AHP subsidy will be subject to retention agreements providing that the FHLB will be given notice of any sale, transfer, assignment of title or deed, refinancing, or foreclosure within the “retention period” and that some or the entire AHP subsidy may be subject to repayment or recapture in these instances unless the home is sold to an income-eligible household or has a sales price that does not exceed the U.S. Department of Housing and Urban Development’s (HUD) HOME Investment Partnerships Program (HOME) and Housing Trust Fund (HTF) homeownership value limits, as determined by the FHLB. FHLB will follow current guidance issued by the FHFA in determining the amount a household must repay, if any, though see Attachment G below for details.
3. The “Retention period” for an ownership project means five (5) years from the “Completion” date for each unit.
4. The “Retention period” for a rental project means fifteen (15) years from the date of “Project completion.”
5. The retention language must be inserted into the deed or recorded as a Restrictive Covenant to the deed. If it is attached to the deed as an addendum or attachment, the deed must reference the addendum or attachment as indicated in the Retention Agreement Requirements section of this Plan (Attachment G).

III. Time Limits on Use of AHP Subsidies and Procedures for Verifying Compliance upon Disbursement

A. Eligible Recipients

The FHLB will disburse AHP subsidies only to institutions that are Members of the FHLB Cincinnati at time of disbursement or funding.

1. AHP funds will be disbursed only after all agreements have been fully executed by all parties.



2. AHP funds will be disbursed only after all funding sources have been committed.
3. If an institution with an approved application for AHP subsidy loses its membership in the FHLB Cincinnati:
 - a) FHLB Cincinnati may disburse AHP subsidies to a Member of FHLB Cincinnati to which the institution has transferred its obligations under the approved application; or
 - b) FHLB Cincinnati may disburse AHP subsidies through another FHLB to a Member of that FHLB that has assumed the institution's obligations under the approved application. See the Transfers of Projects section of this Plan (Attachment B).

B. Disbursements of Homeownership Set-Aside Funds

1. If reserved Welcome Home funds are not requested for disbursement by December 15, 2025, the FHLB will cancel the reservation and make the funds available for the next Welcome Home offering.
2. Prior to disbursement of Welcome Home funds by the FHLB to a Member, the Member must certify that:
 - a) The funds were provided to a household meeting the Welcome Home eligibility requirements;
 - b) Funds were used only for eligible purposes;
 - c) The homebuyer(s) contributed a minimum of \$500 of their own funds towards the purchase of the home;
 - d) All fees, points, and rates of interest and any other charges by the Member were reasonable and customary and did not exceed reasonable market rates for loans of similar maturity, terms, and risk;
 - e) The first mortgage loan does not violate any Anti-Predatory Lending Laws;
 - f) The first mortgage loan does not exceed the annual percentage rate or points and fees thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (Federal Reserve Board Regulation Z);
 - g) Funds received for homebuyer counseling costs were provided according to the Welcome Home Program requirements; and
 - h) No funds were provided as “cash back” to the borrower at closing. If this occurs, the AHP subsidy will be reduced.
3. The “Maximum interest rate” on the first mortgage cannot exceed 9.875 percent due to market research.
4. See Requirements for the Welcome Home Program for more detail (Attachment H to this Plan).

C. Disbursements of Competitive AHP Subsidies

Request for a disbursement of awarded AHP funds for ownership projects cannot take place until “Completion” of a unit, and such projects are encouraged to draw disbursements as units are completed, not upon “Completion” of all project units. Rental projects can draw up to 25% of an AHP award once all funding sources are fully committed and within six months of the construction loan closing or issuance of work permits for the project. Awardees must wait until project “Completion” to draw the balance of the award or the full award if a previous request for funds was not submitted.



The FHLB expects that all units approved under the competitive AHP will reach “Completion” within three years of the date of the award. The FHLB expects that all subsidies approved under the competitive AHP will be drawn within four years of the date of award. If such subsidies are not drawn and used for eligible purposes within four years of the date of award, the FHLB may cancel its approval of the application and make the funds available for other AHP-eligible projects.

1. On a case-by-case basis, the FHLB may grant commitment extensions to the time limits described in this Plan. See the Project Modifications section of this Plan (Attachment D).
2. Prior to disbursement of funds by the FHLB to a Member, the FHLB will verify that the project meets both the competitive application program eligibility requirements and all obligations committed to in the approved application.
3. If a project no longer meets the feasibility parameters set at application approval, an explanation is required at time of disbursement. It is solely within FHLB’s discretion to allow, deny, or reduce a request for disbursement of funds on projects that no longer meet the feasibility parameters set at application approval.
4. Changes to the project’s development or operating budget greater than 20 percent are considered a material change to the project. Such projects may be required to reapply for AHP funding as opposed to receiving a disbursement. It is solely within FHLB’s discretion to allow or deny substantial changes in the project’s structure.
5. All requests for disbursement of subsidies under the competitive AHP must follow the most current procedures as published in the Disbursement Manuals posted on the FHLB’s website at www.fhlbcin.com.

IV. Schedule for Competitive AHP Funding Periods

The FHLB will accept applications from Members for AHP funding during one annual funding round. The online application will open on May 7, 2025. Applications must be submitted to the FHLB by 5:00 P.M. EDT on July 7, 2025. Applications, required documents, and certifications may only be submitted electronically, and the application closes automatically on the date and time noted.

V. AHP Funding Availability

Annually, the Bank shall contribute the greater of the following to the Affordable Housing Program:

- 10 percent of the Bank’s net earnings for the previous year plus amounts of AHP subsidy, including any interest, repaid to the Bank; or
- The Bank’s pro rata share of an aggregate of \$100 million to be contributed in total by the Federal Home Loan Banks, such proration being made on the basis of the net earnings of the Banks for the previous year, except that the required annual AHP contribution for the Bank shall not exceed its net earnings in the previous year.

Of this amount, the Bank may allocate up to 35 percent to the AHP Set-Aside Program, known as the Welcome Home Program. Furthermore, AHP subsidy that is de-obligated will be made available in the current or next offering of the AHP General Fund, and Welcome Home Program subsidy that is de-obligated will be made available in the current or next offering of the Welcome Home Program. Funds repaid from either program, including any interest, shall be made available in the current or next offering of the AHP General Fund.

The FHLB will borrow no funds from the following year’s competitive AHP allocation unless the Board determines that it is prudent to do so in the best interest of the Bank, its Members and affordable housing partners.



An existing AHP project may reapply to the FHLB for additional funds in any offering, but only if the project will not be complete prior to the date that awards are made. The project will be treated as a new application for the full amount of subsidy previously awarded plus any additional amount requested and will be subject to the threshold, feasibility, and scoring requirements of the current offering. If such a project is approved for subsidy in the current offering, the subsidy awarded under the previous project will be deobligated and redirected to the 2026 AHP and WHP offerings.

VI. District Eligibility Requirements

The FHLB designates the following district eligibility requirements:

- A. In 2025, each Member is eligible to receive up to \$10,000,000 in subsidy. Any funding received in the homeownership set-aside program, Welcome Home, will not count against this limit;
- B. The AHP subsidy requested for a project may not exceed \$58,000 per AHP-eligible unit, \$18,000 per unit for owner-occupied rehab projects, or \$18,000 per bed for shelter or group home projects; and
- C. The AHP subsidy requested may not exceed:
 1. \$1,500,000 per project; and
 2. For projects that received an AHP award in a previous year's offering but have not received a disbursement nor have completed their "Retention period," AHP subsidy requested in the current offering may not be more than 10 percent higher than the previous AHP award; and
 3. For rental projects, the AHP subsidy may not exceed 75 percent of the project's total residential costs.

VII. AHP Scoring and Award of Subsidy

- A. In each AHP offering, AHP applications will be reviewed for eligibility according to the requirements of this Plan, for feasibility according to the criteria provided in the Project Feasibility Guidelines (Attachment F to this Plan), and scored according to the criteria outlined in the Scoring Criteria (Attachment A to this Plan). FHLB reviews applications beginning with those that receive the highest self-score and continues to review applications with competitive scores until all available funds are exhausted. FHLB will not review applications that are not sufficiently competitive relative to the other applications submitted in the offering based on self-score. Applications that do not receive a review will not receive a final score nor an assessment of project feasibility.
- B. The Board will approve eligible and feasible applications in descending score order utilizing the tie-breaking methodology as indicated in Scoring Criteria – Tie-Breakers starting with the highest-scoring application until remaining AHP funds are insufficient to fund the next highest-scoring application. FHLB will no longer identify alternates.

VIII. Arbitrage

- A. It is the goal of the FHLB to permit a reasonable temporary period between the time AHP funds are disbursed by the FHLB and the time the funds are needed for approved AHP purposes.
- B. Members failing to utilize AHP funds within a reasonable time must demonstrate to the satisfaction of the FHLB that the approved project will receive the full benefit of the AHP funds, including any arbitrage earnings between disbursement by the FHLB and final use by the Member, or the Member must permit recapture thereon, in accordance with the recapture provisions of §1291 of the AHP regulations.



Attachment A: Scoring Criteria

Affordable Housing Program (AHP) projects that are determined to be feasible and have costs that are reasonable will be scored according to the following criteria. Some of the criteria allow for awarding a variable number of points based on the degree to which a criterion is satisfied. Other criteria allow awarding a fixed number of points if the criterion is satisfied. Some terms are defined more completely in the AHP Definitions section of this Plan (Attachment E), to which all items in quotes in this document refer, or are explained more fully in the Implementation Plan.

The following table summarizes the maximum points available in each of the nine scoring categories.

<u>Scoring Category</u>	<u>Maximum Points</u>
Member Financial Participation	10
First-Time Homebuyers	6
Projects In-District	5
Underserved Communities & Populations	18
Opportunity for Disadvantaged Areas	3
High Volume Projects	1
Donated or Conveyed Property	5
Sponsorship	9
Empowerment	5
AHP Subsidy Per Unit	10
Income Targeting	20
Community Stability	8
Total	<u>100</u>



I. Member Financial Participation (variable, up to a maximum of 10.0 points)

This criterion is scored based on the degree to which the Member drawing AHP funds has financial involvement in the project, excluding the pass-through of AHP subsidy.

Ownership projects utilizing multiple sources of permanent financing from local, state, or federal government entities are only eligible for first mortgage permanent loan points in this category if the Member(s) submitting the application close at least 51 percent of the remaining permanent loans in their name. Financial consortiums are eligible to receive half the point values below for provision of a permanent loan and/or construction or bridge loan if at least 75 percent of the members of the consortium are FHLB Cincinnati Members, the consortium closes the loan(s) in its name, and the loan(s) meet(s) the other requirements listed below. Financial consortiums are eligible to receive the full point values below for provision of a permanent loan and/or construction or bridge loan if all of the members of the consortium are FHLB Cincinnati Members, the consortium closes the loan(s) in its name, and the loan(s) meet(s) the other requirements listed below.

<u>Member's Financial Participation</u>	<u>Points</u>
Permanent Loan (<i>as evidenced by a note and mortgage in the Member's/consortium's name with a term of at least 15 years</i>) (Permanent loan principal and interest payments must be shown on the AHP Operating Budget)	5.0 / 2.5
Construction or Bridge Loan (<i>construction/bridge loan interest and loan fees must appear on the AHP Development Budget; lines of credit qualify for these points if draws for the lines can be tied to the project's needs</i>)	1.0 / 0.5
Cash contribution to the project of at least \$2,000 for development costs (<i>must be shown on the AHP Development Budget</i>)	1.0
Servicing of borrower loans at no cost for loans originated and funded by the Sponsor (<i>ownership projects only</i>)	2.0
Lender's concessions: (<i>for a loan with similar term, amount, etc., offered by the Member at the time the loan is made</i>)	
Below-market rate on permanent loan (<i>at least 1.0 percent below market rate</i>)	3.0
Below-market rate on permanent loan (<i>at least 0.5 percent below market rate</i>)	2.0
Below-market rate on construction or bridge loan (<i>at least 1.0 percent below market rate</i>)	2.0
Below-market rate on construction or bridge loan (<i>at least 0.5 percent below market rate</i>)	1.0

Note: For scoring purposes, the use of a CIP or AHP Advance is not eligible for points in the category of "Lender's concessions."



II. First-Time Homebuyers (variable, up to a maximum of 6.0 points)

Points are awarded if the project creates ownership opportunities for “First-time homebuyers.” The score is calculated based on the percentage of housing units reserved for “First-time homebuyers” times the maximum number of points (points are only available to ownership projects).

III. Projects located in Ohio, Kentucky, or Tennessee (fixed, 5.0 points)

Projects with all of the units in one or more of the states of Ohio, Kentucky, or Tennessee will receive these points. 5.0

IV. Underserved Communities & Populations

Projects may receive points under any or all of the criteria below:

A. Special Needs Housing (variable, up to a maximum of 10.0 points)

Rental Projects and Owner-Occupied Rehabilitation Projects

To receive points, a minimum of 20 percent of the units must be reserved for occupancy by households with “Special needs.” Scoring in this category is based on the degree to which the project serves persons with special needs. This criterion is viewed as a commitment in all cases except that of occupied rental projects, which must support the units committed with the occupancy report provided as part of the application.

<u>Percent of Units for Special Needs Households</u>	<u>Points</u>
> 85% of units	10.0
> 70% - ≤ 85% of units	8.0
> 50% - ≤ 70% of units	6.0
> 35% - ≤ 50% of units	3.0
> 20% - ≤ 35% of units	2.0
= 20% of units	1.0

Ownership Projects for Sale to New Homebuyers

To receive five points, a minimum of 20 percent of the units must be reserved for occupancy by households with “Special needs.” 5.0

B. Housing for Homeless Households (variable, up to a maximum of 5.0 points)

Points are awarded to projects that will create housing with at least 20 percent of the units reserved for “Homeless households.” Projects creating transitional housing for homeless households must



permit a minimum of six months occupancy. Rental units that are currently occupied and “Shelters” are not eligible for points under this criterion.

<u>Percent of Units</u>	<u>Points</u>
>85%	5.0
>50% - ≤ 85%	2.0
≥ 20% - ≤ 50%	1.0

Please note that, as ownership projects are disbursed, the FHLB will verify that the project is meeting its commitment in this category on a homeowner-by-homeowner basis. For example, for a 10-unit ownership project that commits to serving two homeless households, the FHLB will disburse as the units are completed, but the FHLB will ensure that one of every five disbursements meet the FHLB’s definition of “Homeless household.” Failure by a project to meet its homeless commitment may result in the de-obligation of undisbursed funds and the recapture of previously disbursed funds.

C. Housing in Appalachia (variable, up to a maximum of 3.0 points)

Points will be awarded to projects based on the type of project (rental versus ownership) according to the following:

Rental Projects

Rental projects are eligible for prorated points based on the number of units in Appalachian counties as defined by the Appalachian Regional Commission (ARC).

Ownership Projects

Ownership projects are eligible for either 0.0 or 3.0 points only. If all of the units are within Appalachian counties as defined by the Appalachian Regional Commission (ARC), the project will receive the full 3.0 points. Otherwise, the project will receive 0.0 points.

V. Creation of Opportunity for Disadvantaged Areas (fixed at 3.0 points for projects meeting this criteria)

Points will be awarded to projects that commit to reserving at least half of the units in the project for households living in one or both of the following disadvantaged areas at the time they apply to live in the AHP-assisted housing that they own or will purchase:

- Census tracts identified by FFIEC data as containing a tract minority percentage greater than 50%
- Addresses defined as rural by the USDA that have census tracts identified by FFIEC data as having a tract median family income percentage less than 51%

Points are only available to ownership projects. FHLB will qualify the household as living in a disadvantaged area based on the current address listed on their intake application; homeless households may qualify for these points based on where they have stayed most recently.



VI. High Volume Projects (fixed at 1.0 point for projects meeting this criterion)

One point will be awarded to projects that commit to producing or improving 75 or more units.

VII. Donated or Conveyed Property (variable, up to a maximum of 5.0 points)

Points are awarded to projects that create housing when a significant proportion (at least 20 percent) of units or land was donated or conveyed by the federal government or any agency or instrumentality thereof or was donated or conveyed by any other unrelated party for an amount significantly below the fair market value of the property to the Sponsor, homebuyer, ownership entity, developer, other entity involved in the project ***within five years*** of the application deadline. Homes acquired by local governments through the HUD \$1 Homes program will be considered as donated.

The property must meet the definition of “Donated”/“Donated Property” or “Amount significantly below market value” as stated in the AHP Definitions section of this Plan (Attachment E) to be eligible for points.

All rental projects will be required to adequately document eligibility for these points at the time of AHP application via submission of a signed settlement statement/closing disclosure, warranty deed with price indicated, purchase contract, lease agreement, or letter from the donor or lessor in order to be awarded these points. (As part of this verification process, the FHLB will ensure that the acquisition costs shown on the AHP Development Budget match the eligibility documentation.)

<u>At least 20% of units/land</u>	<u>Points</u>
Conveyed by the federal government, including properties made available through the local government via the HUD \$1 Homes program	5.0
Donated by an unrelated party	5.0
Conveyed significantly below market value by an unrelated party	3.0

VIII. Project Sponsorship (variable, up to a maximum of 9.0 points)

The primary Sponsor must meet the FHLB’s definition of an “Eligible Sponsor” and be the sole provider of the activity committed to in order to receive points under this category. If any other entity is paid for any part of the activity committed to, FHLB would deem the activity as a shared commitment not sole provision. In addition, the AHP project must be located within the service area of the “Sponsor.”

<u>Sponsor Type</u>	<u>Points</u>
Non-profit (501(c)(3) or (c)(4) organizations) as verified by IRS documentation <i>Note: In multiple Sponsor projects in which a for-profit and/or governmental Sponsor is involved, the primary Sponsor must be a non-profit that holds an “Eligible ownership interest” in the project.</i>	2.0
<u>Sponsor Services or Activities</u>	
Financial contribution of at least \$2,000 (<i>must be shown on AHP Development Budget</i>)	2.0
Completion of predevelopment activities (<i>the Primary Sponsor must be identified in the application as the Developer</i>)	1.0



Construction/rehabilitation by Sponsor’s employees or volunteers	1.0
Ownership projects only:	
Marketing/outreach activities (<i>Sponsors that contract with a Realtor for these services are not eligible for this point</i>)	1.0
First Mortgage Permanent Loan to project's borrowers	3.0
Rental projects only:	
Management of project	1.0

IX. Empowerment (variable, up to a maximum of 5.0 points)

Points will only be awarded if the activity or service will be provided in combination with the housing component, will give the occupants greater economic opportunities, is appropriate for the population being housed, the provider is an organization recognized as experienced in the provision of such services as demonstrated in published material, and the services will be provided without cost of more than \$25 to the household and in a location that is convenient to the household (on-site at the project or Sponsor’s location, via transportation provided by the Sponsor or project, or online).

Points are only awarded when acceptable documentation submitted at time of application explicitly states the activity or service offered will be available to all residents being served by the project. Sponsors will be required to demonstrate and document fulfillment of these commitments at time of disbursement and initial compliance. For rental projects, the services or activity must take place on an ongoing basis after the completion of the units.

<u>Empowerment Service or Activity</u>	<u>Points</u>
Mandatory Homebuyer/Homeowner Counseling for all project households (<i>Ownership projects only</i>)	5.0
Credit Counseling/Budgeting or Financial Literacy (<i>Rental or Ownership projects</i>) (<i>Projects which receive Mandatory Homebuyer/Homeowner Counseling points are not eligible for these points</i>)	2.0
Tenant Payment Reporting to Credit Bureaus (<i>Rental projects only</i>)	3.0

X. AHP Subsidy per Unit (variable, up to a maximum 10.0 points)

Points are awarded based on the amount of AHP subsidy per AHP-assisted unit that a project proposes to use with lower amounts receiving more points, which are prorated as a percentage of the maximum number of points for projects requesting less than or equal to \$29,000 in AHP subsidy per unit.

If the project has received any AHP subsidy in a prior award for the same project and is still within its retention period, the calculation will include the total of the prior AHP award and AHP subsidy requested for the project.

XI. Income Targeting (variable, up to a maximum of 20.0 points)

All projects must identify the number of units targeted to households in various income categories. For owner-occupied projects, applicants must identify the number of units targeted to households at or below 50 percent HUD AMI; above 50 percent but at or below 60 percent; above 60 percent but at or below 70 percent; and above 70 percent but at or below 80 percent. Rental projects are also asked to identify the



number of units targeted to households above 80 percent HUD AMI. A project will receive points based on the weighted average of the income commitments. Unless the project qualifies for the maximum points as described below, the weighted average is calculated using the midpoints of each income category. Note that this weighted averaged is unrelated to income averaging as prescribed by Internal Revenue Code Section 42, and households meeting the income targets specified in an approved AHP application must occupy all AHP-funded units.

Income targeting is viewed as a commitment in all cases except that of occupied rental projects, which must support the targeting committed with the occupancy report provided with the application. Income targeting should be consistent throughout all parts of the application and required documents, including any materials submitted to or from the tax credit allocating agency, such as pro forma or occupancy reports for occupied projects. Any inconsistencies must be sufficiently explained. Applications containing inconsistencies that are not adequately explained or easily reconciled by the FHLB may be rejected and excluded from further review and scoring.

Subsequent to AHP award, households are eligible to reside in units that benefit from AHP subsidy as long as their incomes are less than or equal to the income targets as a percentage of median income that are included in the approved AHP application (or approved project modification). This means that a project committing to house households above 60 percent of the HUD area median income (but below 80 percent) would still comply with FHLB requirements if all households in the project had incomes less than 50 percent of the area median income, as adjusted for household size.

Ownership Projects

An ownership project will receive 20 points under this scoring criterion if 100 percent of the units in the project are reserved for occupancy by households with incomes at or below 50 percent of the HUD area median income for the county in which the project is located, adjusted for household size.

Owner-occupied projects with less than 100 percent of the units reserved for occupancy by households with incomes at or below 50 percent will be awarded points on a declining scale based on the weighted average income of households served.

<u>Weighted Average Income</u>	<u>Points</u>
>65% - ≤ 80% AMI	16.0
>60% - ≤ 65% AMI	17.0
>55% - ≤ 60% AMI	18.0
≤ 55% AMI	19.0

Rental Projects

A rental project will receive 20 points under this scoring criterion if 60 percent or more of the units in the project are reserved for occupancy by households with incomes at or below 50 percent of HUD area median income for the county in which the project is located, adjusted for household size.

Rental projects with less than 60 percent of the units reserved for very low-income households will be awarded points on a declining scale based on the weighted average income of households served.

Note: For rental projects, at least 20 percent of the project's units must be reserved for occupancy by households at or below 50 percent of area median income, or the project is not eligible for AHP funding.



<u>Weighted Average Income</u>	<u>Points</u>
>65% AMI	15.0
>60% - ≤ 65% AMI	16.0
>55% - ≤ 60% AMI	17.0
≤ 55% AMI	18.0

XII. Community Stability (variable, up to a maximum of 8.0 points)

Points are awarded based on the extent to which the project maximizes or improves the stability of the area as a percentage of the housing units committed to meet each of the criteria listed below, such as rehabbing properties or creating energy-efficient new construction. Please note that certifications not included in the listings below are not eligible for points in this scoring category.

<u>Type of stability provided</u>	<u>Points</u>
Creation of energy-efficient, new construction housing that meets one of the following rating programs as certified by a third party: LEED Platinum or Gold Certification, Passive House Certification, Evergreen Sustainable Development Certification, HERS Rating less than 55, Department of Energy’s Zero Percent Energy-Ready Home Certification (ZERH), or National Green Building Standard’s Emerald Certification.	5.0
Creation of energy-efficient, new construction housing that meets one of the following rating programs as certified by a third party: LEED Silver Certification, EarthCraft Certification, HERS Rating between 55 and 62 (inclusive), Department of Energy Home Energy Score of 7 or above, National Green Building Standard’s Gold Certification, Enterprise Green Communities Plus Certification, or Energy Star / Energy Star Multifamily New Construction Certification, as applicable.	3.0
Creation of energy-efficient, new construction housing that meets one of the following rating programs as certified by a third party: LEED Certification aside from Platinum, Gold, or Silver, WaterSense Homes Certification, HERS Rating between 62 and 70 (not including 62), National Green Building Standard’s Silver or Bronze, or a REScheck Calculation indicating the proposed design exceeds the 2021 International Energy Conservation Code by 15 percent or better.	1.0
Creation of climate-resilient housing that meets the resiliency standards for one of the following certification programs as certified by the appropriate third party: National Green Building Standard’s Emerald Certification, U.S. Resiliency Council Certification, SITES Certification, FORTIFIED Gold Certification, REDi Gold or Platinum Certification, Passive House Certification, or LEED Platinum Certification.	3.0
Creation of climate-resilient housing that meets the resiliency standards for one of the following certification programs as certified by the appropriate third party: National Green Building Standards’ Green + Resilience Certification, Evergreen Sustainable Development Certification, FORTIFIED Roof Certification, Enterprise Green Communities Plus Certification, REDi Silver Certification, or FEMA Flood Certification (for housing at risk of flooding).	1.0



Rehab Meeting Any One of the Following Criteria:

- | | |
|---|-----|
| Substantial rehab of units with rehab costs of at least \$19,293 in construction hard costs per unit (<i>reflected on the AHP Development Budget</i>). Points will be awarded based on the percent of units targeted. | 5.0 |
| Preservation of owner-occupied housing for which at least \$5,500 in construction hard costs per unit is reflected on the AHP Development Budget and will be used to help maintain the unit’s habitability. <i>Note: projects receiving points in this category are not eligible for the substantial rehab of units points listed immediately above.</i> | 7.0 |

XIII. Tie-Breakers

In the event that one or more applications have a tied score and there is insufficient AHP subsidy to approve all of the tied applications, the FHLB will apply the following methodology to determine which application(s) are approved for AHP subsidy:

- Step 1: Compare the tied applications’ scores under the ‘AHP Subsidy per Unit’ criterion and approve the applications for funding in order of highest to lowest score within this criterion. If there are still two or more applications with tied scores under this criterion and insufficient subsidy to approve them all, proceed to Step 2.
- Step 2: Compare the tied applications’ scores under the ‘Project Sponsorship’ criterion and approve the applications for funding in order of highest to lowest score within this criterion. If there are still two or more applications with tied scores under this criterion and insufficient subsidy to approve them all, proceed to Step 3.
- Step 3: Compare the tied applications’ scores under the ‘Housing in Appalachia’ criterion and approve the applications for funding in order of highest to lowest score within this criterion. If there are still two or more applications with tied scores under this criterion and insufficient subsidy to approve them all, proceed to Step 4.
- Step 4: Determine the amount of subsidy per unit requested for each of the tied applications and award funds to the application(s) requesting the least amount.



Attachment B: Transfers of Projects Related to Change in Member's Status

I. Projects with AHP Advances

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 the FHLB Cincinnati, the nonmember successor organization assumes the Member's obligations under its approved application for AHP subsidy.

- A. If the project has not drawn the AHP advance, the Member will make best efforts to transfer its obligations under the approved application to another Member prior to the loss of its membership.
 1. The approved Member must formally relinquish the project and the assuming Member must formally accept the project. The project is transferred only when all required documents have been executed and the FHLB gives notice to the parties that the project has been transferred.
 2. Any activities committed to by the approved Member either must have already been accomplished or must be agreed to by the assuming Member. However, the assuming Member does not have to repeat any activities or requirements already satisfied by the approved Member.
 3. The assuming Member must agree to and satisfy all outstanding requirements of the project, including Member financial participation and other involvement, and long-term compliance and reporting to the FHLB.
- B. If the Member's best efforts to transfer its obligations under the approved application to another Member are not successful and the project has not drawn the AHP Advance, the Member may request a modification to convert the Advance to a direct subsidy grant. Any such request will be evaluated according to the Project Modifications section of this Plan, but any such change must be approved prior to the loss of the Member's membership.

II. Projects with AHP Direct Subsidies (Grants)

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 the FHLB, the nonmember successor organization assumes the Member's obligations under its approved application for AHP subsidy.

- A. If the project has not drawn the AHP grant and/or does not have an executed Direct Subsidy Agreement, the Member will make best efforts to transfer its obligations under the approved application to another Member prior to loss of its membership.
 1. The approved Member must formally relinquish the project and the assuming Member must formally accept the project. The project is transferred only when all required documents have been executed and the FHLB gives notice to the parties that the project has been transferred.
 2. Any activities committed to by the approved Member either must have already been accomplished or must be agreed to by the assuming Member. However, the assuming Member does not have to repeat any activities or requirements already satisfied by the approved Member.
 3. The assuming Member must agree to and satisfy all outstanding requirements of the project, including Member financial participation and other involvement, and long-term compliance and reporting to the FHLB.



4. If the Member's best efforts to transfer its obligations under the approved application to another Member are not successful and the Member has executed a Direct Subsidy Agreement, the FHLB may disburse subsidies through another FHLB to a Member of that FHLB that has assumed the approved Member's obligations under the approved application. The successor institution will be responsible for long-term compliance and reporting to the FHLB Cincinnati.



Attachment C: Compliance Requirements

I. Overview

All projects receiving an award of AHP funds are subject to monitoring by the FHLB to determine compliance in accordance with the procedures in this Plan. This Plan includes compliance requirements for the competitive AHP as well as the homeownership set-aside program, Welcome Home. The purpose of these procedures is to ensure that AHP funds are being used in accordance with the approved AHP application and the governing AHP Regulation (12 CFR Part 1291).

A. Rental Projects

For rental projects funded through the FHLB's competitive AHP, reporting on compliance occurs in three phases:

1. Progress Reporting;
2. Initial Compliance; and
3. Long-term Compliance.

B. Ownership Projects

For ownership projects funded through the FHLB's competitive AHP, only Progress Reporting and Initial Compliance apply.

C. Welcome Home Program

For projects receiving funding through the FHLB's Welcome Home program, only Initial Compliance applies.

II. Progress Reporting (Competitive AHP)

From the time a project is approved by the FHLB's Board of Directors (the Board) until it is completed and all AHP funds for which the project is eligible are disbursed, the project is subject to reporting for the purpose of determining that satisfactory progress is being made towards completion of the project. In order to assess this progress, the FHLB will send Periodic Progress Reports (PPRs) to the Member and Sponsor.

A. Periodic Progress Reports

Twice per year, the FHLB will send PPRs to the Member and Sponsor of those projects that have not been closed. Members and Sponsors are asked to complete, sign, and return the PPR to the FHLB within 10 business days. The PPR will be reviewed by the FHLB and retained in the project's file.

1. The purpose of the PPR is to determine that satisfactory progress is being made towards project completion based on the following:
 - a) Within one year of the application approval, at least one other funding commitment has been secured and project has incurred expenses eligible for AHP disbursement;
 - b) Within 18 months of application approval, the project has received all other funding commitments;
 - c) Within 18 months of application approval, acquisition of a rental property (or the first ownership "Unit") was completed;



- d) Within 24 months of application approval, construction or rehabilitation activities eligible for AHP use have begun;
 - e) Within 36 months of application approval, acquisition, construction, and/or rehabilitation of all project “Units” was completed; and
 - f) Within 48 months of application approval, satisfactory documentation to allow for the full disbursement of subsidies was submitted and project has achieved suitable occupancy levels.
2. If a Sponsor or Member fails to return a complete and fully executed PPR by the initial deadline, the project will be considered noncompliant and subject to the actions outlined in the *Noncompliance* section of this Plan. Additionally, projects that are not making satisfactory progress will be considered noncompliant and subject to the actions outlined in the *Noncompliance* section of this Plan. At the FHLB’s discretion, exceptions may be granted.

B. Periodic Progress Reports - Expiring Commitment

Twice a year, Periodic Progress Reports – Expiring Commitment (PPR Expiring Commitment) will be sent to the Member and Sponsor of incomplete projects, which are more than 36 months from the AHP application approval date. Members and Sponsors will be asked to complete, sign, and return the PPR Expiring Commitment to the FHLB within 10 business days. The PPR Expiring Commitment will be reviewed by the FHLB and retained in the project files.

1. The purpose of the PPR Expiring Commitment is to determine whether the project will be completed and have all AHP funds disbursed within 48 months of the AHP application approval date. Commitment extensions may be granted when circumstances causing the delay are beyond the control of the project Sponsor or developer, when withdrawal of the AHP commitment would cause undue financial hardship on the Sponsor or developer, or at the FHLB’s discretion.
2. If a Sponsor or Member fails to return a complete and fully executed PPR Expiring Commitment by the initial deadline, the project will be considered noncompliant and subject to the actions outlined in the *Noncompliance* section of this Plan. Additionally, if, based on the FHLB’s analysis of the reports, the FHLB determines the project is not making satisfactory progress towards completion, the project will be deemed noncompliant and subject to the actions outlined in the *Noncompliance* section of this Plan.

III. Initial Compliance (Competitive AHP)

Initial Compliance (IC) occurs immediately following completion of a project and varies by project type (i.e., ownership versus rental). The purpose of monitoring for compliance in this phase is to determine that the project was completed in accordance with the approved AHP application and that satisfactory progress is being made toward occupancy.

A. Ownership Projects

IC of ownership projects occurs at time of disbursement only. As part of the disbursement request, Sponsors and Members must submit information sufficient for the FHLB to determine that:

1. Subsidies were used for eligible purposes and in compliance with all FHLB requirements;
2. Household incomes comply with income and occupancy targeting commitments made in the approved AHP application at the time the households were qualified by the Sponsor to participate in the project;
3. Actual project costs are reasonable in accordance with the Project Feasibility Guidelines section of this Plan (Attachment F);



4. Subsidy is necessary for the financial viability of the “Unit” and project as currently structured;
5. The “Unit” is subject to a deed restriction or other legally enforceable retention agreement or mechanism as required by AHP regulation and the Retention Agreement Requirements section of this Plan (Attachment G); and
6. The services and activities committed to in the approved AHP application have been provided. The Sponsor will be required to provide documentation demonstrating that residents have been informed of the availability and/or have participated in the services and activities.
7. Once funds are disbursed by the FHLB, no additional monitoring for compliance is required for ownership projects.

B. Rental Projects

1. Financial Analysis

IC of rental projects begins at time of disbursement. As part of the disbursement request, Sponsors and Members must submit information sufficient for the FHLB to determine that:

- a) Subsidies were used for eligible purposes and in compliance with all FHLB requirements;
- b) Rents, income targeting, and occupancy commitments as committed to in the approved AHP application are outlined in the project’s documentation so that compliance with rent, income, and occupancy requirements will be achieved and maintained;
- c) Actual project costs are reasonable in accordance with the Project Feasibility Guidelines section of this Plan (Attachment F);
- d) Subsidy is necessary for the financial viability of the project as currently structured;
- e) The project is subject to a deed restriction or other legally enforceable retention agreement or mechanism as required by AHP regulation and the Retention Agreement Requirements section of this Plan (Attachment G); and
- f) The services and activities committed to in the approved AHP application have been or will be provided. The Sponsor will be required to provide documentation demonstrating that residents have been informed of the availability and/or have participated in the services and activities.

2. Initial Certification of Compliance

The next phase of IC on rental projects begins nine months after the latter of project completion or final disbursement of AHP funds. At that time, the FHLB will request that the Sponsor/Owner and Member submit a completed Initial Certification of Program Compliance, the *Owners/Member’s Certificate of Program Compliance* form, certifying to the FHLB that:

- a) The tenant rents, incomes, and occupancy targets are accurate and in compliance with the rent, income targeting, and occupancy commitments made in the approved AHP application;
- b) The contract rents for AHP-assisted “Units” cannot exceed 30 percent of monthly income for a household of the maximum area median income (AMI) and size for the income targets committed to in the approved AHP application;
- c) The Owner has obtained and maintains a Tenant Rental Application and/or Tenant Income Certification and third-party income documentation to verify income eligibility at initial occupancy for each AHP-eligible resident;
- d) Services and activities committed to in the approved AHP application have been provided;



- e) Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards); and
- f) Progress is being made toward satisfactory occupancy.

3. Occupancy Report

The FHLB will request an occupancy report in addition to the Initial Certification. The Initial Certification and occupancy report will be reviewed by the FHLB to determine compliance with the approved AHP application and governing regulations, including income targeting and occupancy commitments. If a Sponsor/Owner or Member fails to submit a complete and fully executed Initial Certification and occupancy report by the initial deadline, the project will be considered noncompliant and subject to the actions outlined in the *Noncompliance* section of this Plan.

- a) The occupancy report must be submitted via email as a Microsoft Excel file using the FHLB Initial Compliance Occupancy Report Form found on the FHLB website.
- b) The occupancy report must include information on all households that occupied the property at any time during the Certification Period, including vacant “Units.” The Certification Period will be indicated on the Initial Certification form. The information supplied by the occupancy report will be used for the Initial Certification Audit (see Initial Audit section below).
- c) It is the expectation of the FHLB that projects will maintain a satisfactory occupancy level.
- d) The FHLB may request additional information from the Sponsor/Owner, as deemed necessary, to evaluate a project’s status.

4. Initial Audit

For projects receiving an allocation of Low Income Housing Tax Credits (LIHTC), funding from the USDA Section 515 Rural Multifamily Program, or funding from the USDA Section 514 Farmworker Multifamily Program, or funding from other, similar programs as identified by the Federal Housing Finance Agency, the FHLB may require an *Initial Audit* if the review of the Initial Certification and occupancy report does not verify compliance with the income and occupancy requirements of the approved application and AHP regulation. In the absence of issues with the Initial Certification and/or occupancy report, projects receiving funds from the funding sources listed in this paragraph will not ordinarily undergo an initial audit by FHLB.

For projects not meeting the stipulations mentioned in the foregoing paragraph, an *Initial Audit* will be conducted to verify that the certifications made by the Owner in the Initial Certification are valid, that all tenant information provided on the occupancy report is accurate and supported by documentation maintained in the tenant files, and that tenant household eligibility was verified by the Owner prior to initial move-in. The Owner is required to maintain tenant documentation from initial move-in through move-out plus six additional years after tenant move-out.

- a) In order to complete the Initial Audit, the FHLB will request supporting documentation for a random sample of ten percent of the project’s “Units” unless that percentage would result in a sample of less than three units, in which case FHLB will request supporting documentation for a minimum of three “Units” or the number of “Units” in the project.
- b) The supporting documentation requested will include the following:
 - (1) Tenant Rental Application and/or Tenant Income Certification (Intake form for “Shelter” projects);



- (2) Third-party income documentation for each income source listed on the application and/or certification at the time of initial move-in and, if available, the most current re-certification. Income documentation is not required for “Shelter” projects; however the Intake form must indicate annual household income and source and be signed by the resident acknowledging accuracy of the information;
 - (3) Third-party verification of special needs and/or homeless status, if applicable to the project; and
 - (4) Initial Lease Agreement (not required for “Shelter” projects).
- c) The Sponsor/Owner will have 10 business days to submit the supporting documentation to the FHLB. Upon receipt, the Initial Audit information will be reviewed by the FHLB to determine compliance with the approved AHP application and governing regulations. More specifically, the FHLB will review supporting documentation to ascertain the following:
- (1) The Intake Form, Rental Application, or Tenant Income Certification includes, at a minimum:
 - (a) Date of Occupancy/Move-in Date (for “Shelter” projects);
 - (b) “Unit” Number for “Unit” or “Bed” to be occupied (for “Shelter” projects);
 - (c) “Unit” Size (“Bed,” efficiency, etc., for “Shelter” projects);
 - (d) Tenant Name (Head of Household) or Tenant ID Number;
 - (e) Household Size (Total number of Household Members);
 - (f) List of all Household Members and their ages;
 - (g) Total Annual Household Income;
 - (h) Source of all Household Income for all household members;
 - (i) Fair Housing Logo or Wording (also see item 6 below),
 - (j) Signatures and dates of signing by the Tenant and project Owner representative, management company representative, or property manager; and
 - (k) Move-out date, “Unit” transfer and transfer date (if applicable).
 - (2) Acceptable third-party income documentation was obtained and tenant income eligibility verified prior to move-in. For adults with no income at move-in, a Certification of Zero Income was obtained prior to move-in. Income documentation should be dated in the tenant’s move-in year no more than 120 days prior to move-in.

Third-party income documentation is not required for “Shelter” projects; however, the Intake form must indicate annual household income, source, and be signed by the resident acknowledging accuracy of the information.
 - (3) The Lease or Rental Agreement includes, at a minimum (not required for “Shelter” projects):
 - (a) Tenant name (head of household);
 - (b) Property address;
 - (c) “Unit” number/“Bed” number;
 - (d) “Unit” size (“Bed,” “SRO,” efficiency, 1 bdrm, 2 bdrm, etc.);



- (e) Lease term;
 - (f) Amount of rent to be paid by tenant;
 - (g) Fair Housing wording or logo (also see item 6 below);
 - (h) Total “Contract rent” (calculated as “Tenant rent” plus any rental subsidy paid on behalf of the tenant); and
 - (i) Signature and date by the tenant/head of household and the Owner representative.
- (4) Acceptable third-party verification of “Homeless household” status is dated in the tenant’s move-in year and was obtained prior to move-in (if applicable to the project). Acceptable third-party verification documents include:
- (a) A signed and dated letter from “Shelter”/“Transitional housing” personnel or a case manager, social worker, or similar authority that clearly states the condition that qualifies the household under the AHP “Homeless household” definition;
 - (b) A copy of notice of eviction, foreclosure, or condemnation of residence, discharge or emancipation paperwork from an agency or the foster care/court system; or
 - (c) Evidence that the household’s residence meets the FHLB’s definition of a “Mobile home.”
- (5) Acceptable third-party verification of “Special needs” household status is dated in the tenant’s move-in year and was obtained prior to move-in (if applicable to the project). Acceptable third-party verification documents include:
- (a) A signed and dated letter from a physician or licensed practitioner, psychiatrist, psychologist, or clinical social worker that clearly states the condition that qualifies the household under the AHP “Special needs” definition;
 - (b) A copy of the SSI or SSDI statement or similar federal or state government agency statement from which disability benefits are being received;
 - (c) A signed and dated letter from a licensed physician, psychiatrist, psychologist, or clinical social worker attesting that treatment is being provided to the resident (to verify chemical dependency special needs only);
 - (d) A signed and dated letter from a shelter project owner certifying that they are providing housing at the project location in order to protect the applicant or a member(s) of the household from physical or emotional abuse (to verify physical or emotional special needs only);
 - (e) Discharge or emancipation paperwork from an agency or the foster care/court system (to verify aging out of foster care special needs only); or
 - (f) A copy of the photo ID or birth certificate of the resident (to verify special needs relating to age only).
- (6) Compliance with “Fair Housing Act” requirements is verified through, at a minimum:
- (a) A Fair Housing logo shown on the Intake Form, tenant Rental Application, Tenant Income Certification, Lease Agreement and/or Rental Agreement; and/or
 - (b) A Fair Housing statement on any other document provided to and/or visible to residents, such as a Fair Housing poster, brochure, or Tenant Rights and Responsibilities document.



- (7) Evidence that services and activities the Owner committed to provide in the approved AHP application have been provided. For example, Sponsor will be required to provide documentation demonstrating that residents have been informed of the availability and/or have participated in the services and activities. The FHLB may request additional information, at its discretion. All documentation will be retained in the project files.
- d) If a Sponsor/Owner or Member fails to return the supporting documentation by the initial deadline, the project will be considered noncompliant and subject to the actions outlined in the *Noncompliance* section of this Plan. Additionally, if, based on the FHLB's analysis of the Initial Certification, occupancy report, or supporting documentation, the FHLB determines the project is not operating in compliance with the approved AHP application or governing regulations, the project will be deemed noncompliant and subject to the actions outlined in the *Noncompliance* section of this Plan.
- e) Owner is required to maintain tenant documentation from initial move-in through move-out plus six additional years after tenant move-out.

IV. Long-Term Compliance (Competitive AHP)

Long-term Compliance (LTC) applies to rental projects only. Commencing in the second year after project completion and Initial Compliance until the end of the full 15-year retention period, the FHLB will monitor projects annually to determine that tenant rents and incomes are in compliance with the rent and income targeting commitments made in the approved AHP application. LTC consists of two parts – an annual *Owner Certification of Continuing Program Compliance* and a periodic risk-based audit of the most recent Certification.

A. LTC Certification of Continuing Program Compliance

1. For projects receiving an allocation of Low Income Housing Tax Credits (LIHTC), the FHLB will rely solely on the monitoring of the project by the tax credit allocating agency and will require no additional reports from the Sponsor/Owner, Member, or the tax credit allocating agency except as cited in item two below.
2. The project owner will provide prompt written notice to the FHLB if the project is in material and unresolved noncompliance with the requirements of another funding source, including LIHTC income targeting or rent requirements, during the AHP 15-year retention period.
3. For all projects not financed with LIHTC, beginning in the second year after project completion and Initial Compliance until the end of the 15-year retention period, the FHLB will request that each project Owner submit a completed LTC Owner's Certificate of Continuing Program Compliance (LTC Certification) certifying on an annual basis that:
 - a) The tenant rents and incomes are accurate and in compliance with the rent and income targeting commitments made in the approved AHP application;
 - b) The rents charged for income-targeted "Units" do not exceed 30 percent of monthly area median income (AMI) as required by the governing regulation;
 - c) The Owner has obtained and maintains a tenant Rental Application and/or annual Tenant Income Certification and third-party income documentation to verify income eligibility at initial occupancy for each AHP-eligible resident;
 - d) No findings of discrimination under the "Fair Housing Act" have occurred for the project;



- e) Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections has not issued a report of violation for any building or AHP-eligible “Unit” in the project;
 - f) The project is in compliance with its commitments to other funding sources;
 - g) There has been no change in the ownership or management of the project; and
 - h) The project is current on all taxes and outstanding “Hard debt,” if applicable.
4. The LTC Certification will be reviewed by the FHLB to determine continued compliance with the approved AHP application and governing regulations, including income targeting commitments.
 5. It is the expectation of the FHLB that projects will maintain occupancy levels consistent with the income targeting and occupancy commitments under which the project was approved for AHP subsidy.
 6. The FHLB may request additional information from the Sponsor/Owner as deemed necessary to evaluate a project’s status.
 7. If a project Owner fails to submit the LTC Certification by the initial deadline, the project will be considered noncompliant and subject to the actions outlined in the *Noncompliance* section of this Plan. Additionally, if, based on the FHLB’s analysis of the LTC Certification, the FHLB determines the project is not operating in compliance with the approved AHP application or governing regulations, the project will be deemed noncompliant and subject to the actions outlined in the *Noncompliance* section of this Plan.

B. LTC Audits

1. In addition to the analysis of the LTC Certification, the FHLB will also audit each low-, moderate-, and high-risk rental project on a periodic basis unless the project also received funding under the HUD Section 202 Program for the Elderly, the HUD Section 811 Program for Housing the Disabled, the USDA Section 515 Rural Multifamily Program, the USDA Section 514 Farmworker Multifamily Program, or other, similar programs as identified by the Federal Housing Finance Agency. LTC Certifications will be audited as prescribed under a risk-based monitoring plan that addresses In-house Audits and On-site Audits.
2. The frequency of an LTC Audit is based on the project’s risk. Projects identified as minimal risk are not subject to an LTC Audit. Projects identified as low risk are subject to an In-house Audit every six years. Projects identified as moderate risk are subject to an In-house Audit every four years. Projects identified as high risk are subject to an On-site Audit every two years. The FHLB reserves the right to conduct an audit more frequently if the operational viability of the Sponsor or project is a concern.

C. Risk Levels

1. When an AHP project is approved, the FHLB will assign the project a risk level and notify the Member and Sponsor/Owner of the project’s risk level and related compliance requirements. There are four risk levels: minimal, low, moderate, and high. The risk level assigned to a project is based on whether or not there is long-term governmental monitoring, the amount of AHP subsidy in the project, the amount of AHP subsidy as a percentage of total project costs, and other factors the FHLB may deem appropriate.



2. The FHLB reserves the right to adjust a project’s risk level at any time. The FHLB will notify the Member and Sponsor/Owner of any change in risk level and its impact on the project’s compliance requirements.
3. Regardless of a project’s risk level or Compliance phase (i.e., PPR, IC, or LTC), the FHLB retains the right to conduct an On-site Audit at any time in order to determine a project’s status.

a) Projects Monitored by a Government Agency

For projects which are monitored by a government agency because of funding from that agency, the initial risk level assigned is based on the following:

AHP Subsidy	AHP Subsidy as a Percent of Total Project Costs	Risk Category
≤ \$350,000	N/A	Minimal
> \$350,000 and ≤ \$600,000	N/A	Low
> \$600,000 and ≤ \$850,000	N/A	Moderate
> \$850,000	≤ 50%	Moderate
> \$850,000	> 50%	High

b) Projects Not Monitored by a Government Agency

For projects which are not monitored by a government agency, the initial risk level assigned is based on the following:

AHP Subsidy	AHP Subsidy as a Percent of Total Project Costs	Risk Category
≤ \$250,000	N/A	Minimal
> \$250,000 and ≤ \$500,000	N/A	Low
> \$500,000 and ≤ \$750,000	N/A	Moderate
> \$750,000	N/A	High

c) Shelter Projects

For shelter projects, the FHLB will assign an initial risk level of Minimal, regardless of funding or monitoring by a government agency. Shelter Owners will be required to annually certify that the shelter residents’ incomes and rents charged, if any, comply with the income targeting and rent commitments made in the approved AHP application, as required for all Minimal risk projects.

D. Sample Size

For those projects subject to a LTC Audit, the FHLB will request an occupancy report in addition to the LTC Certification. The occupancy report must be submitted via email as a Microsoft Excel file using the FHLB Long-term Compliance Occupancy Report Form found on the FHLB website. The occupancy report must include information on all households that occupied the property at any time during the Certification Period, including vacant “Units.” The Certification Period will be indicated on the LTC Certification form. The information supplied by the occupancy report will be used for the LTC Audit. The FHLB will request supporting documentation for a random sample of ten percent of the project’s “Units” unless that percentage would result in a sample of less than three units, in which case FHLB will request supporting documentation for a minimum of three “Units” or the number of “Units” in the project.:



E. In-House Audits

1. For projects with a low or moderate risk, audits are conducted In-house (i.e. at the FHLB). In-house Audits include a review of the project's LTC Certification, the occupancy report for the previous calendar year, and supporting documentation for a random sample of the project's "Units." Supporting documentation includes:
 - a) Tenant Rental Application, Tenant Income Certification, or Intake form for "Shelter" projects that indicate annual household income, the income source, and the signature of the resident to acknowledge accuracy of the information;
 - b) Third-party income documentation for each income source listed on the application and/or certification at the time of initial move-in and, if available, the most current re-certification documentation (not required for "Shelter" projects); and
 - c) Current lease agreement (not required for "Shelter" projects).
2. The LTC Audit information will be reviewed by the FHLB to determine continued compliance with the approved AHP application and governing regulations. More specifically, the FHLB will review supporting documentation to ascertain the following:
 - a) The Intake Form, Rental Application or Tenant Income Certification includes, at a minimum:
 - (1) Date of Occupancy/Move-in Date (for "Shelter" projects);
 - (2) "Unit" Number for "Unit" or "Bed" to be occupied (for "Shelter" projects);
 - (3) "Unit" Size ("Bed," efficiency, etc., for "Shelter" projects);
 - (4) Tenant Name (Head of Household) or Tenant ID Number;
 - (5) Household Size (Total number of Household Members);
 - (6) List of all Household Members and their ages;
 - (7) Total Annual Household Income;
 - (8) Source of all Household Income for all household members;
 - (9) Fair Housing Logo or Wording (also see item c10 below),
 - (10) Acknowledgement with signature and date by the Tenant and Owner representative; and
 - (11) Move-out date, "Unit" transfer and transfer date (if applicable).
 - b) Acceptable third-party income documentation was obtained and tenant income eligibility verified prior to move-in. For adults with no income at move-in, a Certification of Zero Income was obtained prior to move-in. Income documentation should be dated in the tenant's move-in year and dated no more than 120 days prior to move-in.

Third-party income documentation is not required for "Shelter" projects; however, the Intake form must indicate annual household income, the income source, and be signed by the resident acknowledging accuracy of the information.
 - c) The Lease or Rental Agreement includes, at a minimum (not required for "Shelter" projects):
 - (1) Tenant name (head of household);
 - (2) Property address;
 - (3) "Unit" number/"Bed" number;



- (4) “Unit” size (“Bed,” “SRO,” efficiency, 1 bdrm, 2bdrm, etc.);
- (5) Lease term;
- (6) Amount of rent to be paid by tenant;
- (7) Fair Housing wording or logo (also see item 10 below);
- (8) Total “Contract rent” (calculated as “Tenant rent” plus any rental subsidy paid on behalf of the tenant); and
- (9) Signature and date of the tenant/head of household and the Owner representative.
- (10) Compliance with Fair Housing requirements is verified through, at a minimum:
 - (a) A Fair Housing logo shown on the Intake Form, tenant Rental Application, Tenant Income Certification, Lease Agreement and/or Rental Agreement; and/or
 - (b) A Fair Housing statement on any other document provided to and/or visible to residents, such as a Fair Housing poster, brochure, or Tenant Rights and Responsibilities document.
- d) Owner is required to maintain tenant documentation from initial move-in through move-out plus six additional years after tenant move-out.
- e) The FHLB may request additional information, at its discretion, such as copies of HUD audits, project audits, IRS submissions, reports submitted to other federal or state agencies, or project specific operating budgets.
- f) If an Owner fails to submit the supporting documentation by the initial deadline, the project will be considered noncompliant and subject to the actions outlined in the *Noncompliance* section of this Plan. Additionally, if, based on the FHLB’s analysis of the LTC Certification, occupancy report, or supporting documentation, the FHLB determines the project is not operating in compliance with the approved AHP application or governing regulations, the project will be deemed noncompliant and subject to the actions outlined in the *Noncompliance* section of this Plan.

F. On-Site Audits

1. For high risk projects, the FHLB will conduct an On-site Audit of the documentation maintained by an Owner for a random sample of the project’s “Units” and will conduct a visual inspection of the project for habitability every two years.
2. The reviewer will travel to the offices where project files are located and to the project site(s). The reviewer will:
 - a) Interview appropriate staff named in the application as a project contact;
 - b) Interview property management staff (if applicable);
 - c) Review AHP project files including:
 - (1) Tenant Rental Application, Tenant Income Certification, or Intake form for “Shelter” projects that indicate annual household income, the income source, and are signed by the resident acknowledging accuracy of the information;
 - (2) Third-party income documentation for each income source listed on the application and/or certification at the time of initial move-in and, if available, the most current re-certification documentation (not required for “Shelter” projects);



- (3) Lease agreements (not required for “Shelter” housing projects);
 - (4) Marketing documents;
 - (5) Copies of HUD audits, project audits, and IRS submissions may be obtained; and
 - (6) Copies of reports submitted to other federal or state agencies evidencing compliance with income or funding requirements may be obtained.
- d) Visually inspect tenant intake area to verify compliance with Fair Housing requirements – a Fair Housing flyer must be posted in a place readily visible to applicants and residents;
 - e) Visually inspect project site(s) and take pictures to verify habitability; and
 - f) Copy or scan documentation on site.
3. On-site Audit documentation will be retained in the project file.
 4. If, based on the FHLB’s analysis of the LTC Certification, occupancy report, or supporting documentation reviewed during the On-site Audit, the FHLB determines the project is not operating in compliance with the approved AHP application or governing regulations, the project will be deemed noncompliant and subject to the actions outlined in the *Noncompliance* section of this Plan.

V. Welcome Home Program Compliance

Determining compliance of Welcome Home Program projects occur at time of disbursement. At time of disbursement, Members must submit a Request for Payment of Reserved Funding and supporting documentation sufficient for the FHLB to determine that:

- A. Subsidies were used for eligible purposes and in compliance with all FHLB requirements;
- B. The homebuyer received no cash back at closing; and
- C. The “Unit” is subject to a deed restriction or other legally enforceable retention agreement or mechanism as required by AHP Regulation.

VI. Noncompliance

A. Typical Reasons for Noncompliance

1. Failure to Submit Compliance Reports or Audit Documents
 - a) If a Sponsor/Owner or Member fails to submit the requested information (i.e. Periodic Progress Report, Initial Certification, LTC Certification, occupancy report, supporting documentation, etc.) for an approved AHP project by the given deadline, the FHLB will determine the project to be noncompliant and issue a Delinquent Report Letter. If the Sponsor/Owner or Member fails to provide the requested information by the deadline specified in the Delinquent Report Letter, the FHLB will issue a Notice of *Noncompliance*. If the Sponsor/Owner or Member fails to provide the requested information by the deadline specified in the Notice of *Noncompliance*, the FHLB will issue a Notice of Recapture or De-obligation of AHP funding and begin steps to recapture any AHP subsidy disbursed to the project and/or de-obligate any AHP subsidy committed to the project but not disbursed.
 - b) While a finding of noncompliance, including the withdrawal or recapture of AHP subsidy, does not expressly preclude a Sponsor/Owner from applying for AHP subsidy in the future, factors contributing to the noncompliance may be considered when assessing the Sponsor’s/Owner’s capacity on future AHP applications.



2. Failure to Demonstrate Satisfactory Progress towards Completion

If a project that has not been completed fails to demonstrate satisfactory progress toward completion as stated in section II of this Attachment, the FHLB may determine the project to be noncompliant, issue a Notice of Recapture or De-obligation, and withdraw its funding commitment to the project. Withdrawal of the funding commitment for a project does not deem the Sponsor/Owner ineligible to resubmit an application for the withdrawn project or submit new project applications for funding. However, contributing factors may be considered when assessing the Sponsor's/Owner's capacity on future AHP applications.

3. Failure to Comply with the Commitments Made in the Approved AHP Application or AHP Regulations

If a completed project is determined to be noncompliant with the commitments made in the approved AHP application and/or AHP regulation, the FHLB will issue a Notice of *Noncompliance* identifying each issue of noncompliance. The project Owner will be allowed to remedy the issues of noncompliance through one or more of the following:

- a) Submit additional information to confirm compliance;
 - b) Submit an Action Plan to cure the noncompliance (see Action Plan below); or
 - c) If the noncompliance cannot be cured in a reasonable period, modify the project to cure the noncompliance (see Attachment D on Project Modifications below).
4. In addition to the aforementioned, a project may be determined to be noncompliant as a result of other events (i.e. bankruptcy, natural disaster, etc.). In such instances, the FHLB will work with the Sponsor/Owner and Member to resolve the issues of noncompliance with the project Sponsor/Owner and Member.

B. Remedies for Noncompliance

In the event a project is noncompliant, the FHLB will work with the Sponsor/Owner or Member to cure the noncompliance through one or more of the following:

1. Submission of additional documentation to verify compliance.
2. Action Plan
 - a) If the submission of additional documentation is not sufficient to resolve the noncompliance, an Action Plan (the Plan) may be warranted. The Plan should allow for the resolution of the issue(s) within 90 calendar days. Once the acceptable Plan is developed, the Sponsor/Owner must report its progress under the Plan to the FHLB every 30 calendar days. The Sponsor/Owner must also update the Member on its progress. Failure to provide the required progress updates may result in termination of the Plan and immediate de-obligation or recapture of all AHP subsidies committed to or disbursed for the project.
 - b) At the end of the Plan, the FHLB will review the project and either terminate the Action Plan due to compliance, require the Plan to be revised, withdraw the FHLB's AHP award, or, in the event the AHP subsidy has been disbursed, seek repayment of the AHP subsidy disbursed for the project (i.e. recapture).
3. Modification
 - a) If the project Sponsor or Owner cannot cure the noncompliance within a reasonable period of time, the Sponsor/Owner may request a modification of the project in order to cure the



project's noncompliance. All such modifications must comply with the requirements outlined in the Project Modifications section of this Plan (Attachment D).

C. Other

Any project determined to be noncompliant may be subject to the following actions:

1. Withdrawal/de-obligation of the AHP funding commitment for the project;
2. Withdrawal/de-obligation of the AHP funding commitment for any other projects in which the Sponsor/Owner is involved for which AHP funds have not been disbursed;
3. Denial or withholding of any disbursement requests in process for any other AHP projects in which the Sponsor/Owner is involved;
4. Rejection of future applications for AHP funding for projects in which the Sponsor/Owner is involved due to Sponsor/Owner capacity concerns;
5. Change in the project's assigned risk level to increase the frequency of project audits; and
6. In cases of extreme noncompliance, the FHLB may consider suspending or debaring the Project Sponsor, Owner, or other party involved in the project.

VII. Recapture

If AHP subsidies are drawn down and not used, or used in a manner inconsistent with the approved AHP application, and the inconsistency is not cured, the FHLB is required to recapture the full amount of AHP subsidies.

If the noncompliance is occupancy by households with incomes exceeding the income targeting commitments in the AHP application, the amount of AHP subsidy due will be calculated based on the number of units in noncompliance, the length of the noncompliance, and the portion of the AHP subsidy attributable to the noncompliant units.

In such instances, the FHLB shall recover and apply the subsidy to the next competitive AHP offering:

A. From a Member

1. The amount of any subsidies (plus interest, if appropriate) that, as a result of the Member's actions or omissions, is not used in compliance with the terms of the approved application and the governing regulations;
2. The amount of any subsidies (plus interest, if appropriate) recovered by a Member from the Sponsor of an ownership project or Owner of a rental project that, as a result of the Sponsor's or Owner's actions or omissions, is not used in compliance with the terms of the approved AHP application and the governing regulations; or
3. Upon receiving notification by the Member that all or some of the approved subsidy will not be used, the FHLB will recapture the unused portion of the funding.

B. From a Sponsor/Owner

1. The amount of any subsidies (plus interest, if appropriate) that, as a result of the Sponsor's/Owner's actions or omissions, is not used in compliance with the terms of the approved AHP application and the governing regulations.



VIII. Settlements

Pursuant to 12 CFR §1291, if AHP subsidies are drawn down and not used, or used in a manner inconsistent with the approved AHP application and governing regulation, the inconsistency is not cured within a reasonable amount of time, and FHLB cannot approve a modification to the project that would meet the requirements of Attachment D of this Plan, the FHLB is required to recapture the subsidies. In such instances, if the FHLB is unable to collect the AHP subsidies after “reasonable efforts” to collect have been made, the FHLB, in its sole discretion, may consider a settlement of less than the full balance of AHP subsidies that are subject to recapture or settle for no monetary recovery when recovery is doubtful and the cost to continue recovery efforts is material.

- A. A settlement is used only in rare circumstances wherein the full AHP subsidies due are not repaid and cannot be recovered from the Member or the Sponsor/Owner through reasonable collection efforts. A settlement is not considered when other options of cure or modification are utilized.
- B. In reviewing a settlement request, the FHLB will consider the following:
 1. Facts and circumstances of the noncompliance which caused the need to recapture the AHP subsidies, including but not limited to:
 - a) Dishonesty, misrepresentation, potential fraud, or other misconduct on the part of the Member or the Sponsor/Owner;
 - b) Apparent disregard for compliance with the AHP regulation or other AHP requirements;
 - c) Extent of the efforts, if any, undertaken by the Member or the Sponsor/Owner to mitigate the circumstances of the noncompliance;
 - d) Extent to which the Member or the Sponsor/Owner, as applicable, was responsible for the noncompliance;
 - e) Extent to which the project failure was attributable to a market failure;
 - f) Extent to which the noncompliant party incurred losses as a result of the project failure or noncompliance;
 - g) Whether any benefit from the project or the project’s assets would accrue or have accrued to the noncompliant party notwithstanding the project failure or noncompliance;
 - h) Estimated costs for the FHLB to recover the subsidy in relation to the amount due and the likelihood of recovery;
 - i) Unusual or unique facts or circumstances regarding the project, Sponsor/Owner, or Member, which may exist and have been taken into account in arriving at the settlement;
 - j) The reputational risk to the FHLB posed by the proposed settlement; and
 - k) Extent to which all reasonable means of curing an issue of noncompliance and subsidy recovery have been exhausted and/or other options of repayment have been explored.
 2. FHLB will also conduct an analysis of the repayment ability of the noncomplying party or parties, including review of:
 - a) The financial condition of the Member and/or the Sponsor/Owner;
 - b) Any written guarantees for repayment or payment assistance;
 - c) Collateral (generally the project property) to determine ability to repay, including current valuation/appraisal of the collateral, and other liens against the collateral, etc.; and



- d) Other assets of the Sponsor/Owner.
- C. The FHLB will maintain documentation showing that the sum agreed to be repaid under the settlement is reasonably justified, based on the facts and circumstances of the noncompliance, repayment ability, including the degree of culpability of the noncomplying party or parties, and the extent of the FHLB's recovery efforts.
- D. All settlements are subject to approval by the FHLB's Board of Directors. In the event the FHLB settles with a Member or project Sponsor/Owner, a formal agreement regarding the resolution may be executed between all AHP parties. Any subsidy amounts repaid to the FHLB as a result of a settlement will be returned to the AHP funding pool and made available in either the current or the next AHP offering.
- E. In settlement cases, the FHLB, in its sole discretion, may subject the Sponsor/Owner to all appropriate sanctions as specified in the Suspension and Debarment portion of this Plan (Attachment I).



Attachment D: Project Modifications

I. Overview

The following outlines the FHLB's requirements regarding AHP project modifications in order to remedy noncompliance that cannot be cured or receive additional subsidy.

- A. A modification may be considered for approval by the FHLB provided that the Sponsor/Owner has made reasonable efforts to cure the noncompliance within a reasonable period of time and the project, as modified:
 - 1. Would meet the eligibility requirements of 12 CFR §1291;
 - 2. Would continue to score high enough to have been approved in the funding period in which it was originally scored and approved by the FHLB; and
 - 3. There is good cause for the modification indicating why a cure was not successful or attempted and that the issues causing the need for a modification are beyond the control of the Sponsor, Member, or developer.

II. Modifications not Requesting an Increase in Subsidy

- A. The FHLB may approve modifications to the terms of an approved project, if one or more of the following apply:
 - 1. Unusual or unforeseen conditions will not allow the project to be completed within the approved AHP application's commitment period;
 - 2. Unusual or unforeseen conditions will not allow fulfillment of all commitments made in the approved AHP application, which cause changes to the project's scoring parameters, e.g. change in total number of project units, change in number of special needs units, etc.; or
 - 3. Changes in the project's development or financial structure, e.g. major changes in funding sources, operating income or expenses, etc., cause the project to no longer meet the feasibility parameters set at application approval.
- B. Modification requests must be submitted in writing by the Member and the Sponsor using the AHP Modification Request form. However, if the FHLB must close a project, the FHLB may modify the project without a written request from the Sponsor and Member.

III. Extensions to Commitments

- A. Extensions to the time limits on use of subsidy outlined in this Plan may be granted if it can be demonstrated that circumstances beyond the control of the parties involved have delayed the completion of the project and/or the draw of funds.
- B. Requests for commitment expiration extensions must be submitted in writing on the AHP Modification Request form by the Member and Sponsor prior to the commitment expiration date and will be considered on a case-by-case basis.
- C. If a commitment expires while the FHLB has received and is processing a disbursement request, or while the FHLB is actively resolving an issue of noncompliance detected during monitoring, the FHLB may modify the commitment expiration date without a written request from the Sponsor and Member.



IV. Modifications Requesting an Increase in Subsidy

- A. All projects may apply for an increase/change in AHP subsidy via a modification submitted in writing by the Sponsor, Member, or developer on the AHP Modification Request form. All requests will be approved on a first-come, first-served basis subject to the availability of funds, the requirements of this section, and approval by the FHLB's Board of Directors.

V. Other

The intent of the modification process is to provide an alternative to de-obligating or recapturing AHP subsidy awarded to a project in the event the project cannot comply with the parameters under which it received an award of AHP subsidy. Therefore, an organization should be aware that repeated modifications to its projects, even for different reasons, may adversely affect the FHLB's perception of that organization's ability to comply with the terms of its current, as well as future, AHP awards, which could result in:

- A. The denial of future modifications;
- B. The denial of points in certain scoring categories (e.g., special needs, homeless households, etc.) on future applications;
- C. The denial of future AHP applications due to Sponsor capacity; or
- D. Other actions the FHLB deems appropriate.



Attachment E: AHP Definitions

The following definitions describe terms and phrases specific to the competitive Affordable Housing Program. Definitions specific to the Welcome Home Program can also be found in Attachment H of this Plan.

“Acquisition costs” means the cost to acquire land or buildings as part of an AHP project and includes both the purchase price and related costs. See the Project Feasibility Guidelines (Attachment F) for further details on special types of acquisition costs.

“Adaptive reuse” means rehabilitation/conversion of an existing structure not originally intended for housing into use as housing; for example, conversion of warehouses, schools, hospitals, or churches into rental units.

“Affirmatively marketed” means 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” or “Affordability” means:

1. The rent charged to a household for a unit that is to be reserved for occupancy by a household with an income at or below 80 percent of the median income for the county in which the unit lies is no greater than 30 percent of the income of a household of the maximum income and household size expected to occupy the unit per the commitment made in the AHP application assuming occupancy of 1.5 persons per bedroom or 1.0 person per unit without a separate bedroom (“Single-room occupancy” or “Bed”);
2. The rent charged to a household for rental units subsidized with HUD Section 8 assistance or subsidized under another assistance program where the rents are charged in the same manner as under the HUD Section 8 program. If the rent complied with the regulation’s definition at the time of the household’s initial occupancy and the household continues to be assisted through the Section 8 or another assistance program, the unit is deemed to be affordable; or
3. For ownership projects other than owner-occupied rehabilitation projects, the monthly payment of mortgage principal and interest plus taxes, insurance, homeownership association dues, lot rent, leasehold payments, mortgage insurance premiums, and any other predetermined housing expenses may not exceed 31 percent of the household’s gross monthly income as determined at application intake. This limit is 33 percent for households using United States Department of Agriculture loans.

“AMI” means the Area Median Income for the county in which the project is located as published annually by HUD for Multifamily Tax Subsidy Projects (MTSP), as adjusted for household size. Any rural projects may use the greater maximum of the area median gross income or the national non-metropolitan median income.

“Amortization period” means the number of years required to repay a loan in full.

“Amount significantly below market value” means the property was or will be transferred for 50 percent or less of the fair market value at the time of the acquisition, as documented by the value shown by an independent appraisal from a state-licensed or certified appraiser or a property value assessment shown by the property assessor for property tax purposes.

“Another source of funds” includes any other funding that the project will request or receive in addition to AHP, Low Income Housing Tax Credits, and Historic Preservation Tax Credits. Included in other sources would be cash contributions from the Member or Sponsor, homebuyer down payments (ownership projects), permanent debt, funding from a local, state, or federal government agency, foundation grants or loans, or other loans, grants, or contributions used to pay project development costs. The value of non-professional donated labor should not be included, nor should operating grants or any other funds used to pay for operations.

“Applicant intake” means activities involving taking applications, interviewing applicants, assisting applicants in completing questionnaires or applications, processing applicants’ applications, and determining eligibility.



“Applicant intake date” or “Application date” means for ownership projects, the date that a Sponsor qualifies a household for repairs on an AHP-assisted owner-occupied unit or for a mortgage loan that will be used to purchase a specific AHP-assisted unit.

“Assumed market rate” of homeownership loans means the rate established pursuant to the AHP Implementation Plan.

“Bed” (see “Unit / Bed”)

“Below market value” (see “Amount significantly below market value”)

“Bridge loan” means a short-term loan from the Member to a project, evidenced by a note (and mortgage or deed of trust, if secured) from the Member, until permanent funding (e.g., tax credits or grants) is received.

“Capital improvements” means those improvements that add to the value of the home, prolong its useful life, or adapt it to new uses, not including cosmetic improvements, repairs, or maintenance that are necessary to keep the home in good condition. Improvements must increase the life expectancy of the home by at least one year. Examples of capital improvements include room additions, deck and/or swimming pool additions, drive paving, major systems replacements, installation of energy-efficient systems, installation of permanently-affixed sheds, and increasing insulation. Fixing leaks, replacing carpeting or broken hardware, and painting do not constitute capital improvements. Capital improvements must be evidenced by receipts, invoices, or other documentation that FHLB deems adequate; it is within FHLB’s sole discretion to interpret this definition.

“Capitalized costs” refers to funds deposited early in a rental project’s life for costs normally associated with operations but shown on the development budget, such as replacement, operating, or lease-up reserves. Capitalized asset management fees and other fees or expenses generally considered operating expenses will be included with other capitalized reserves.

“Cash contribution” or “direct financial contribution” means a measurable contribution (at least \$2,000) of cash to the project from the Member or Sponsor. In-kind donations are not considered cash contributions. Any amount of cash contributed should be shown in the AHP application as “Another source of funds.”

“Cash flow” (see Net cash flow”)

“Climate resilience” means the ability to prepare for, recover from, and adapt to impacts felt from the effects of climate change. Examples of the effects of climate change include more frequent and severe weather, ocean warming and acidification, extended periods of drought, extreme temperatures, etc.

“Closing costs” include charges generally summarized on line 1400 of the HUD-1 Settlement Statement or identified on the Closing Disclosure and are charges and expenses over and above the price of the property incurred by the buyer when transferring ownership of the property. Typical closing costs include fees for: property inspection, loan origination, rate discount, appraisal, credit report, mortgage insurance application, document preparation, attorney services, judgment search, abstracting, recording; title insurance (for mortgagor or owner); local taxes; survey, plat drawing; pre-paid interest for up to 30 days; initial insurance premiums; escrows of condo or homeowners association dues, transfer taxes, property taxes, flood insurance, and homeowner’s insurance.

“Closing cost assistance” means any grant or loan to help pay the costs of closing a mortgage.

“Commercial space” means any area in a residential development that is leased or intended to be leased to an entity and generates or will generate rental income to the project Owner. AHP funds cannot be used to pay for development costs associated with this space.

“Completion” and “Project completion” means for:

1. Rental new construction or rehabilitation:



“Project completion” means that the construction or rehabilitation work has been completed, as evidenced by one of the following:

- a) Certificate of Occupancy;
- b) AIA document G704 Certificate of Substantial Completion;
- c) Certification by a licensed or certified general contractor that the work is substantially complete; or,
- d) Certification by a licensed or certified building inspector or other qualified individual approved by the FHLB that the work is substantially complete.

2. Rental Acquisition Only:

For projects involving the conveyance of ownership to a new ownership entity, “Completion” means:

- a) The financing transaction has closed, as evidenced by a Closing Disclosure, comparable settlement statement or by a Note/Mortgage or Deed of Trust for the permanent transaction, if no Settlement Statement is completed.
- b) If there will not be permanent debt on the project, completion is evidenced by the recorded warranty deed or executed long-term lease.

3. Owner new construction, acquisition rehabilitation for sale or owner-occupied rehabilitation:

“Project completion” means that the construction or rehabilitation work has been completed, as evidenced by one of the following:

- a) Certificate of Occupancy;
- b) Certification by a licensed or certified general contractor that the work is substantially complete; or,
- c) Certification by a licensed or certified building inspector or other qualified individual approved by the FHLB that the work is substantially complete.

4. Ownership Acquisition Only:

For projects involving the conveyance of ownership to a new homebuyer, “Completion” means:

- a) The financing transaction has closed, as evidenced by a Closing Disclosure or comparable settlement statement; or,
- b) If there will not be permanent debt on the project, the warranty deed has been recorded or a long-term lease has been executed.

“Construction by employees or community organization” means participation by the Member's employees or by a community organization, other than the Sponsor, in at least 40 hours of actual construction or rehabilitation of the housing units (e.g. painting, construction clean-up, minor construction, or similar activity).

“Construction loan” means a loan, as evidenced by a note (and mortgage or deed of trust, if secured) used to pay contractors during construction. The construction loan is usually paid off by the permanent loan and/or other funding at construction completion

“Construction / rehabilitation activities” are those activities directly related to building or rehabilitating units for housing and related common space.

“Consultant” means a paid advisor or other person providing technical assistance in developing a project or in submitting an application. Any fees paid to a consultant are considered part of “Developer fee.”



- “Contract rent” means the actual rental income anticipated to be received per unit, which may include social services or utilities expenses. This may also be calculated as operating or rental subsidy paid to the project per unit plus the rent paid by the tenant for that unit.
- “Contractor” or “General contractor” means the party responsible for construction or rehabilitation, which might include supervising its own employees or volunteers, or employing subcontractors.
- “Costs – hard construction” or “Construction hard costs” means amounts spent on the labor and materials needed to physically create finished space, such as roofing, landscaping, mechanicals, and the wages paid to the roofers, landscapers, and electricians who install such items for a building. These examples do not constitute an exhaustive list, and FHLB reserves the right to classify costs as hard construction costs at its discretion.
- “Costs – soft” or “soft costs” means amounts spent on real estate aside from those associated with the labor and materials needed to physically create the finished space, such as permits, title work, engineering, and the wages paid to developers and others who contribute to the development of finished space but do not work on the physical building or primarily at the building’s site. These examples do not constitute an exhaustive list, and FHLB reserves the right to classify costs as soft costs at its discretion.
- “County” means a geographic subdivision of a state or federal territory, usually assigned some governmental authority. Parishes and boroughs are called “county-equivalents” by the HUD, as are certain independent cities that are not parts of counties.
- “Credit counseling” means a service provided by an organization or counselor certified and trained in the areas of consumer credit, money and debt management, and budgeting.
- “Daily care” means supervised care for the needs of people who cannot be fully independent, such as children or people aged 60+.
- “Debt coverage ratio” means the ratio of a project’s annual net operating income less “Replacement reserves” divided by the total annual debt service from “Hard debt” (principal plus interest). Only “Hard debt” is included in determining whether a project meets this feasibility guideline.
- “Deed in lieu of foreclosure” means a deed instrument in which a borrower conveys all interest in a property to the lender to satisfy a loan that is in default to avoid foreclosure proceedings. For purposes of the AHP retention requirements, transfer of a property through a deed in lieu of foreclosure will be treated as though the property had been foreclosed.
- “Demand” (see “Market demand”)
- “Developer” is the entity or person who will organize and plan the development, may supervise its construction, and manage all the business elements of the project, including arranging financing.
- “Developer fee” means amounts paid for activities normally associated with the developer such as Developer Fee and Overhead (organizational overhead) and/or Consultants Fees, Application Preparer Fees or similar costs. Construction Management/Overhead is a separate cost in the hard costs budget and should not be added as Developer Fee and Overhead.
- “Direct grant” or “grant” means provision of funds for a project with no requirement for repayment so long as the funds are used for the purposes intended for the time period required.
- “Displaced” / “Displacement” means that one or more of the current residents will be required to move because of the project and will have to find other permanent housing.
- “Diverse” means people or businesses that identify as a minority, woman, or individual with disability(ies) and includes other intrinsic or extrinsic characteristics that make people or organizations different from the majority representative group such as race, color, religion, sex, national origin, disability status, age, genetic



information, veteran status, marital status, sexual orientation, transgender status, gender identity, family status, status as a parent or any other characteristic protected by law.

“Donated” / “Donated property” mean property given without financial consideration from an unrelated party. A transfer or conveyance for no more than \$10 would be considered a donation if such value was placed on the transfer solely for legal, tax, or recording purposes. A long-term lease or ground lease for a term of at least 15 years provided without financial consideration or for no more than \$10 also meets this definition. Note: Conveying land or property for less than its full value does not constitute a donation of that part of value for which compensation is not received. For example, selling property for 80 percent of its value does not count as “donating” 20 percent of the property. Part of a property cannot be donated unless that part is individually identified and conveyed separately from other parts.

“Down payment assistance” means grants or loans used to reduce the first mortgage amount to the borrower.

“Eligible furnishings” are furnishings and appliances which may be funded by the AHP. These include stove/oven, refrigerator, washer, dryer, microwave and dishwasher. Other furnishings” such as desks, chairs, and computer equipment for the manager’s office; etc. are eligible project expenses that should be shown in the residential costs portion of the AHP Development Budget; however, AHP subsidy cannot be used to pay for them.

“Eligible outside funding” means grants or “Hard debt” loans from the Member or other entity such as federal, state, or local governments; grants or loans from private or public foundations; or tax credits. For example, Low-Income Housing Tax Credits; Historic Preservation Tax Credits; State Housing Finance Agency grants or loans; Softwood Lumber Grants; VA or RD capital grants or loans; CDBG; HOME; HUD McKinney grants; and other HUD funding. Funds must be included among the project’s permanent funding sources in order to receive points in the AHP scoring system.

“Eligible ownership interest” means a Sponsor in a rental project has an “Ownership interest” or multiple Sponsors have a combined ownership interest of at least 51 percent. For rental projects, the Sponsor(s) must hold at least 51 percent of the “Ownership interest.” For rental projects to be eligible for points, however, the **primary** Sponsor must hold at least 51 percent of the “Ownership interest.”

“Eligible Sponsor” means a non-profit organization, state, political subdivision of a state, local housing authority, state housing agency, a Native American Tribe, an Alaskan Native Village, or the government entity for a Native Hawaiian Home Land. In order to receive points under the Project Sponsorship scoring category, a single “Eligible Sponsor” for a rental project must have an “Eligible ownership interest.” For ownership projects, the “Eligible Sponsor” must be “Integrally involved” in the project in order to receive points under the Project Sponsorship scoring category.

“Equal Credit Opportunity Act” is codified at 15 USC 1691.

“Extremely low-income household” means a household that has an income at or below 30 percent of the median income limit as determined by HUD, adjusted for family size.

“Fair Housing Act” is codified at 42 U.S.C. §3604.

“Federal Instrumentality” means the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), the Comptroller of the Currency (OCC), the Federal Housing Finance Agency (FHFA), and the National Credit Union Administration (NCUA). “Financial literacy” or “Financial capability” means a service provided to assist people in developing an understanding of basic financial concepts such as budgeting, financial management, saving, identity theft issues and safety, and investing, in order to manage financial resources effectively for a lifetime of financial well-being.

“First-time homebuyer” means an individual or household who has not owned a home during the three-year period prior to the purchase of a home, except that:



1. Any individual who is a displaced homemaker may not be excluded from consideration as a first-time homebuyer on the basis that the individual, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse;
2. Any individual who is a single parent may not be excluded from consideration as a first-time homebuyer on the basis that the individual, while married, owned a home with his or her spouse or resided in a home owned by the spouse; or,
3. Any individual or household who owns a home that:
 - a) Is not intended as a dwelling; or
 - b) Is a “Mobile home” that was not originally assembled to meet nationally recognized standards or is not permanently affixed to a foundation that meets nationally recognized building code standards; or
 - c) Is not in compliance with state, local, or model building codes and cannot be brought into compliance for less than the cost of constructing a permanent structure.

“Foreclosure” means a legal procedure by which mortgaged property is sold, upon default, in order to satisfy a debt. Foreclosures generally are governed by state law, and rules may vary between states. For purposes of the AHP retention requirements, transfer of a property through a deed in lieu of foreclosure will be treated as though the property had been foreclosed.

“Gap” means the difference between the total of all of a project’s identified development costs and the total of all funding sources besides AHP.

“General contractor” (see “Contractor”)

“General fund” means a program that each Federal Home Loan Bank is required to establish and under which the Federal Home Loan Bank approves applications for AHP subsidy through a competitive application scoring process and disburses the subsidy, pursuant to the requirements of 12 CFR Part 1291.

“Grant” (see “Direct grant”)

“Group home” means a public or private residence or other structure constructed or converted to serve as a home for unrelated persons who share a common characteristic, most often referring to homes designed for those with special needs or certain other characteristics who are generally not deemed capable of living alone or without proper supervision. Residents may have their own room or share rooms and share facilities such as laundry, bathroom, kitchen, and common living areas. Individual residents pay rent, or the Owner receives rental or operating subsidy on a per-resident basis. Residents have leases executed by or on behalf of them.

“Habitat-like” means a project in which:

1. Houses are sold to families at no profit, financed with Sponsor-provided, deeply discounted or no-interest first mortgage loans; and
2. The homeowners' monthly mortgage payments are used to build additional affordable houses.

“Hard debt” means debt for which there is a requirement for repayment that would result in foreclosure if not repaid and other credit terms indicating such debt arises from a truly arm’s-length transaction. Deferred or forgivable debt, debt repayable to a “Related party” (including, but not limited to, a loan from a Sponsor to an ownership entity in which the Sponsor has an “Ownership interest”), or debt which is to be repaid only from excess cash flow or upon certain other conditions is not considered such hard debt and is not included in (and may be removed by the FHLB from) the calculation of the “Debt coverage ratio,” “Net cash flow,” and other AHP-related calculations.

“Homeless household” means a household made up of one or more individuals, who:



1. Resides in overcrowded housing; “overcrowded housing” means a housing unit occupied by more than one household or any housing unit with an average of more than two persons per sleeping area (including a living room as a sleeping area);
2. Is facing imminent loss of their home due to condemnation or eviction;
3. Were or will be displaced from their previous residence by natural disaster or eminent domain;
4. Lacks a fixed, regular, and adequate nighttime residence;
5. Individuals aging out of foster care;
6. Individuals fleeing or attempting to flee domestic violence or other dangerous or life threatening situation; or,
7. Has a primary nighttime residence that is:
 - a) A supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill);
 - b) An institution that provides a temporary residence for individuals intended to be institutionalized;
 - c) A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings; or,
 - d) A “mobile home” that does not meet the requirements of the National Manufactured Housing Construction and Safety Standards Act, Title VI, Public Law 93-383; 42 USC 5401, appearing at 24 CFR 3280, et seq., generally referred to as “pre-1976 mobile homes.”

“Homeownership/Homebuyer counseling” means a program provided by, or based on one provided by, an organization recognized as experienced in homeownership counseling. The counseling program must cover, at minimum, mortgage financing, credit-worthiness, household budgeting, and home maintenance. The FHLB encourages the counseling to include information on predatory lending.

“Household” means all related family members or all unrelated people who currently occupy an existing housing “Unit” or will occupy a housing “Unit” or “Bed” being developed, including unborn children, adoptive children, foster children, wards, lodgers, or employees who share the housing. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household.

“Household income” means the combined annual earned “Income” of all the occupants aged 18 and over expected to live in a given AHP-assisted dwelling unit at the time the household is qualified by the Sponsor or Member for participation in an ownership project or at initial occupancy of a rental unit. Unearned income is included for all occupants, regardless of age. Current circumstances will be used to anticipate “Income” and projected annual income will be calculated by annualizing current “Income” taking into account changes expected to occur during the year. “Household income” is determined using the methods for projecting and calculating annual income as outlined in the Income Eligibility Guide maintained on FHLB’s website.

“Household’s investment” means the following, to the extent paid by the household and documented to the Bank:

1. Reasonable and customary costs paid by the household in connection with the purchase of the unit (including real estate broker’s commission, attorney’s fees, and title search fees);
2. Any down payment paid in connection with the household’s purchase of the unit;
3. The cost of any capital improvements made after the household’s purchase of the unit until the time of the subsequent sale, transfer, assignment of title or deed, or refinancing; and



4. The amount of principal on any mortgage senior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation repaid by the household.

“Income” means:

1. The full gross amount, before payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services; and
2. The net income from operation of a partnership, business, or profession; and
3. Interest, dividends etc.; and
4. Payments in lieu of earnings, such as unemployment benefits, disability compensation, worker’s compensation, and severance pay; and
5. The full gross amount of periodic payments from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, lotteries, trusts, and inheritances, and other similar types of periodic payments received; and
6. All regular pay, special pay, and allowances of a Member of the Armed Forces; and
7. Income from assets (if generating regular payments to the household); and
8. Welfare assistance, if designated for shelter or utilities; and
9. Regular contributions and gifts (monetary or not) from persons outside the household. This may include rent and utility payments paid on behalf of the household and other cash or non-cash contributions provided on a regular basis; and
10. Alimony, child support, etc.; and
11. For 2-4 unit dwellings, 85 percent of the projected gross income for such units.

Other inclusions and exclusions of income are outlined in the Income Eligibility Guide maintained on FHLB’s website.

“Integrally involved” means the Sponsor in an ownership project meets at least one of the following requirements:

1. Exercises control over the planning, development, or management of the project;
2. Qualifies households and provides or arranges financing for the owners of the units.

“Landscaping by a Member’s employees or by a community organization” means participation by the Member’s employees or by a community organization unrelated to the Sponsor or project, in at least 8 hours related landscaping development or grounds maintenance of the property (e.g. clearing land or lots; trimming, planting, or transplanting trees and/or shrubs; seeding or sodding lawns; preparing or refreshing planting beds; etc.).

“Low-income” means income at or below 60 percent of the area median income, as determined by HUD, adjusted for family size.

“Low Income Housing Tax Credit” means a credit against federal income tax liability issued by a state housing finance agency under Section 42 of the IRS code. Such credits are issued to encourage the development of affordable rental housing.

“Management fee” means the amount paid to the Sponsor/Owner/Manager for management of the property as shown on the AHP Operating Budget.

“Manufactured housing” refers to a single-family residential dwelling built in compliance with the Federal Manufactured Housing and Construction Standards, as amended, also known as the HUD Code, after June 15, 1976. Manufactured homes may be built in multi-sectional or single section units and installed on an FHA



Title II permanent foundation system. In addition, the home and the lot must be taxable together as real property. For AHP eligibility purposes, newly constructed manufactured home must be Energy Star certified.

“Market demand” refers to a description of the market demand for the project. The description should refer to measurable demand based on waiting lists, market studies, etc., and be specific as to the type and number of units proposed and the characteristics of the population the project is intending to house. For example, if a project will have 20 two-bedroom units for low-income households, there must be specific demand for that kind of unit and population in the project area.

“Marketing / outreach” means activities related to promoting the availability of the housing proposed, such as events, announcements, and the development and distribution of special materials.

“Material party” means a person who has a financial interest, decision making authority, or influence in a transaction or project.

“Maximum interest rate” for the Affordable Housing Program means the rate established pursuant this Plan.

“McKinney” refers to a HUD grant for housing assistance for homeless persons. See www.hud.gov.

“Member” means a Member stockholder of the FHLB Cincinnati, which has full borrowing and voting rights and privileges. Members include commercial banks, savings and loan associations, savings banks, credit unions, insurance companies, and community development financial institutions.

“Mobile home” refers to a residential structure manufactured prior to the enactment of the Federal Manufactured Housing and Construction Standards, also known as the HUD Code, on June 15, 1976. Mobile homes are not eligible for AHP subsidy.

“Moderate-income” means income at or below 80 percent of the area median income, as determined by HUD, adjusted for family size.

“Modification” means any material changes in the structure of the project, including but not limited to any new or increased sources of funds, failure to receive other project-related funds or achieve compensated tax credit utilization, or any other material changes in the project's scope, scoring, or terms as outlined in the originally approved AHP application. See the Project Modifications section of this Plan (Attachment D).

“Modular home” refers to a home built to the State or Local Code where the home will be located. Sectional units are built in a production facility, transported to the site, and assembled onsite.

“Multi-family building” means a structure with five or more dwelling units.

“Neighborhood stabilization plan” means a formal housing or community development plan adopted by a unit of government, generally the HUD Consolidated Plan, or other comprehensive plans. It does not mean letters of endorsement or support for the project or the Sponsor.

“Net cash flow” means the cash flow available to a project, which is calculated as net operating income less annual replacement reserves less total hard debt service.

“Net income” means income from gross rents plus operating subsidy less vacancy loss plus other income, including laundry, and/or parking income.

“Net proceeds” means (1) in the case of a sale, transfer, or assignment of title or deed of an AHP-assisted unit by a household during the AHP five-year retention period, the sales price minus reasonable and customary costs paid by the household in connection with the transaction (including real estate broker's commission, attorney's fees, and title search fees) and outstanding debt superior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation; or, (2) in the case of a refinancing of an AHP-assisted unit by a household during the AHP five-year retention period, the principal amount of the new mortgage minus reasonable and customary costs paid by the household in connection with the transaction (including attorney's fees and title search fees) and the principal amount of the refinanced mortgage.



“Non-profit organization” means a Sponsor designated as a 501(c)(3) or (c)(4) not-for-profit organization by the IRS.

“Non-residential space” means any area beyond what is necessary to allow residents to enjoy normal housing amenities. One manager’s office and one community room may be included as residential, but additional management areas or common spaces would be considered non-residential under the AHP. Please note that space normally included as common areas under the tax credit program may be considered non-residential space under the AHP. For example, art rooms, “Social services” program spaces, units reserved for case managers or “Social services” counselors or providers, and other such spaces are considered non-residential space under the AHP.

“Operating expenses” means costs associated with the operation and maintenance of an income-producing property. Common commercial real estate operating expenses include property taxes and insurance, management fees, repairs and maintenance, common area utilities, and other miscellaneous administrative expenses (accounting, legal, etc.).

“Operating reserves” means funds set-aside to cover unexpected fluctuations in actual operating expenses. These are “Capitalized costs” if shown on the development budget or are “Replacement reserves” if shown on the AHP Operating Budget.

“Operating/Rental subsidy” means funds received outside of rental income to cover a project’s operational costs.

“Overcrowded housing” (see “Homeless household”)

“Ownership” means a fee simple interest in a property to be used as a primary residence. Owner-occupied units may include single-family detached units, condominiums, townhomes, duplexes, triplexes, or quadruplexes. Ownership properties also include those in which there is a true ownership through a cooperative.

“Ownership cooperative” means a cooperative in which members own a share in a corporation that owns or controls the building(s) and/or property in which they live. Each shareholder is entitled to occupy a specific unit and has a vote in the corporation. Every month, shareholders pay an amount that covers their proportionate share of the expense of operating the entire cooperative, which typically includes underlying mortgage payments, property taxes, management fees, maintenance, insurance, utilities, and contributions to reserve funds. Such cooperatives may be market-rate or limited-equity cooperatives.

“Owner-occupied rehab” means a project in which AHP subsidy is used to rehabilitate housing units already owned by the resident. It does not include projects that acquire vacant housing units for rehab and resale.

“Ownership interest” means part or full ownership of the property. In the case of property owned by entities created for the purpose of receiving tax credits, FHLB will consider an organization’s partial or full control of a partner besides the limited partner (e.g. the general or managing partner) when determining whether the Sponsor meets threshold requirements or qualifies for Project Sponsorship points.

“Partnership agreement” refers to the formal agreement detailing the responsibilities of the various parties in a development funded through tax credits, including the general partner(s), limited partner(s), investor(s), developer(s), consultant(s), and others, relative to the amounts and timing of payments, management responsibilities, financial responsibilities, compliance with funding requirements, programmatic or other commitments, etc.

“Permanent financing” means non-lent funds or hard debt repayable from normal business operations (rental projects) or repayable mortgages (ownership projects), not repaid through the injection of other funding or other loans. Please note that the first lien mortgage must have a term of at least 15 years and meet other eligibility criteria in order to receive points as noted in the Member Financial Participation section of the Scoring Criteria section of this Plan (Attachment A).



- “Permanent loan” means a repayable, amortizing loan, with a loan term of at least 15 years to the project or homebuyer, evidenced by a note and mortgage or deed of trust.
- “Permanent supportive housing” is long-term housing, which includes supportive services for special needs or homeless households that enable residents to live as independently as possible in a permanent setting. The supportive services may be provided by the organization managing the housing or coordinated and provided by other service agencies.
- “Predevelopment activities” refer to activities related to acquiring and developing land, developing plans, securing zoning and other government approvals, securing financing, etc.
- “Project activity” means the work that will be completed to a unit of housing over the course of development within the scope of an AHP project. Activity can include new construction, rehabilitation, acquisition, or any combination thereof.
- “Project development costs” (see “Total project costs”)
- “Property management” means all, or most, of the tasks associated with daily operations of a rental property, for example: marketing and outreach, applicant intake, executing and enforcing leases, collecting payments, preparing units for rent, routine maintenance, managing and maintaining common and public space, record keeping and accounting, and compliance and reporting.
- “Provision of financing to project borrowers” means closing the first mortgages in the name of the Sponsor, Member, or other organization.
- “Qualified Census Tract” means a tract defined as qualified by the HUD Qualified Census Tract Table Generator.
- “Real Estate Owned” (REO) means property taken by the lender as the final step in the foreclosure process. The property ownership has been conveyed back to the lender.
- “Rehabilitation Act” is codified at 29 USC 791.
- “Related party” or “Related parties” means any party or parties related by family, business, or personal interest to a Sponsor, Member, or other party directly involved in an AHP project. Developer, tax credit syndicator, consultant, property manager, service provider, and contractor are all considered parties directly involved in an AHP project. Related parties would include any persons related by family, business, or personal interest to any member of the Sponsor’s Board of Directors or staff, the Member’s Board of Directors or staff, or the Board of Directors or staff of any other party directly involved in an AHP project.
- “Relocation plan” means a formal plan and procedures for providing temporary or permanent housing for persons “Displaced” or temporarily displaced by a project. This plan may be any plan that is approved by any federal, state, or local government funder(s) involved in the financing of the project. If such is not a requirement of another funding source, then the relocation plan must include, at a minimum, resident notification of the displacement with lead time appropriate to the extent of the relocation; accommodation (monetary, labor assistance, or both) measures to execute the relocation (monetary accommodation should reimburse extraordinary expenses such as movers, food, utilities, advisory or support services, storage of personal belonging, transportation, security, etc.); planning for temporary displacement such as where tenants will go, where personal property will be stored, and the timing expectations for movements; what accommodation(s) will be made, if any, if an occupant elects permanent relocation; and the budget categorizing the line item relocation costs in total and an anticipated average cost per household. General assumptions articulating how the relocation cost estimates were determined should be narrated within the relocation plan. Notwithstanding the requirements of any federal source, any relocation plan must reasonably meet FHLB’s requirements.
- “Rental” means, for purposes of the competitive application program, 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, lease-purchase, and units owned in a cooperative (other than a true “Ownership cooperative”).

“Replacement reserves” means funds set aside to cover some or all of the cost to replace assets as they are used up (for example, roof, plumbing, and appliances). These are “Capitalized costs” if shown on the development budget.

“Retention period” means:

1. For an ownership project, this means five (5) years from the “Completion” date for each unit; and,
2. For a rental project, this means fifteen (15) years from the date of “Project completion.”

“Rural” generally means rural as determined by USDA.

“Scattered site” means project units located at more than one physical location. This may involve multiple, noncontiguous lots in a common area or might even involve sites in multiple counties or states.

“Servicing loans” means receiving monthly payments of principal and interest and providing them to the Sponsor as the mortgage holder. A Member may also receive payments for escrow of taxes and insurance and remit the annually required payments.

“Shelter” means any facility, the primary purpose of which is to provide temporary housing not to exceed a maximum of 60 days for homeless persons in general or for specific populations of the homeless. If a project is providing only “Beds” instead of rental units (like apartments) and residents stay intermittently or for only short periods, it probably should be characterized as a "shelter" project. Rental projects that provide single rooms but allow residents to stay for longer periods are generally considered “Single-room occupancy (SRO)” projects and are not considered "Shelters." The distinguishing characteristics of a "Shelter" project are:

1. The purpose of the facility is to provide temporary housing for homeless persons in general or for specific populations of the homeless;
2. Residents stay intermittently or for only short periods of time;
3. “Beds” are provided instead of apartment units with bath and/or kitchen facilities; and,
4. Residents do not sign leases or pay any significant rent.

“Significant proportion,” with regard to donated or conveyed property, means at least 20 percent of land or units.

“Single-family building” means a structure with one to four dwelling units.

“Single-room occupancy” (SRO) means a unit (or a project) which provides living and sleeping space for the exclusive use of one occupant, but requires the occupant to share sanitary and/or food preparation facilities with occupants of other units. An SRO unit may not be occupied by more than one person. There is no limitation on the number of SRO units in an SRO facility. This definition is intended to be consistent with the HUD definition of SRO in the HUD Housing Choice Voucher Handbook (7420.10G), Chapter 17.

“Social services” are services and activities provided directly to the general population to improve their general well-being. Such services may include daily care for children or adults, protective services for children or adults, special services to persons with disabilities, adoption counseling, case management, family planning, health-related services, transportation, foster care for children or adults, substance abuse counseling, legal services, home-delivered meals, congregate meals, independent/transitional living, special services for youth, employment services, or any other social services found necessary for the population.

“Social services agency” means an organization chartered or otherwise organized to provide a broad range of social services including at least three of the services listed above.



“Soft debt” means debt for which there is no requirement for repayment, which is deferred or forgiven, debt repayable to a “Related party” such as a loan from a Sponsor to an ownership entity in which the Sponsor has an “Ownership interest,” or debt that is to be repaid only from excess cash flow or upon certain other conditions and is not included in the calculation of “Hard debt.”

“Special needs” means any person or household member aged 60+, any person defined as "elderly" by the applicable Tax Credit Qualified Allocation Plan, or any person or household member meeting one of the following additional definitions:

1. “Physically disabled” means any person: a) with a physical impairment that results in substantial functional limitations and who is receiving disability benefits from federal or state government; or b) who is deemed physically disabled by a licensed physician who attests that, by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning, or socializing.
2. “Mentally disabled” means any person: a) who is diagnosed with a psychiatric disorder and is receiving disability benefits from federal or state government; or b) who is deemed to have a comparable long-term mentally disabling condition by a qualified professional, such as a licensed psychiatrist, psychologist, or clinical social worker, who attests that, by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning, or socializing.
3. “Developmentally disabled” means any person: a) with a severe, chronic developmental disability who has been diagnosed with mental retardation and is receiving disability benefits from federal or state government; or b) who is deemed developmentally disabled by a licensed physician who attests that, by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning, or socializing.
4. “Co-occurring disabled” means any person: a) diagnosed as having both a psychiatric disorder as well as substance abuse/dependency (co-occurring issues) who is receiving disability benefits from federal or state government; or b) who is deemed to have a comparable long-term co-occurring condition by a licensed psychiatrist, psychologist, or clinical social worker, who attests that, by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning, or socializing.
5. “Physically or emotionally abused” means any person who is or will be residing in a place protecting such person from physical or emotional abuse.
6. “Chemically dependent” means any person with a history of substance abuse/dependency who is diagnosed as chemically dependent or receiving treatment for the abuse/dependency from a licensed physician, psychiatrist, psychologist, or clinical social worker or is receiving treatment in a recognized therapeutic program.
7. Persons aging out of foster care, an orphanage, or other residential facility.
8. “Persons with AIDS” means any person with a medical diagnosis of Acquired Immune Deficiency Syndrome or any person who is medically diagnosed as HIV positive who is receiving medical care for the condition diagnosed.

“Special purpose housing” means a facility that provides permanent or transitory housing for unrelated persons who share a common characteristic, most often referring to homes designed for those with special needs or certain other characteristics. Residents have their own room or “Bed” or share a room and share facilities such as laundry, bathroom, kitchen and common living areas, and sign leases and pay rent or the project Owner receives an “Operating/Rental subsidy.”

“Sponsor” means a not-for-profit organization, public entity, or a for-profit organization for an AHP project that meets the definition of “Integrally involved” (for ownership projects) or has an “Ownership interest” (for



rental projects). A ‘Sponsor’ may also be the operator of a loan pool or a revolving loan fund. For-profit organizations are not eligible for points under the Project Sponsorship scoring category since they are not considered “Eligible Sponsors.”

- “Stabilized operations” is defined as the first year of a project’s operations where the vacancy ratio is normalized at a percentage of 10% or less.
- “Substantial rehab” in the AHP application means repairs, replacements, improvements (including major movable equipment) and additions, the cost of which exceeds \$11,000 in “Construction hard costs” per unit, on average. The intent is to fund projects in which the rehab is more than cosmetic.
- “Tax credit syndicator” acts as a broker of tax credits for multiple developers and investors and establishes equity funds that finance multiple projects.
- “Temporary relocation” means that one or more current residents might have to move to other units in the project or to other housing outside of the project during construction or rehab but will return to the project after completion of the project.
- “Tenant position on Sponsor’s Board” means a resident of an AHP-funded project serving on the Board of Directors of the Sponsor (or the Sponsor’s parent organization) with full rights and voting privileges. The resident of the project must be currently leasing a unit in the project, must have been selected by other residents, and the Board must adopt procedures that describe the selection process, including eligibility and filling vacancies.
- “Tenant rent” means the rent paid monthly by the occupant according to the lease. Rent paid by the tenant may include or exclude utilities, but does not include any operating subsidies or rental subsidies such as Section 8 that is paid to the projects by any other source.
- “Third-party income documentation” is provided by an independent source to verify an individual’s income, such as wage statements, interest statements, and unemployment compensation statements. Examples of third-party sources include employers, the Social Security Administration, and the IRS, not Sponsors of an AHP project. The FHLB uses the Income Eligibility Guide maintained on its website as a guide for acceptable “Third-party income documentation.”
- “Total development costs” means the sum of acquisition costs, hard costs, and soft costs shown on the AHP Development Budget less any “Developer Fee.”
- “Total number of units” refers to the total number of units in the project, including any market rate units, managers’ unit(s), and all AHP-assisted units. Unless structured differently, the number of units in a “Shelter,” “Group home” or “Special purpose housing” project means the total number of “Beds.”
- “Total project costs” means the sum of acquisition costs, hard costs, and soft costs shown on the AHP Development Budget plus “Developer fee.”
- “Transitional housing” refers to housing programs assisting people who are ready to move beyond emergency shelter into a more independent living situation. Transitional programs allow individuals and families to more fully develop the stability, confidence, and coping skills needed to sustain permanent housing. Some transitional program participants live in apartment-style quarters, while others may be in group settings where several families or individuals share a household. The project must provide sufficient individual space for each household to develop and grow independently.
- “Tri-party agreement” refers to the formal agreement between the FHLB, the Member, and the Sponsor/Owner relating to the AHP project, the responsibilities of each, and the funding approved. It also contains the requirements of the AHP regulation. If the regulations governing the AHP are amended, the amendments are incorporated by reference into existing agreements.



“Unit” or “Bed” means an individual dwelling or single-family home with its own private entrance, residential kitchen/cooking area, at least one full bath, and at least one sleeping area. A unit may be occupied by one or more persons. “Single-room occupancy (SRO)” dwellings are also considered units if the project provides a private entrance to each unit, units contain a sleeping area and food preparation space, a bath, or both, and only one person will occupy each unit. Community self-service cooking areas, and community sanitary areas, may also be provided with SRO projects.

A “Bed” is used in residential facilities such as “Shelters”, “Group homes”, and “Special purpose housing” projects that do not provide individual living areas with a bath and/or kitchen or food preparation space. A “Bed” may not be occupied by more than one person.

“United States Government or any agency or instrumentality thereof” means those listed on www.usa.gov/federal-agencies such as the U.S. Department of Housing and Urban Development (HUD), United States Department of Agriculture (USDA), Veterans Affairs Department (VA), Federal Housing Administration (FHA), Federal National Mortgage Association (FNMA - Fannie Mae), the Federal Home Loan Banks (FHLB), and the Federal Home Loan Mortgage Corporation (FHLMC - Freddie Mac).

“Very low-income” means income at or below 50 percent of the area median income, as determined by HUD, adjusted for family size.

“Workforce housing” means housing for households with earned income above 60% of the area median income that is located within reasonable proximity to the workplace.

Note: The AHP descriptions, related documents, and the online application may contain other terms or phrases not defined here. These terms or phrases may be associated with descriptions or definitions appropriate to the context in which they appear. These additional words and phrases and any descriptions and definitions appearing in the online application or elsewhere are incorporated herein by reference. Slight variations in the wording of definitions may be required by the context in which terms appear, and these variations should not be construed as different definitions. Any questions about the definitions stated here, in the online application, or elsewhere should be addressed to the FHLB for resolution.



Attachment F: Project Feasibility Guidelines

The AHP regulation requires an FHLB to adopt guidelines for determining development and operational feasibility. The FHLB has developed its feasibility guidelines after review and analysis of prior AHP application submissions; review of information from the other FHLBs; requirements, priorities, and guidelines of the state housing finance agencies in the district; the Report of the National Council of State Housing Agencies' Working Group on Housing Credit Allocation and Underwriting Recommended Practices; review and recommendations from independent housing finance professionals; and discussions with the FHLB's Affordable Housing Advisory Council.

The determination of feasibility is based primarily on information submitted in the AHP application, especially the AHP Development Budget, AHP Operating Budget, and related supporting documentation. For most of the requirements and guidelines described below, the AHP application performs preliminary calculations, compares the values for each project to the guidelines in the Feasibility Report, and indicates any values outside the guidelines. This information is intended only as a guide to assist the applicant during application preparation. During the final application review, values may be recalculated by the FHLB based on all of the financial information submitted, and the final values are compared to the guidelines. The determination of project feasibility is based on this final review.

The project must meet all feasibility requirements and guidelines outlined here or provide explanations satisfactory to the FHLB for any values outside the guidelines. Projects that deviate from these parameters will undergo additional review and underwriting to determine the reason for, and the reasonableness of, any deviation. Based on this review and underwriting, staff may work with project Sponsors or owners to make adjustments to the financial information submitted at time of application or at disbursement to ensure that the information accurately reflects the nature and financial structure of the project. Any change to the financial parameters of the project between application and disbursement that cause exceptions to these guidelines that were not approved at AHP award will be reviewed on a case-by-case basis and may result in a reduction of the AHP amount or a denial of the request.

The FHLB may also allow reasonable deviations from the guidelines, based on the nature, location, and type of the project and based on explanations provided by the Sponsor to justify such deviations. However, the Sponsor or project Owner is ultimately responsible for ensuring that financial information is correct and consistent and that the project's financial structure meets the FHLB's guidelines, or that any deviations are adequately explained, justified, and documented. The FHLB assumes no obligation to reconcile conflicting information, accept incomplete information, or seek additional information or clarification that is not provided at time of application or disbursement request.

Project feasibility / viability will be reviewed and assessed at time of application, at time of disbursement, and may be completed at any project modification or periodic assessment. The FHLB will determine the reasonableness of proposed or actual costs based on its experience with similar projects, similar locations, and similar populations being served. The FHLB's determination will be final, and any costs determined not reasonable will be disallowed, not be reimbursed, and the AHP amount may be reduced or the application rejected.

In administering the AHP and this Plan, and reviewing and evaluating Sponsors, projects, and applications hereunder, the FHLB reserves the right to determine in its good faith discretion (exercised in a uniform and consistent manner) whether the project or any portion of the application in question meets all of the following: the requirements of this Plan, the intended uses of AHP subsidy, the integrity of the program, and the safe and sound operations of the FHLB and use of its assets.



I. Project Feasibility

- A. The project must be likely to be completed and occupied based on relevant factors contained in these guidelines, including, but not limited to, the development budget, market analysis, and project Sponsor's experience in providing the requested assistance to households.
- B. A rental project must be able to operate in a financially sound manner in accordance with these guidelines, as projected in the project's AHP Operating Budget.
- C. If any of the feasibility requirements for receiving AHP subsidy are more restrictive than requirements from other funding sources, the AHP requirements must be satisfied.

II. Determination of Project Viability

- A. The project must identify sources of funds, including AHP subsidy, sufficient to cover all reasonable costs identified, and sources and uses of funds must match. All costs and all funding must be shown on the AHP Development Budget. There can be no costs identified for which there is insufficient funding, and there cannot be funding identified in excess of reasonable costs. If funding is insufficient, the application may be rejected. If excess funds are identified, the AHP amount may be reduced, or the application may be rejected.
- B. If the project is providing any rehab of rental or ownership units, the rehab must bring the project into compliance with local codes.
- C. Projects proposing rehabilitation of rental units must submit a detailed breakdown of anticipated costs, at time of application, based on estimates by a licensed or certified third-party architect, building inspector, general contractor, or other qualified individual with prior approval by the FHLB. At time of disbursement, verification by one of the aforementioned qualifying parties of actual rehabilitation costs completed for rental and ownership projects must be submitted. Costs associated with the provision of third-party inspections may be included in the project's development budget as an AHP-eligible expense.
- D. The project must demonstrate that the AHP subsidy will be used to benefit income-eligible and otherwise qualified recipients and that the benefit is always under the control of the Sponsor/Owner. AHP requirements and responsibilities belong solely to the Sponsor/Owner and cannot be transferred to another party. The Sponsor/Owner cannot lease the property to another party (a practice known as master leasing) and/or transfer the responsibility for ensuring that all AHP requirements are satisfied. Under such a circumstance, the original Sponsor/Owner would be subject to Recapture of all or a portion of the AHP subsidy.

III. Reasonableness of Project Costs

A. Acquisition Costs

- 1. "Acquisition costs" must be shown on the AHP Development Budget in the amount paid to a third party if the property will be or was acquired within the last five years. FHLB will make an exception to allow the market value of a property to appear as its "Acquisition costs" if other funders' guidelines justify the use of market value as "Acquisition costs" (to increase eligible basis, for example) for conveyances between "Related parties" subject to the requirements below.
- 2. "Acquisition costs" must be documented. Such documentation may include a HUD-1 Settlement Statement, Closing Disclosure, a purchase option, purchase contract, or deed with the purchase price indicated in the name of the Sponsor/Owner, developer, or other entity involved in the project identified in the application.



- a) Appropriate documentation of market value must be provided at time of disbursement for ownership projects and at time of AHP application for rental projects.
 - b) Market value may be documented either by the assessment for property tax purposes or an independent appraisal of the property performed by a state certified or licensed appraiser. An independent appraisal is required for all “Related party” transactions.
 - c) “As-is” market value must be documented within a reasonable time from the date upon which the purchase price was agreed or conveyance was completed, generally within six months.
 - d) If no information is submitted to support the acquisition costs, the disbursement may be denied, or the subsidy requested may be reduced or the AHP application rejected.
3. “Acquisition costs” must be reasonable. This means that the purchase price does not exceed the “as-is” market value of the property at the time of conveyance and that any related costs are reasonable.
- a) If the purchase price is not greater than the value shown as the assessment for property tax purposes, the costs shall be deemed reasonable.
 - b) If the purchase price is greater than the value shown as the assessment for property tax purposes, an independent appraisal of the property performed by a state certified or licensed appraiser dated within a reasonable period of when the price was agreed upon or the property was conveyed, generally within six months of conveyance, must be submitted. If the purchase price is not greater than the value shown in the independent appraisal, the costs shall be deemed reasonable.
4. If the project involves a refinance or conveyance between “Related parties” and costs are equal only to the outstanding hard debt on the property plus reasonable transaction costs and the debt is being paid-off through the development of the project, the costs shall be deemed reasonable. If the project involves a conveyance between “Related parties” and there is no outstanding hard debt, or the debt is not being paid off or is only soft debt, FHLB will treat the acquisition costs using the process noted in item b) below.
- a) If the market value of the property is reflected on the AHP Development Budget, as allowed under other funders’ guidelines, and the acquisition costs are not greater than the “as-is” value in the independent appraisal, the costs shall be deemed reasonable.
 - b) In refinances or such “Related party” conveyances where loan payoff or market value, respectively, is reflected on the AHP Development Budget, the developer fee will be limited to the maximum percentage of “Total project costs” less “Acquisition costs” net of “Developer fee.” Other feasibility parameters and scoring criteria affected by a refinance or “Related party” transaction where acquisition costs are not recognized will also be reassessed.
5. If acquisition costs appear on the AHP Development Budget and the acquisition represents a transfer in which the current owner (or part of the current owner) will retain part (or all) of the “Ownership interest” in the property, an amount equal to the full amount of the acquisition costs must appear as a funding source to the project in the form of a contribution from the Sponsor.
6. If the property is 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 as reflected in an independent appraisal. If the acquisition costs are not greater than the value shown in the independent appraisal, the costs shall be deemed reasonable.



7. The FHLB recognizes that a market value appraisal may not accurately reflect the full value of the property for projects that have subsidized rents or other subsidized financing. In addition to the assessed value for tax purposes and the appraised value, the FHLB may also consider the value of subsidy associated with a property and include that analysis in its determination of the reasonableness of acquisition costs for such properties.

B. Hard Costs per Square Foot/Total Project Costs

1. Total hard costs as shown on the AHP Development Budget divided by total square feet of the project are expected not to exceed the amount per square foot for the relevant ZIP code and unit type shown in the residential construction cost index that FHLB publishes.
2. For “Shelter” projects, “Group homes,” and “Special purpose housing” that provide “Beds” instead of “Units,” total project costs shown on the AHP Development Budget are expected not to exceed \$85,000 per “Bed.”
3. Analysis of project costs will consider the geographic location of the project, development conditions, and other non-financial household or project characteristics.
4. For projects that exceed the Total Project Costs or Hard Costs per Square Foot guidelines, a Sponsor must provide an explanation and third-party documentation supporting the anticipated costs. Documentation may include estimates generated via cost calculators such as RSMeans or Marshall & Swift, capital costs needs assessment, guaranteed maximum price contract, at least two third-party contractor bids, etc. Third-party documentation must be from a party who is not engaged as a development team member and should detail the specific line item costs impacting the total development budget and provide a justification for extraordinary costs. Generalized statements regarding increasing material and labor costs are not adequate justifications for higher costs. The FHLB, in its sole discretion, will evaluate the documentation and explanation presented and may disqualify or reduce the amount of subsidy requested as deemed applicable and appropriate. The FHLB acknowledges that the total cost of a development may sometimes be higher than good public policy and prudent resource allocation should allow, even if individual cost components may be justified and considered reasonable in other contexts. It may determine that some markets, property characteristics, and circumstances individually or together may be cost-prohibitive for Affordable Housing Program development, and that developments with costs in excess of Plan limits may not receive an award.
5. AHP funds cannot be used to pay for “Commercial space.”
6. The value of donated materials or professional labor/services provided by a “Related party” should not be included on the AHP Development Budget, even if that value is entered as a cost with an offsetting source of funds. Volunteer labor or sweat equity should never be included on the AHP Development Budget under any circumstances. All other donated land, materials, or professional labor/services must show an offsetting source of funds associated with the value of each donation entered as a cost on the AHP Development Budget.
7. Assumed loans that appear as a cost on the AHP Development Budget must show an offsetting source of funds on the AHP Development Budget equal to the cost.

C. Loan Costs

1. Total costs for points and loan fees for any individual loan made to an AHP project are expected not to exceed one percent of the principal amount of the loan.
2. Projected loan rates should not exceed the maximum established for each loan type shown in the table below based on the interest rate as of close of business the day before the AHP application



opens to new applications, plus the adjuster applicable to that type of loan as shown in the table. At the time of loan closing, loan rates should not exceed the rate published by FHLB for that date and loan type plus the applicable adjuster. FHLB Members can access FHLB-published rates from their dashboards in the Members Only system.

<u>Loan Type</u>	<u>FHLB Advance Product Base Rate</u>	<u>Adjuster</u>
Permanent multi-family loans	Balloon Advance (“BPA”), 15-year term, 30-year amortization	300 bps
Construction loans (includes predevelopment loans)	One Year Variable Advance	400 bps
Bridge loans	Long Term Regular Fixed Rate Advance (“Fixed Rate Advance”)	400 bps
Permanent single-family loans	Maximum is “Assumed market rate” defined above; FHLB Advance Product does not apply	Not applicable

D. Other Specified Line Costs:

1. Developer Fee

- a) For projects that do not involve the conveyance of property to “Related parties,” the calculation of the developer fee percentage will be based on development costs defined as “Total project costs” net of developer fee, consultant fees, application preparation fees and similar costs, collectively defined as “Developer fee.”
 - (1) Maximum of fifteen percent (15%) for rental and ownership projects involving new construction or acquisition plus rehabilitation;
 - (2) Maximum of fifteen percent (15%) for rental projects involving only rehabilitation;
 - (3) Maximum of fifteen percent (15%) for ownership projects involving rehabilitation of occupied units;
 - (a) If the Sponsor’s employees are performing owner-occupied rehab, and if the employee labor rates include administrative or overhead expenses, no amount will be allowed for developer fee.
 - (b) If the Sponsor’s employees are performing owner-occupied rehab, but the employee labor rates do not include administrative or overhead expenses other than the cost of employee benefits, the project is eligible for a developer fee up to the stated limit.
 - (c) If the Sponsor’s employees are not performing the rehab, that is the rehab is being done by volunteers and/or contractors, the project is eligible for a developer fee up to the stated limit.
 - (4) Maximum of five percent (5%) for ownership projects involving only acquisition of properties by new eligible homebuyers.
 - (5) Maximum of twenty percent (20%) for rental or ownership projects involving new construction, acquisition, and rehabilitation, rehabilitation of ownership units for resale to eligible homebuyers, or rental rehabilitation only. Sponsor must demonstrate that at least the amount of “Developer fee” over 15 percent is put back into the financing of the project in the form of deferred developer fee or owner equity.



- b) For projects that involve the conveyance of property to “Related parties,” the calculation of the developer fee percentage will be based on development costs defined as “Total project costs” less “Acquisition costs” net of “Developer fee:”
 - (1) Maximum of fifteen percent (15%) for rental and ownership projects involving new construction or rehabilitation;
 - (2) Maximum of 20 percent (20%) for acquisition/new construction and acquisition/rehab projects when any amount over 15% is returned to the project; or
 - (3) Maximum of five percent (5%) for rental projects involving only acquisition by new owners.
2. Soft Costs

Project soft costs, as shown on the AHP Development Budget, cannot exceed 25 percent of total project costs. For rental projects receiving tax credits, project soft costs cannot exceed 30 percent of total project costs.
3. Contingency
 - a) Project hard costs contingency cannot exceed 10 percent for new construction, 15 percent for rehabilitation or adaptive reuse, and 20 percent for historic rehabilitation of total hard costs less hard costs contingency.
 - b) Project soft costs contingency cannot exceed ten percent of total soft costs less soft costs contingency.
 - c) Acquisition-only projects are not allowed to include hard-cost or soft-cost contingencies on their development budget.
4. Capitalized costs

“Capitalized costs” (including lease-up reserves, operating reserves, replacement reserves, asset management fees, and any other costs generally considered operating expenses but shown on the AHP Development Budget) may not exceed the following limits, except under the limited circumstances described below:

 - a) For all rental projects, an amount equal to 12 months of total operating expenses, annual replacement reserves, and total annual hard debt service expense as shown on the AHP Operating Budget.
 - b) For historic rehabilitation projects or those serving special needs populations (excluding those aged 60+) with at least 85 percent of the project’s units, an amount equal to 15 months of total operating expenses, annual replacement reserves, and total annual hard debt service expense as shown on the AHP Operating Budget.
 - c) For HUD, VA, RD, or for other projects for which a governmental entity requires, funds, and controls the use of replacement reserves, the amount of such reserves may cause the total “Capitalized costs” to exceed the limits identified above.
 - d) There must be sufficient funds from other sources to cover “Capitalized costs,” as AHP subsidy cannot be used to pay for “Capitalized costs.”
 - e) Occupied rental rehab projects must document existing reserves and include them as a development funding source.
5. Contractor Costs



Total Contractor Costs must be no more than 14% of total hard costs as calculated by adding construction management/overhead, contractor profit, and general requirements divided by the total hard costs net of these items.

E. Rehabilitation Costs for Owner-occupied Projects

1. Total hard costs per unit must be between \$5,500 and \$63,000 per unit. Projects proposing hard costs greater than \$63,000 per unit at time of AHP application must explain why it would not be better to demolish and replace the unit. Projects proposing hard costs lower than \$5,500 per unit must justify that the rehabilitation is necessary or not used exclusively for cosmetic improvements. Exceptions may be made on a case-by-case basis for projects involving the use of volunteer labor.
2. The rehab must be appropriate for the homeowners being assisted. If special needs homeowners with physical disabilities are included in the project, there should be a priority for rehab that improves accessibility.
3. If the Sponsor's employees are performing the rehab activities, labor rates for skilled trades and unskilled labor, and number of hours charged to the project, including administrative or overhead costs, must be reasonable and comparable to amounts charged to a private-pay customer for similar activities in the project area. At disbursement, the FHLB may require documentation of market rates for comparable labor and or the Sponsor's indirect cost allocation plan.

IV. Affordability

- A. The contract rent (actual rent paid by the tenant plus any operating or rental subsidy, if applicable) charged for AHP-assisted rental units must not exceed 30 percent of the gross income for a household of the maximum income and size expected to occupy the unit (assuming occupancy of 1.5 persons per bedroom or 1.0 persons per unit without a separate bedroom). This requirement applies to all units occupied by AHP-eligible households.
- B. Affordability is met if contract rents are established and subsidized with HUD Section 8 assistance or under another assistance program using the same rent structure as the HUD Section 8 program.
- C. For homeownership projects (except for owner-occupied rehab projects), the monthly payment of mortgage principal and interest, plus taxes insurance, homeowners' association dues, lot rent, leasehold payments, mortgage insurance premiums, and any other predetermined housing expenses must not exceed 31 percent of the household's gross monthly income as determined at application intake. This limit is 33 percent for households using United States Department of Agriculture loans.
- D. Projects not meeting the "Affordability" guideline may be denied, or the AHP subsidy may be reduced.

V. Operational Feasibility (Rental Projects Only)

A. Stabilized Operations

1. All operational feasibility calculations will use figures based on the project's "Stabilized operations" where applicable. See definition of "Stabilized operations" in the AHP Definitions section of this Plan (Attachment E).



B. Operating Cash Flow

1. Project cash flow must be shown for the residential part of the project, separate from any cash flows from commercial operations.
 - a) The project should forecast positive residential “Net cash flow” over a full 15 years, as demonstrated on the AHP Operating Budget submitted at time of application.
 - b) The residential “Net cash flow” cannot be dependent on excess cash flows from commercial or other non-rental cash flows in order to meet this requirement.
 - c) Commercial cash flows must also be positive for the entire 15-year period.

C. Operating Income

1. If the project is relying on fundraising or other cash contributions for any significant part of the project’s operating revenue, the Sponsor will be required to demonstrate a history of such fundraising, and the Sponsor’s Board of Directors will be required to demonstrate a commitment of such funds for the entire 15-year operating period.

D. Inflation Factor

1. In projecting residential operating income and expenses in years two through 15, an application must project reasonable increases for both income and expenses:
 - a) Generally, projected increases in income should not exceed three percent.
 - b) Projected increases in expenses must be at least one percent greater than projected increases in income, except for projects with rental subsidy agreements that require income and expenses to be equal.

E. Tax Credit Projects

1. Projects also receiving tax credits must submit the project pro forma as prepared by or for the tax credit investor/syndicator and as submitted to the tax credit allocating agency. The estimates of project costs and the projections of project income and expenses in the pro forma should match the financial information submitted as part of the AHP application, as well as match the AHP income targeting commitments.

VI. Reasonableness of Operating Costs (Rental Projects Only)

The FHLB will determine the reasonableness of proposed or actual costs based on the project’s “Stabilized operations” and FHLB’s experience with similar projects, similar locations, and similar populations being served.

A. Vacancy Rate

1. Projects must show a vacancy rate between five and 10 percent, except for “Shelter” projects which may show zero vacancy.

B. Annual Replacement Reserve

1. All rental projects must show an annual “Replacement reserve” on the AHP Operating Budget in an amount of at least \$250 per unit per year. Reserves per unit for “Shelter,” “Group home” or “Special purpose housing” projects should exceed \$150 per “Bed” per year.



2. Such reserves should not exceed \$450 per unit per year. Reserves per unit for “Shelter,” “Group home” or “Special purpose housing” projects should not exceed \$250 per “Bed” per year.
3. For HUD, VA, RD, or for other projects for which a governmental entity requires, funds, and controls the use of “Replacement reserves,” the amount of such reserves may exceed the limits stated above. In such cases, satisfactory documentation from the governmental entity is required for any exception to be considered by the FHLB.
4. AHP subsidy cannot be used to pay for “Replacement reserves” or any other operating cost.

C. Operating Costs per Unit

1. Operating cost per unit as shown on the AHP Operating Budget should be at least \$3,600 per year for non-permanent supportive housing projects.
2. Operating cost per unit for “Permanent supportive housing” projects should be at least \$4,600 per year.
4. Operating cost per “Bed” for “Shelter,” “Group home,” or “Special purpose housing” projects should be at least \$2,800.

D. Debt Coverage Ratio

The “Debt coverage ratio” (DCR) is one of several key financial metrics the FHLB reviews when assessing the feasibility of projects with “Hard debt.” The DCR is used to help the FHLB determine whether it is more likely than not that the project will remain viable during its lifecycle. As such, the FHLB generally requires a project’s DCR to remain above 1.00 through Year 15.

Note: Exceptions to this requirement may be made solely at the FHLB’s discretion, and conformance with this requirement should not be considered a safe harbor. FHLB will generally take into account the requirements of funding sources such as USDA and HUD when assessing this guideline.

E. Utilities

1. If the project will receive a utility allowance for the payment of utilities, utility costs should be included in the Operating Expenses of the AHP Operating Budget on the Utilities for Apartments line item. Otherwise, utilities should not be included in the Operating Expenses.
2. Utilities may or may not be included in the contract rent on the Rent & Unit Schedule of the AHP Operating Budget.

F. Other Operating Costs

1. Site security may appear on the AHP Operating Budget as a housing expense for any rental project incurring such costs for project operations.

VII. Subsidy Limits

A. Subsidy per unit limits

1. Rental and ownership projects involving new construction, acquisition, or acquisition and rehabilitation may request no more than \$58,000 per AHP-eligible unit.
2. “Shelter,” “Group home,” “Special purpose housing,” and owner-occupied rehabilitation projects may request no more than \$18,000 per AHP-eligible unit.
3. Projects may not request funds in excess of \$1,500,000.



4. For projects that received an AHP award in a previous year's offering, AHP subsidy requested in the current offering may not be more than 10 percent higher than the previous AHP award; and
5. For rental projects, the AHP subsidy may not exceed 75 percent of the project's total residential costs.



VIII. Summary of Feasibility Guidelines

The following guidelines represent targets and parameters for use in determining feasibility of AHP projects. Projects that deviate from these parameters will undergo additional review and underwriting to determine the reason for, and the reasonableness of, the deviation. Projects that are outside any of the guidelines may be rejected or the AHP subsidy request reduced.

Criterion (calculation) Rental Housing Only:

Required Range – Limit

Debt Coverage Ratio (Net Operating Income at “Stabilized operations” / Total Annual “Hard debt” Service)

Above 1.00 through year 15 (for projects with permanent debt)

Vacancy Ratio (Vacancy Loss / [Gross Annual Rental Income + Project-based Operating Subsidy + Utility Allowance])

5% - 10% (except for “Shelter” projects, which may have 0% vacancy)

Capitalized Costs

Historic Rehabilitation Projects or Those Serving Primarily Special Needs Populations (not people aged 60+)

Maximum 15 months of Subtotal “Operating Expenses,” Annual “Replacement Reserves,” and Total Annual “Hard Debt” Service

All Projects (except special needs and historic rehab projects)

Maximum 12 months of Subtotal “Operating Expenses,” Annual “Replacement Reserves,” and Total Annual “Hard Debt” Service

Annual Replacement Reserve (Annual Replacement Reserves / Total Number of Units or Beds)

\$250 - \$450 per “Unit” per year (traditional & “Permanent supportive housing” projects)

\$150 - \$250 per “Bed” per year (“Shelter,” “Group home,” or “Special purpose housing” projects)

Net Cash Flow (Net Operating Income – Total Annual “Hard debt” Service)

Must be positive through year 15

Operating Costs per Unit (Subtotal “Operating expenses” / Total Number of Units or Beds)

At least \$3,600 per unit (non-permanent supportive housing projects)

At least \$4,600 per unit (“Permanent supportive housing” projects)

At least \$2,800 per “Bed” (“Shelter,” “Group home,” and “Special purpose housing” projects)

Ownership and Rental Housing

Hard Costs per Square Foot (Total Hard Costs / Total Square Feet)

See cell appropriate to ZIP code and building type on residential construction cost index (traditional ownership and rental projects)



Total Project Cost per “Bed” $(\text{Total Acquisition Costs} + \text{Total Hard Costs} + \text{Total Soft Costs}) / \text{Total Number of Beds}$

Maximum \$85,000 per “Bed” (“Shelter,” “Group home,” and “Special purpose housing” projects)

Total Soft Cost Percentage $(\text{Total Soft Costs} / \text{Total Project Costs})$

Maximum 25% (non-tax credit projects)

Maximum 30% (tax credit projects)

Total Hard Costs per Unit for Owner-occupied Rehab Projects

Between \$5,500 and \$63,000

Hard Cost Contingency Percentage $(\text{Hard Cost Contingency} / [\text{Total Hard Costs} - \text{Hard Cost Contingency}])$

Maximum 10% (new construction)

Maximum 15% (rehabilitation or adaptive reuse)

Maximum 20% (historic rehabilitation)

Soft Cost Contingency Percentage $(\text{Soft Cost Contingency} / [\text{Total Soft Costs} - \text{Soft Cost Contingency}])$

Maximum 10%

Total Contractor Costs $([\text{Construction Management/Overhead} + \text{Contractor’s Profit} + \text{General Requirements}] / [\text{Total Hard Costs} - \text{Construction Management/Overhead} - \text{Contractor’s Profit} - \text{General Requirements}])$

Maximum 14%

Developer Fee Percentage $(\text{Total Developer Fee} / [\text{Total Project Costs} - \text{Total Developer Fee}])$; also see below and implications for transactions involving “Related parties” above

Maximum of 15% (acquisition/new construction and acquisition/rehab projects)

Maximum of 15% (owner-occupied rehab projects {with other restrictions and limitations})

Maximum of 5% (projects involving only acquisition of properties by new owners)

Maximum of 20% (acquisition/new construction and acquisition/rehab projects when any amount over 15% is returned to the project)

AHP Subsidy per Unit $(\text{AHP Requested} / \text{Number of AHP-assisted Units or Beds})$

Maximum \$58,000 (traditional rental units and ownership units involving new construction, acquisition, or acquisition/rehabilitation)

Maximum \$18,000 (“Shelter,” “Group home,” “Special purpose housing,” or owner-occupied rehabilitation projects)

Total AHP Subsidy Requested $(\text{AHP Requested} / \text{Total Residential Costs})$

\$1,500,000; for rental projects, 75% of the Total Residential Costs if less than \$1,500,000; for projects previously awarded, no more than 110% of previous award

Loan Costs (Points and Fees) $(\text{Loan Fee} / \text{Loan Principal})$

Maximum 1%

Loan Costs (Rates)

Based on established rates; see “Loan Costs” section above



IX. Financial Calculations:

A. AHP Development Budget

Total Project Cost = Total Acquisition Costs + Total Hard Costs + Total Soft Costs (including Developer Fee)

Total Residential Costs = Residential Space Costs Based on Sq.Ft. Percentage or Residential Space Costs Based on Applicant Data (as applicable) as shown on AHP Development Budget

Total Development Cost = (Total Acquisition Costs + Total Hard Costs + Total Soft Costs) – Total Developer Fee (including any Consultant Fees, Application Preparer Fees, and Similar Costs)

Total Developer Fee = Developer Fee and Developer Overhead + Consultant Fee + Application Preparer Fees and Similar Costs

Developer Fee Percentage = Total Developer Fee / Total Development Cost

Total Soft Cost Percentage = Total Soft Costs / Total Project Costs

Total Contractor Costs = (Construction Management/Overhead + Contractor's Profit + General Requirements) / (Total Hard Costs – Construction Management/Overhead – Contractor's Profit – General Requirements)

Total Hard Costs per Unit = Total Hard Costs / Total Number of Units or Beds

Hard Cost Contingency Percentage = Hard Cost Contingency / (Total Hard Costs – Hard Cost Contingency)

Soft Cost Contingency Percentage = Soft Cost Contingency / (Total Soft Costs – Soft Cost Contingency)

Capitalized Costs

Historic Preservation or Primarily Special Needs Projects (not people aged 60+) Maximum Total Reserves = (Subtotal Operating Expenses + Annual Replacement Reserves + Total Annual "Hard Debt" Service) / 12 * 15 ≥ Total "Capitalized Costs"

All Projects (except special needs and historic rehab projects) Maximum Total Reserves = (Subtotal Operating Expenses + Annual Replacement Reserves + Total Annual "Hard Debt" Service) / 12 * 12 ≥ Total "Capitalized Costs"

B. Operating Income & Expense

Net Income = (Gross Annual Rental Income + Project-based Operating Subsidy + Utility Allowance + Interest Income + Landry, Parking, etc. + Other Income) – Vacancy Loss

Net Cash Flow = Net Operating Income – Total Annual "Hard Debt" Service

Net Operating Income = Net Income – Subtotal Operating Expenses - Annual Replacement Reserves

Vacancy Ratio = Vacancy Loss / (Gross Annual Rental Income + Operating Subsidy + Utility Allowance)

Management Fee Percentage = Management Fee / Net Income

Debt Coverage Ratio = Net Operating Income / Total Annual "Hard Debt" Service



Expense to Income Ratio = Total Operating Expenses / Net Income

Operating Cost per Unit = Subtotal Operating Expenses / Total Number of Units or Beds



Attachment G: Retention Agreement Requirements

I. Retention Agreement for Ownership Purchase Projects using Grant Funds (AHP competitive grant and Welcome Home Program grant)

The language below should be inserted into the Deed or recorded as a Restrictive Covenant to the Deed. If it is attached to the Deed as an addendum or attachment, the Deed must reference the addendum or exhibit. If recorded as a Restrictive Covenant, the document must reference the Deed.

Grantees, for and in consideration of receiving direct subsidy funds from the Federal Home Loan Bank of Cincinnati's (the FHLB Cincinnati) Affordable Housing Program (AHP), must maintain ownership in this property and reside in this property as their primary residence for a period of five (5) years (Retention Period) from the date of the loan closing or certification of project completion.

- (i) The FHLB Cincinnati, whose mailing address is P.O. Box 598; Cincinnati, OH 45201-0598, is to be given written notice of any sale, transfer, assignment of title or deed such as to the Secretary of HUD, foreclosure, or refinancing of the unit by the household occurring during the AHP 5-year Retention Period.
- (ii) In the case of a sale, transfer, assignment of title or deed, or refinancing of the unit by the household during the Retention Period, the Bank shall be repaid the lesser of: (A) the AHP subsidy, reduced on a pro rata basis per month until the unit is sold, transferred, or its title or deed transferred, or is refinanced, during the AHP 5-year retention period; or (B) any net proceeds from the sale, transfer, or assignment of title or deed of the unit, or the refinancing, as applicable, minus the AHP-assisted household's investment, unless one of the following exceptions applies:
 - 1. The unit was assisted with a permanent mortgage loan funded by an AHP advance;
 - 2. The subsequent purchaser, transferee, or assignee is a low- or moderate-income household as defined in the applicable Federal Housing Finance Agency regulations for the AHP (in which case the retention period ends with the conveyance to such purchaser);
 - 3. The amount of the AHP subsidy that would be required to be repaid is \$2,500 or less; or
 - 4. Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism, incorporating the requirements of clauses (i), (ii), and (iii) contained herein.
- (iii) The obligation to repay subsidy to the FHLB Cincinnati shall terminate after any event of foreclosure or conveyance by deed in lieu of foreclosure, assignment of a Federal Housing Administration first mortgage to the Secretary of HUD, or death of the AHP-assisted homeowner.



II. Retention Agreement for Ownership Purchase Projects using Advance Funds (AHP competitive only)

The language below should be inserted into the Deed or recorded as a Restrictive Covenant to the Deed. If it is attached to the Deed as an addendum or attachment, the Deed must reference the addendum or exhibit. If recorded as a Restrictive Covenant, the document must reference the Deed.

Grantees, for and in consideration of receipt of below market-rate loan funds from the Federal Home Loan Bank of Cincinnati's (the FHLB Cincinnati) Affordable Housing Program (AHP), must maintain ownership in this property and reside in this property as their primary residence for a period of five (5) years (Retention Period) from the date of the loan closing or certification of project completion.

- (i) The FHLB Cincinnati, whose mailing address is P.O. Box 598; Cincinnati, OH 45201-0598, is to be given written notice of any sale, transfer, assignment of title or deed such as to the Secretary of HUD, foreclosure, or refinancing of the unit by the household occurring during the AHP 5-year Retention Period.
- (ii) In the case of a sale, transfer, assignment of title or deed, or refinancing of the unit by the household during the Retention Period, the Bank shall be repaid the lesser of: (A) the AHP subsidy, reduced on a pro rata basis per month until the unit is sold, transferred, or its title or deed transferred, or is refinanced, during the AHP 5-year retention period; or (B) any net proceeds from the sale, transfer, or assignment of title or deed of the unit, or the refinancing, as applicable, minus the AHP-assisted household's investment, unless one of the following exceptions applies:
 - 1. The unit was assisted with a permanent mortgage loan funded by an AHP advance;
 - 2. The subsequent purchaser, transferee, or assignee is a low- or moderate-income household as defined in the applicable Federal Housing Finance Agency regulations for the AHP (in which case the retention period ends with the conveyance to such purchaser);
 - 3. The amount of the AHP subsidy that would be required to be repaid is \$2,500 or less; or
 - 4. Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism, incorporating the requirements of clauses (i), (ii), and (iii) contained herein.
- (iii) The obligation to repay subsidy to the FHLB Cincinnati shall terminate after any event of foreclosure or conveyance by deed in lieu of foreclosure, assignment of a Federal Housing Administration first mortgage to the Secretary of HUD, or death of the AHP-assisted homeowner.



III. Retention Agreement for Rental Projects Using Grant Funds

The language below should be inserted into the Deed or recorded as a Restrictive Covenant to the Deed. If it is attached to the Deed as an addendum or attachment, the Deed must reference the addendum or exhibit. If recorded as a Restrictive Covenant, the document must reference the Deed.

As a condition and in consideration of receiving direct subsidy funds from the Federal Home Loan Bank of Cincinnati's (the FHLB Cincinnati) Affordable Housing Program (AHP), the Project Owner, for itself and all successors, agrees that:

- (i) The _____ ("Project's") rental units, or applicable portion thereof, must remain occupied by and affordable for households with incomes at or below _____ (insert levels committed to be served in the approved AHP Application) or as modified by FHLB for a period of fifteen (15) years ("Retention Period") from the date of the issuance of the certificate of occupancy or certification of project completion, _____ (insert date);
- (ii) The FHLB Cincinnati, whose mailing address is P.O. Box 598; Cincinnati, OH 45201-0598, is to be given notice of any sale, transfer, assignment of title or deed, refinancing, or foreclosure, or change in ownership of the Project by the Project Owner occurring during the Retention Period;
- (iii) In the case of a sale, transfer, assignment of title or deed, or refinancing of the Project by the Project Owner during the Retention Period, an amount equal to the full amount of the direct AHP subsidy shall be repaid to the FHLB Cincinnati, 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 (as stated above) for the duration of the AHP 15-year Retention Period; and
- (iv) The income-eligibility and affordability restrictions applicable to the Project terminate after any foreclosure, deed in lieu of foreclosure, or assignment of the first mortgage to the Secretary of HUD.



IV. Retention Agreement for Rental Projects Using Advance Funds

The language below should be inserted into the Deed or recorded as a Restrictive Covenant to the Deed. If it is attached to the Deed as an addendum or attachment, the Deed must reference the addendum or exhibit. If recorded as a Restrictive Covenant, the document must reference the Deed.

As a condition and in consideration of receipt of below market-rate loan funds from the Federal Home Loan Bank of Cincinnati's (the FHLB Cincinnati) Affordable Housing Program (AHP), the Project Owner, for itself and all successors, agrees that:

- (v) The _____ ("Project's") rental units, or applicable portion thereof, must remain occupied by and affordable for households with incomes at or below _____ (insert levels committed to be served in the approved AHP Application) or as modified by FHLB for a period of fifteen (15) years ("Retention Period") from the date of the issuance of the certificate of occupancy or certification of project completion, _____ (insert date);
- (vi) The FHLB Cincinnati, whose mailing address is P.O. Box 598; Cincinnati, OH 45201-0598, is to be given notice of any sale, transfer, assignment of title or deed, refinancing, or foreclosure, or change in ownership of the Project by the Project Owner occurring during the Retention Period;
- (vii) In the case of a sale, transfer, assignment of title or deed, or refinancing of the Project by the Project Owner during the Retention Period, an amount equal to the full amount of the direct AHP subsidy shall be repaid to the FHLB Cincinnati, 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 (as stated above) for the duration of the AHP 15-year Retention Period; and
- (viii) The income-eligibility and affordability restrictions applicable to the Project terminate after any foreclosure, deed in lieu of foreclosure, or assignment of the first mortgage to the Secretary of HUD.



Attachment H: Requirements for the Welcome Home Program

I. General Program Description

- A. The FHLB Cincinnati has established a set-aside of Affordable Housing Program (AHP) funds to help create homeownership through a program called the Welcome Home Program. Up to 35 percent of the accrual for the AHP will be set-aside for the Welcome Home Program (WHP). Per regulation, at least one-third of the funds will be used to assist first-time homebuyers.
- B. WHP funds are available to Members as grants to assist homebuyers. WHP grants are available per household on a “first-come, first-served” basis. Households are eligible only if the total household income is at or below 80 percent of Mortgage Revenue Bond (MRB) income limits, as adjusted for family size.

II. Member Eligibility

All Members are eligible to participate in the program, subject to availability. Funds are not reserved for a Member, but rather all funds are reserved for specific homebuyers and specific properties on a “first-come, first-served” basis. As a result, funds typically are fully reserved before the majority of participating Members reach their limit as established in the Welcome Home Guide.

III. Homebuyer Eligibility

- A. In order to receive WHP funding, homebuyers must meet all of the following eligibility requirements.
 1. Total household income must be at or below 80 percent of the MRB program income limits, as adopted by the appropriate state housing finance agency, adjusted for family size. The FHLB will determine eligibility based on 80 percent of current MRB income limits as of the program’s opening date for KY, OH, and TN posted on the FHLB’s website (www.fhlbcin.com).

The FHLB will determine household income in accordance with the Income Eligibility Guide available at www.fhlbcin.com and will make the final determination of whether or not a homebuyer meets the income requirements of the program.
 2. Homebuyers must contribute at least \$500 of their own funds toward down payment and closing costs (60 percent of these funds may be received as a gift).
 - a) Funds received from non-profit or other organizations, including state and local government agencies, for down payment assistance grants are not considered “gifts” and cannot be used to reduce a homebuyer’s required contribution.
 - b) Funds paid for items outside of closing, such as hazard insurance, taxes, application fees, and other items related to the purchase are considered as part of the homebuyer’s required \$500 cash contribution. Such items should be shown on the Closing Disclosure or with other documentation provided.
- B. First-time homebuyers must complete a homebuyer counseling program within 12 months of loan closing.
 1. The counseling program must be provided by, or be based on one provided by an organization recognized as experienced in homeownership counseling;



2. The counseling program must cover, at a minimum, mortgage financing, credit-worthiness, household budgeting, and home maintenance; and
 3. WHP funds cannot be used to pay more than \$325 of the costs related to counseling.
- C. Non-occupant co-signors and co-borrowers are not permitted. WHP funds are intended only for homebuyers who would qualify for the first mortgage based on their current household income, not relying on others as co-signors, co-borrowers, or guarantors, and not relying on any expected but uncertain change in job status or income or other circumstances. That is, the Member's mortgage approval should not be contingent on some change in status or income or based on a reliance on some other party to pay or guarantee the payment of the first mortgage. Unless the Member is approving the first mortgage based solely on the homebuyer's merit, the homebuyer is not eligible for WHP funds.

IV. Eligible Property

- A. In order for a property to receive WHP funds, the property must meet the following criteria:
1. One to four units (Note: for any property with two or more units, 85 percent of the projected rent of the other units will be included in the homebuyer's income for the purpose of determining eligibility.)
 2. "Manufactured housing" is eligible for WHP assistance if the housing meets the FHLB's definition.
 - a) The dwelling is built on a permanent chassis and installed on an FHA Title II permanent foundation system.
 - b) The home and the lot must be taxable together as real property.
 - c) WHP funds may not be used for any other type of manufactured or mobile homes.
 - d) Funds will not be reserved until proper documentation that the property meets the "Manufactured housing" definition is received; such documentation may include an FHA appraisal or an independent appraisal.
- B. The housing assisted with WHP funds must be subject to a legally enforceable restriction in the deed or restrictive covenant to the deed requiring that the FHLB be given notice of any refinancing, sale, foreclosure, deed in lieu of foreclosure, or change in ownership of the unit prior to the end of a five-year retention period. In some instances, homebuyers may be required to pay back a pro rata amount of the WHP grant if the home is sold, refinanced, or otherwise conveyed during the five-year retention period. The specific retention language required is found in the Retention Agreement Requirements section of this Plan and is available at the FHLB's website (www.fhlbcin.com).
- C. WHP may be used only in transactions which convey full title to the homebuyer. WHP may not be used to initiate lease-purchase or land contracts.
- D. WHP may be used for new home construction. The WHP reservation is valid until December 15, 2025. Any construction must be complete, the first mortgage permanent loan must be closed (or the construction/permanent loan must be converted to a permanent loan), and funds must be requested no later than December 15, 2025.
- E. The FHLB reserves the right to determine whether a property is considered eligible.

V. Eligible Uses of Funds

- A. The following outlines eligible uses of WHP funds:



1. WHP funds may be used to fund reasonable down payment and closing costs incurred in conjunction with the acquisition of eligible property by eligible homebuyers as defined in this Plan. (Note: The reasonableness of the down payment and closing costs is determined at the FHLB's discretion.)
2. WHP grants may not exceed 20,000 per homebuyers.
3. Grant requests must be, at minimum, \$10,000.
4. WHP funds may be used in conjunction with other local, state, and federal funding sources and with the FHLB's Community Investment Cash Advance programs. However, WHP funds may not be used with an existing or future award through the FHLB's competitive Affordable Housing Program or through any of the FHLB's voluntary housing programs.
5. A portion of the funds awarded may be used to pay for the reasonable costs of counseling (not to exceed \$325) for homebuyers purchasing AHP-assisted housing if the cost is not covered by another funding source.
6. WHP is not intended for any purchases requiring any significant repair or rehabilitation.
 - a) If more than \$500 from the buyer is to be escrowed for repairs, the property is not eligible for WHP funds without the advance written approval of the FHLB prior to closing. Note: If the Closing Disclosure reflects escrows for repairs, and the Member did not seek approval prior to closing their loan, the Request for Payment of Reserved Funding may not be funded regardless of the amount of escrow or any funds brought to closing by the homebuyer.
 - b) If any funds are escrowed for repairs, the funds must come either from the seller or from the buyer's own funds, in addition to the required \$500 homebuyer cash contribution.
 - c) If any funds are escrowed for repairs, WHP funds will not be disbursed until the Member certifies that:
 - (1) All repairs were required for mortgage approval as documented in the appraisal;
 - (2) All repairs have been completed; and
 - (3) All escrowed funds have either been disbursed or released.
 - d) All payments from escrow funds for repairs should be made only by the closing agent, and such payments should be made directly to the materials and/or services providers. Under no condition should escrowed funds be paid to the homebuyer.
 - e) If any unused escrowed funds are paid or otherwise released to the homebuyer, the WHP grant will be reduced by a like amount, unless such funds were originally provided by the borrower. In lieu of releasing unused funds to the homebuyer, the unused funds may be applied as a prepayment of the first mortgage principal.

VI. Ineligible Uses of Funds

- A. WHP funds may not be used for any other purposes except those specifically stated above. WHP funds may not be used to pay for significant repairs (i.e. repairs in excess of \$500), pay off consumer debt, buy down the mortgage rate, etc. If the FHLB determines that funds were used for an ineligible expense, the grant will be reduced by the amount of the ineligible expense unless the homebuyer brings adequate funds to the closing to meet the required \$500 homebuyer cash contribution and cover the amount of the ineligible expense.
- B. WHP funds may not be used for any loan with collateral other than the subject property. Blanket loans (loans with cars, boats, CD's, or other property secured as additional collateral) are not eligible.



C. WHP funds may not be used for purchases financed with HUD 203(k) mortgages.

VII. Requirements for Members

- A. The Member who reserves the WHP funds must originate the first mortgage in the Member's name but is not required to close the loan in their name.
1. After closing, the first mortgage may be sold or assigned.
 2. If a Member wholly owns a mortgage company and that company originates first mortgage loans only for the Member, the loans may be originated in that mortgage company's name and closed in the name of the mortgage company, Member, or any investor.
 3. If a Member wholly owns a mortgage company and that company also originates first mortgage loans for financial institutions other than the Member, then that mortgage company must originate the first mortgage in the name of the Member in order to access WHP funds. However, the mortgage company may close in the name of the mortgage company, Member, or any other investor.
 4. Seller-financed mortgages are not acceptable.
- B. The FHLB will establish a maximum rate of the first mortgage loan by adding a risk adjustment for lower income or lower credit quality borrowers to estimate the current market rate for 30-year fixed rate mortgages. The stated first mortgage rate may not exceed the rate determined as defined in this document. If the stated mortgage rate exceeds the allowed amount, the loan is not eligible for WHP funds. The maximum mortgage rate for 2025 is 9.875 percent.
- C. The rate on any second mortgage cannot exceed the stated maximum rate permissible for the first mortgage by more than three and one-half percent (3.50%).
- D. WHP funds may not be used in transactions involving a second mortgage provided by an individual as seller. Second mortgages provided by formal organizations, including financial institutions, Community Development Financial Institutions, housing finance agencies, non-profit organizations, etc., are acceptable.
- E. WHP funds may not be used with interest-only mortgages. If used with adjustable rate mortgages, the mortgages should be underwritten at their fully indexed rates.
- F. WHP first mortgage loans must comply with applicable federal, state, and local anti-predatory lending laws, regulations, and orders designed to prevent or regulate abusive and deceptive lending practices and loan terms (collectively, "Anti-Predatory Lending Laws").
1. Anti-Predatory Lending Laws may prohibit or limit certain practices and characteristics, including, but not limited to the following:
 - a) Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance;
 - b) Requiring mandatory arbitration provisions with respect to dispute resolution in the loan document; or
 - c) Charging prepayment penalties for the payoff of the loan beyond the early years of such loan.
 2. Any project including a loan that does not comply with all applicable Anti- Predatory Lending Laws will be ineligible for WHP assistance.



3. The WHP transaction may not include single-premium credit life insurance. If the Closing Disclosure shows a charge for single-premium credit life insurance, no WHP funds will be disbursed.
 4. Members are responsible for avoiding all unlawful practices and terms prohibited by applicable Anti-Predatory Lending Laws for loans originated in connection with Welcome Home.
- G. The FHLB will not provide WHP assistance to any homebuyer with a permanent first mortgage that exceeds the annual percentage rate or points and fees thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (Federal Reserve Board Regulation Z).
- H. Members must take care to comply with all applicable civil rights and other fair housing laws and regulations. The Fair Housing Act prohibits discrimination on the basis of race, color, religion, sex, handicap, familial status, or national origin in the sale, rental, or advertising of dwellings; in the provision of brokerage services; or in the availability of residential real estate-related transactions.
- I. Funds must be requested to assist the homebuyer to purchase the specific home by December 15, 2025. That is, the Request for Payment of Reserved Funding must be received by the FHLB by December 15, 2025, or the reservation will be cancelled.
- J. If WHP funds have been disbursed to the Member and the funds are misused, or if the housing is sold or refinanced during the five-year retention period, the FHLB may require repayment of all or a portion of the funds pursuant to the retention language in the warranty deed.

VIII. Reduction in WHP Amount

- A. If the homebuyer receives any cash back at closing, as indicated on the Closing Disclosure, the grant will be reduced by a like amount. However, instead of receiving cash back at closing, any otherwise excess WHP funds may be applied as a “prepayment” or as a “principal reduction” to the first mortgage, and such use must be shown on the Closing Disclosure.
- B. Any funds, regardless of the amount, indicated on the Closing Disclosure as earnest money, whether paid by cash, check, or note, are considered a partial down payment, and no amount of the earnest money can be refunded or returned to the homebuyer. If the Closing Disclosure indicates that earnest money has been refunded or returned to the homebuyer, the WHP grant will be reduced by the amount of earnest money refunded or returned.
- C. If any WHP funds appear to be used for an ineligible purpose, e.g., paying off consumer debt, the WHP grant will be reduced by a like amount. Any amounts paid for these kinds of items must come from the buyer’s own funds in addition to the required \$500 homebuyer cash contribution.

IX. Funds Available for 2025

- A. For 2025, up to 35 percent (35%) of the FHLB’s accrual for the Affordable Housing Program will be set aside for the Welcome Home Program.
- B. At least one-third of the total amount available through the program is reserved for first-time homebuyers. The FHLB will track the use of WHP funds for first-time homebuyers and will impose no special requirements as long as this targeting is being met.
- C. Once all available funds have been reserved, the FHLB will no longer accept any new Reservation Requests.



X. Schedule for 2025

- A. WHP funds will be available for reservation beginning on March 3, 2025, and will remain available until all funds have been reserved. Any Reservation Requests received before that date will be denied. The Reservation Requests and Requests for Payment of Reserved Funding can only be submitted through the “Members Only” page of FHLB’s website at www.fhlbcin.com.
- B. All WHP Requests for Payment of Reserved Funding must be submitted to the FHLB by 5:00 P.M. (ET) on December 15, 2025, or the reservation will be cancelled.

XI. Reserving WHP Funds

- A. Funds will be allocated on a “first-come, first-served” basis. Members are not guaranteed any specific amount of WHP funds.
- B. Funds will be reserved only for specific homebuyers purchasing specific homes, and reservations cannot be transferred to other homebuyers or to other homes.
- C. A Reservation Request will not be reviewed unless it is submitted online and the following documentation is received by the FHLB.

To reserve funds, the Member must:

1. Access the FHLB’s “Members Only” website at www.fhlbcin.com. For assistance in accessing the “Members Only” website, please contact the “Members Only” Administrator at your institution or contact the FHLB’s Service Desk at 800-781-3090 (8:30 AM – 5:00 PM ET);
 2. Access the Welcome Home section and complete a Reservation Request; and
 3. Submit the following required documents to the FHLB by uploading them to the “Members Only” portal. Emailed or faxed documents will not be accepted.
 - a) A completed, signed, and dated loan application (generally a Uniform Residential Loan Application);
 - b) Third party documentation for all sources of current year income for all persons who will reside in the home (see the Income Eligibility Guide at www.fhlbcin.com); and
 - c) An appraisal if the subject property is a “Manufactured home” or multi-family property.
- D. During periods of peak demand, it may take four weeks to review and approve a Reservation Request. If the information submitted is incomplete, it might take longer. Funds are not reserved and the loan should not close using WHP funds until the FHLB has given approval.
 - E. A homebuyer is considered “enrolled” in the WHP at the time the Reservation Request is approved.
 - F. Income eligibility will be determined based on income documentation required at the time the Reservation Request is submitted and will be based on an estimate of the household’s expected annual income for 2025 based on the household’s income information at the time the Reservation Request is submitted.
 - G. The FHLB will perform a preliminary review of the Reservation Request and the documentation submitted to determine eligibility of the homebuyer, availability of funds in the program, and availability of funds for the Member. If any of the information is incomplete, additional documentation or information may be required.



- H. Written notification will be provided to the Member as to the homebuyer's eligibility. *Note: Submission of the Reservation Request does not constitute a reservation of funds; funds are reserved only upon the written notification from the FHLB.*

XII. Closing Instructions

The FHLB has provided specific instructions which Members, or their agents, should use in closing mortgages using WHP funds. That information is posted on the FHLB's website.

XIII. Disbursing Funds

- A. WHP funds will be disbursed only after completion of construction, if applicable, and after closing of the permanent first mortgage upon receipt of the following additional information.

To request funds, the Member must:

1. Access the FHLB's "Members Only" website at www.fhlbcin.com. For assistance in accessing the "Members Only" website, please contact the "Members Only" Administrator at your institution or contact the FHLB's Service Desk at 800-781-3090 (8:30 AM – 5:00 PM ET);
2. Access the Welcome Home section and complete a Request for Payment of Reserved Funding; and
3. Submit the following required documents to the FHLB by uploading them to the "Members Only" portal. Emailed or faxed documents will not be accepted.
 - a) A Closing Disclosure, signed by the buyer;
 - b) The Deed containing the AHP retention language for owner-occupied projects;
 - c) A copy of the counseling certificate (required only for first-time homebuyers); and
 - d) A fully executed "Welcome Home Retention Language Acknowledgement for FHA loans." (Only required for FHA loans)

- B. Funds will be disbursed only to the extent they are required to fill the gap for down payment, closing costs, and counseling fees. Cash back to the homebuyer, including the return of earnest money, constitutes a reduction in the funding gap and will result in a reduction in the WHP grant. Therefore, instead of returning earnest money or cash to the homebuyer, the FHLB encourages the application of excess WHP funds in the form of a "prepayment" or "principal reduction" of the first mortgage, which must be shown on the Closing Disclosure.

- C. During periods of peak demand, it may take six weeks to review and approve a Request for Payment of Reserved Funding. If the information submitted is incomplete, it might take longer.

XIV. Repayment of WHP Funds

- A. Under certain circumstances, the recipient of WHP funds may have an obligation to repay part or all of the grant funds received. The provisions are stated in the retention language required to be included in the deed for the property. Generally:

1. If the home is sold within the five-year retention period, the recipient of the WHP grant might be required to repay a pro rata portion of the WHP grant. If the home is sold to an income-eligible household or has a sales price that does not exceed the U.S. Department of Housing and Urban Development's (HUD) HOME Investment Partnerships Program (HOME) and Housing Trust Fund (HTF) homeownership value limits, no repayment is required, and the retention provision terminates.



2. If the home is refinanced during the five-year period, the recipient of the WHP grant may be required to repay a pro rata portion of the WHP grant. However, if the retention language remains in the deed after the refinancing, no repayment is required even if the owner receives a net gain from the refinancing.
 3. If the home/mortgage is foreclosed, no repayment is required. Please note that a “Deed in lieu of foreclosure” or an assignment of an FHA first mortgage to the Secretary of HUD is treated as a foreclosure.
- B. To determine the required payment, if any, the title company or owner should contact the FHLB. FHLB will follow current guidance issued by the FHFA in determining the amount a household must repay, if any, though see Attachment G above for details.
- C. Pursuant to the retention requirements, the owner is required to give the FHLB notice of any sale, refinancing, foreclosure, or deed in lieu of foreclosure.

XV. Other WHP Documents

Other information about the WHP program, including required forms, instructions, and other documents, are provided on the FHLB’s website. This information is incorporated herein by reference.

Definitions for the Welcome Home Program

The following definitions describe terms and phrases specific to the Welcome Home Program. Definitions specific to the competitive Affordable Housing Program are found in AHP Definitions section of this Plan.

“Amortization period” means the number of years required to repay a loan in full.

“Closing costs” are charges and expenses over and above the price of the property incurred by the buyer when transferring ownership of the property. Typical closing costs include fees for: property inspection, loan origination, rate discount, appraisal, credit report, mortgage insurance application, document preparation, attorney services, judgment search, abstracting, recording; title insurance (for mortgagor or owner); local taxes; survey, plat drawing; pre-paid interest for up to 30 days; initial insurance premiums; escrows of condo or homeowners association dues, transfer taxes, property taxes, flood insurance, and homeowner’s insurance.

“County” means a geographic subdivision of a state or federal territory, usually assigned some governmental authority. Parishes and boroughs are called “county-equivalents” by the HUD, as are certain independent cities that are not parts of counties.

“Deed in lieu of foreclosure” means a deed instrument in which a borrower conveys all interest in a property to the lender to satisfy a loan that is in default to avoid foreclosure proceedings. For purposes of the WHP retention requirements, transfer of a property through a deed in lieu of foreclosure will be treated as though the property had been foreclosed.

“Direct grant” or “grant” means provision of funds for a project with no requirement for repayment so long as the funds are used for the purposes intended for the time period required.

“Down payment assistance” means grants or loans used to reduce the first mortgage amount to the borrower.

“Federal instrumentality” means the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), the Comptroller of the Currency (OCC), the Federal Housing Finance Agency (FHFA), and the National Credit Union Administration (NCUA).

“First-time homebuyer” means an individual or household who has not owned a home during the three-year period prior to the purchase of a home, except that:



1. Any individual who is a displaced homemaker may not be excluded from consideration as a first-time homebuyer on the basis that the individual, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse;
2. Any individual who is a single parent may not be excluded from consideration as a first-time homebuyer on the basis that the individual, while married, owned a home with his or her spouse or resided in a home owned by the spouse; or
3. Any individual or family who owns a home that:
 - a) Is not intended as a dwelling; or
 - b) Is a “Mobile home” that was not originally assembled to meet nationally recognized standards or is not permanently affixed to a foundation that meets nationally recognized building code standards; or
 - c) Is not in compliance with state, local, or model building codes and cannot be brought into compliance for less than the cost of constructing a permanent structure.

“Foreclosure” means a legal procedure by which mortgaged property is sold, upon default, in order to satisfy a debt. Foreclosures generally are governed by state law, and rules may vary between states. For purposes of the WHP retention requirements, transfer of a property through a deed in lieu of foreclosure will be treated as though the property had been foreclosed.

“Fully-indexed interest rate” in the Welcome Home Program means, on an adjustable-rate loan, the rate determined by adding the margin to an index level at the time the loan is made. The interest rate on an adjustable (sometimes known as variable) rate loan is tied to a benchmark interest rate, known as an “index.” (Popular indexes for loans are the prime rate, LIBOR, and various U.S. Treasury bill and note rates.) The index level varies according to market conditions, but the margin is usually a constant value. The “margin” is the mark-up over the index that the lender imposes. The initial interest rate, sometimes called a “teaser” rate, might actually be less than the index at the time the loan is made and is always less than the fully indexed rate (index plus margin).

For example, the fully indexed interest rate on an adjustable rate mortgage tied to the one-year LIBOR rate (the index) with a margin of 3.75 percent would be 5.75 percent if the LIBOR index was 2.00 percent at the time the loan was made.

The fully indexed rate is not affected by any annual or lifetime caps on adjustments based on the index. Instead, it reflects what the interest rate would have been at the time the mortgage was made based solely on the index at that time and the stated margin.

Fully indexed rate = Index (at the time the loan is made) + Margin (established at the time the loan is made).

Note: the “fully-indexed interest rate” is not the same as the “fully-indexed rate at maturity.” The fully indexed rate at maturity is based on the index at the time the loan is originated plus the maximum amount the interest rate could increase over the life of the loan. It is a worst-case calculation.

“Household” means all the people who currently occupy an existing housing “Unit” or will occupy a housing “Unit” or “Bed” being developed, including related family members and all unrelated people that reside in the unit, including unborn children and adoptive children, lodgers, foster children, wards, or employees who share the housing.

“Household income” means the combined annual earned and unearned “Income” of all the occupants aged 18 and over in a given dwelling unit at the time the household is qualified by the Member at time of loan application. Generally, current circumstances will be used to anticipate “Income” and projected annual income will be calculated by annualizing current “Income” taking into account changes expected to occur during the year. “Household income” is determined using the Income Eligibility Guide available at www.fhlbcin.com.



“Household’s investment” means the following, to the extent paid by the household and documented to the Bank:

1. Reasonable and customary costs paid by the household in connection with the purchase of the unit (including real estate broker’s commission, attorney’s fees, and title search fees);
2. Any down payment paid in connection with the household’s purchase of the unit;
3. The cost of any capital improvements made after the household’s purchase of the unit until the time of the subsequent sale, transfer, assignment of title or deed, or refinancing; and
4. The amount of principal on any mortgage senior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation repaid by the household.

“Income” means:

1. The full amount, before payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services; and
2. The net income from operation of a partnership, business, or profession; and
3. Interest, dividends etc.; and
4. Payments in lieu of earnings, such as unemployment benefits, disability compensation, worker’s compensation, and severance pay; and
5. The full amount of periodic payments from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, lotteries, trusts, and inheritances, and other similar types of periodic payments received; and
6. All regular pay, special pay, and allowances of a Member of the Armed Forces; and
7. Welfare assistance, if designated for shelter or utilities; and
8. Alimony, child support, etc.; and
9. For 2-4 unit dwellings, 85 percent of the projected gross income for such units.

“Manufactured housing,” refers to a single-family residential dwelling built in compliance with the Federal Manufactured Housing and Construction Standards, as amended, also known as the HUD Code, after June 15, 1976. Manufactured homes may be built in multi-sectional or single section units and installed on an FHA Title II permanent foundation system. In addition, the home and the lot must be taxable together as real property. **For WHP eligibility purposes, manufactured home must be newly constructed and/or Energy Star certified.**

“Maximum interest rate” for the Welcome Home Program means the rate established pursuant to Part III.B.3. of the AHP Implementation Plan.

“Member” means a Member stockholder of the FHLB Cincinnati, which has full borrowing and voting rights and privileges. Members include commercial banks, savings and loan associations, savings banks, credit unions, insurance companies, and community development financial institutions.

“Mobile home” refers to a residential structure manufactured prior to the enactment of the Federal Manufactured Housing and Construction Standards, also known as the HUD Code, on June 15, 1976. **Mobile homes are not eligible for the WHP grant.**

“Modular home” refers to a home built to the State or Local Code where the home will be located. Sectional units are built in a production facility, transported to the site, and assembled onsite.

“Net proceeds” means (1) in the case of a sale, transfer, or assignment of title or deed of an AHP-assisted unit by a household during the five-year retention period, the sales price minus reasonable and customary costs paid



by the household in connection with the transaction (including real estate broker's commission, attorney's fees, and title search fees) and outstanding debt superior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation; or, (2) in the case of a refinancing of an AHP-assisted unit by a household during the five-year retention period, the principal amount of the new mortgage minus reasonable and customary costs paid by the household in connection with the transaction (including attorney's fees and title search fees) and the principal amount of the refinanced mortgage.

“Ownership” means a fee simple interest in a property to be used as a primary residence. Owner-occupied units may include single-family detached units, condominiums, townhomes, duplexes, triplexes, or quadruplexes. Ownership properties also include those in which there is a true ownership through a cooperative.

“Permanent loan” means a repayable, amortizing loan to the homebuyer.

“Real Estate Owned” (REO) means property taken by the lender as the final step in the foreclosure process. The property ownership has been conveyed back to the lender.

“Rehabilitation Act” is codified at 29 USC 791.

“Retention period” means: five (5) years from the date of the recording of the deed for a WHP-assisted owner-occupied unit.

“Third-party income documentation” is provided by an independent source to verify an individual's income, such as wage statements, interest statements, and unemployment compensation statements. Examples of third-party sources include employers, the Social Security Administration, and the IRS.

“United States Government or any agency or instrumentality thereof” means those listed on usa.gov/federal-agencies such as the U.S. Department of Housing and Urban Development (HUD), United States Department of Agriculture (USDA), Veterans Affairs Department (VA), Federal Housing Administration (FHA), Federal National Mortgage Association (FNMA - Fannie Mae), the Federal Home Loan Banks (FHLB), and the Federal Home Loan Mortgage Corporation (FHLMC - Freddie Mac).

Note: The Welcome Home Program description, related documents, and the Members Only online forms may contain other terms or phrases not defined here. These terms or phrases may be associated with descriptions or definitions appropriate to the context in which they appear. These additional words and phrases and any descriptions and definitions appearing in the online forms or elsewhere are incorporated herein by reference. Slight variations in the wording of definitions may be required by the context in which terms appear, and these variations should not be construed as different definitions. Any questions about the definitions stated here, in the online application, or elsewhere should be addressed to the FHLB for resolution.



Attachment I: Suspension and Debarment

I. Objective

To protect the integrity of the Housing & Community Investment Programs, including without limitation its Affordable Housing Program (“AHP”), [collectively the “HCI Programs” or just “Programs”] operated by the FHLB Cincinnati, by ensuring that only honest, ethical, application-compliant, operationally-compliant, and otherwise responsible persons and organizations participate in these Programs.

Pursuant to 12 CFR § 1291, the FHLB may Suspend or Debar a Member, project Sponsor, project Owner, or any other “Material party” to a project from participation in one or more of the Affordable Housing Programs if such party shows a pattern of noncompliance or engages in a single instance of flagrant noncompliance with the terms of an application for one or more AHP subsidies or with the AHP regulations found at 12 CFR Part 1291 (collectively hereafter the “AHP Regulations”). Additionally, the FHLB has approved the extension of these procedures to participants in all HCI Programs.

II. Definitions

The following definitions are to be read consistently with those in 12 CFR §1291, and the definitions contained in §1291 are incorporated herein.

“Board” – means the Board of Directors of the FHLB.

“Debarment” – means an action taken by the FHLB that, for a specific period of time, unconditionally excludes or disqualifies a person or company from participating in any applied for or granted HCI Programs or from receiving disbursements of funds (or further disbursement of funds) from any Project, whether or not yet operational.

“Excluded Parties List” – means the official listing of parties that are excluded from receiving Federal contracts, certain subcontracts, and certain Federal financial and nonfinancial assistance and benefits, as published in www.epls.gov.

“Finance Agency” – means the Federal Housing Finance Agency.

“Member” – means any institution which has been approved for membership in the FHLB and has subscribed for and retains the stock of the FHLB.

“Other Parties” – may include, but are not limited to, key persons who play a significant role in a Project.

“Owner” – means an entity that holds title to real estate related to a Project.

“Regulation” – means a Finance Agency regulation as published in the Code of Federal Regulations, or any modification or amendment thereof.

“Project” – means a specific project, regardless of date of completion, deemed by the FHLB as eligible for and which has been awarded or received subsidies under an HCI Program.

“Sponsor” – means an organization or public entity that:

1. Has an ownership interest (including any partnership interest in an AHP project) in a rental Project, as defined by the FHLB in its AHP Implementation Plan, or
2. Is integrally involved in an owner-occupied Project, such as by exercising control over the planning, development, or management of the Project, or by qualifying borrowers as eligible and providing or arranging financing for the owners of the Project units.



“Suspension” – means an action taken by the FHLB that, for a temporary period of time, conditionally excludes or disqualifies a person or company from participating in HCI programs or from receiving disbursements of funds (or further disbursement of funds) from any Project, whether or not yet operational. A suspension has a program wide effect, applying to all HCI Programs.

III. Process

A. Grounds for Suspension

The FHLB or the Finance Agency may suspend a Member, Sponsor, Owner or any other “Material party” from participation in any of the HCI Programs, including (without limitation) AHP, for any one of the following reasons:

1. Failure to comply with one or more applicable Program requirements;
2. Failure to meet one or more of the commitments made in the approved or modified Program application;
3. Failure to provide requested documents in a timely manner;
4. Consistent lack of progress towards completion of existing projects that result in numerous de-obligations and/or extension requests;
5. Consistent pattern of noncompliance with approved or modified application commitments that result in numerous modification requests or cure periods;
6. Involvement in Projects which experience excessive vacancy, foreclosure, delinquent taxes resulting in Sheriff’s sale, retention compliance issues, etc.;
7. Suspicion that a crime—or some other serious cause—affecting a participant’s present responsibility may have occurred; or
8. Any other performance or compliance issues, including those specified as Reasons for Debarment noted below, that the FHLB or Finance Agency believes warrant a suspension.

B. Reasons for Debarment

The FHLB will immediately debar a Member, Sponsor, Owner, or Other Party from participation in any of the HCI Programs, including (without limitation) AHP, upon addition of an individual or entity to the Finance Agency’s Suspended Counterparty list. The FHLB or the Finance Agency may debar a Member, Sponsor, Owner, or Other Party from participation in any of the HCI Programs, including (without limitation) AHP, for any one or more of the following reasons:

1. A demonstrated pattern of noncompliance or a single instance of flagrant noncompliance with a Regulation or the terms of an application for subsidy;
2. A required repayment of AHP or other subsidy is triggered due to noncompliance;
3. Commitment of fraud, mismanagement of properties, or other negligent actions that lead to the financial distress or foreclosure of a project;
4. Abandonment of a project;
5. Suspicion of fraud, antitrust violations, forgery, bribery, falsification of records, making false statements, making false claims, conspiracy, failure to comply with applicable related statutes (such as the Fair Housing Act, the Americans with Disabilities Act, etc.) and regulations thereunder, and other offenses indicating a lack of business integrity or business honesty that seriously and directly affects adversely a person's or entity’s present responsibility or credibility;



6. Suspicion that a crime or some other serious cause may have occurred that affects a person's or organization's present responsibility;
7. Any other performance or compliance issues that the FHLB or the Finance Agency believe warrants debarment, including repeated suspensions from any HCI Programs;
8. Debarment, suspension, exclusion, or disqualification by HUD or a state or federal government agency, or in case of inclusion on the Excluded Parties List; or
9. Debarment or suspension by another participant in any HCI Program.

For purposes of any of the above reasons for debarment or suspension, the improper conduct of any officer, director, shareholder, partner, or employee (or of any other individual) of an entity shall be attributed to the entity for which they work when the improper conduct occurred in connection with that individual's performance on behalf of such entity.

IV. Notice of Suspension or Debarment

As part of the normal course of business, the FHLB may provide, separately or as part of any other communication, a written warning to the appropriate person or entity of the potential for suspension or debarment, but failure to do so will not affect the FHLB's ability to so suspend or debar a participant. Due to timing or the nature of the circumstances surrounding the matter, the FHLB may forego a written warning and immediately, upon approval by the Board or any subgroup of FHLB directors designated to act for the Board (or at the direction of the Finance Agency, all as noted herein), suspend or debar an entity or individual from access to or further funding from any HCI Programs. At a minimum, any notification will include the following:

- A. Notification of the suspension or debarment;
- B. The reason(s) for suspension or debarment;
- C. The repercussions of the suspension or debarment; and
- D. The effective and end date of the suspension or the effective and end date of the debarment (normally, unless otherwise specified by the Board, suspensions shall not be longer than twelve (12) months in duration and debarments not longer than three (3) years in duration).

V. Decision Making and Appeals Process

In the event the FHLB determines that an individual or organization warrants suspension or debarment from participation in any of the HCI Programs, a recommendation will be submitted to the Board or any subgroup of FHLB directors designated to act for the Board. The recommendation will be reviewed by the Board along with all relevant facts. A final determination to suspend or debar an entity or individual will only be effective upon the approval of such action by the Board, and the twelve (12) months or three (3) year period will commence on that date.

Upon approval by the Board, the FHLB will provide written or electronic notification of the Board's action to the affected parties. While the suspension or debarment period will commence upon approval by the Board, the suspended or debarred entities will have ten (10) calendar days from the date of notification to appeal the FHLB's decision. The person or entity may request the Board in writing to reconsider, revoke, or modify the suspension or debarment for the reasons specified in the appeal. The Board or its designee shall consider the appeal within 60 calendar days of receipt of the appeal and may uphold, deny, and/or modify the results of the appealed decision.

In addition to the Board, the Finance Agency has the authority to order the FHLB to suspend or debar a Member, Sponsor, Owner, and/or Other Party from participation in the AHP if such party shows a pattern



of noncompliance or engages in a single instance of flagrant noncompliance with the terms of an approved application for AHP subsidy or the requirements of the AHP regulation. In the case of Finance Agency-initiated suspension or debarment, Board action is not required. The FHLB will notify a Member, Sponsor, Owner, and/or Other Party of any such action ordered by the Finance Agency.

In the event that the FHLB's Credit Risk Management staff has concerns about the ongoing financial viability of a Member as documented in the FHLB's Credit Risk Watch List or determines that failure to act endangers the Project's viability or the FHLB's assets allocated to or secured by the Project, the Member may be subject to immediate suspension without Board approval.

Additionally, upon the discovery of facts and circumstances that FHLB management believe may warrant a suspension or debarment, the FHLB may temporarily suspend an individual or entity until the Bank either completes its review of the matter or the Board has an opportunity to review the circumstances of the suspension or debarment recommendation. During this process, the FHLB may also suspend any pending disbursements (or further disbursements) on Projects involving the individual or entity, whether or not yet operational. Such temporary suspensions are subject to the approval of the Community Investment Officer and President & CEO (or his/her designee).

Finally, consistent with the FHLB's Compliance Procedures, in the event that a Member, Sponsor, Owner, and/or Other Party is noncompliant with the applicable requirements, the person or entity may be subject to immediate suspension without Board approval.

VI. Reinstatement

A Member, Sponsor, Owner, and/or Other Party may have its suspension or debarment lifted under certain circumstances, subject to the approval of the Board or Finance Agency, as the case may be. (Note: in the case of suspension due to a noncompliance with the FHLB's compliance requirements, resolving the issue of noncompliance may lift the suspension without need for Board approval.) If a party has been suspended or debarred, the party may be reinstated upon submission to the Board of evidence (satisfactory to the Board in its sole discretion) that the issue(s) leading to the suspension or debarment has been resolved. All requests should be submitted to the FHLB in writing. The FHLB will review the request and submit it to the Board or Finance Agency, as the case may be, for review. After the Board has reviewed the request, the FHLB will notify the appropriate party, or parties, of the Board's decision.

In the event that an organization was debarred by the Finance Agency, the FHLB will submit the organization's request for reinstatement to the Finance Agency and will notify the organization of the Finance Agency's decision regarding reinstatement.

VII. Reporting

The FHLB will periodically report to the Board the number of currently suspended and debarred individuals and entities as well as the nature of their suspensions and debarments. Additionally, the FHLB will publish on its website (www.fhlbcin.com) a continually-updated list of those individuals or entities that are currently suspended or debarred from participation in any of the HCI Programs.