

2011 Community Investment  
**Resource Guide**

AFFORDABLE HOUSING PROGRAM • *AHP*

COMMUNITY INVESTMENT PROGRAM • *CIP*

HOMEOWNERSHIP INITIATIVES PROGRAMS • *HOP, NSA, NIP, DRP*



*Growing & Sustaining Communities*



**FEDERAL HOME LOAN BANK  
OF INDIANAPOLIS**

*Building Partnerships. Serving Communities.*

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## FHLBI COMMUNITY INVESTMENT PROGRAMS

Purpose	Funding Type/Use	2011 Funding Amount & Limits	Application/Funding Process	Key Requirements
<b>AFFORDABLE HOUSING PROGRAM</b> Acquire, develop and/or rehabilitate affordable rental or owner-occupied housing for households earning up to 80% of area median income (AMI)	Grant may be used for: <ul style="list-style-type: none"> <li>• Gap financing</li> <li>• Reducing mortgage principal</li> <li>• Funding rehabilitation and new construction</li> <li>• Downpayment and closing costs</li> <li>• Preserving affordable housing</li> <li>• Some soft costs</li> <li>• Acquisition</li> </ul>	\$750,000 grant limit per project per round	Single competitive funding round Due April 21, 2011	Members must underwrite projects. Projects must meet eligibility, feasibility, retention, monitoring and compliance requirements. At least 20% of rental units must be affordable to households at or below 50% of area median income. Homeownership units must be reserved for households with income less than 80% AMI. Funds are eligible match for HOME and CDBG, and are non-federal funding
<b>HOP</b> Assist first-time homebuyers with household incomes of 80% of AMI or below with downpayment and/or closing costs	Provide members with household-by-household grant funding for downpayment and closing cost assistance for first-time homebuyers HOP member limit – \$300,000	No specific allocation 3:1 Match Up to \$7,500 per household if member originates 1st mortgage or Up to \$5,000 per household if non-member originates 1st mortgage or there is none	First-come, first-served basis <ul style="list-style-type: none"> <li>• 70% of funds available in spring</li> <li>• 30% remaining released in late summer</li> </ul> Member must complete registration process and participate in web-based training	\$500 minimum homebuyer contribution Homebuyer counseling required Funds may be used to pay up to \$150 for homebuyer counseling
<b>NIP</b> Assist existing homeowners with incomes of 80% of AMI or below with rehabilitation needs	Provide members with household-by-household grant funding for rehabilitation for owner-occupied housing NIP member limit - \$300,000	No specific allocation 3:1 Match Up to \$10,000 per household, if member holds first mortgage or 3:1 match of eligible funding, or Up to \$7,500 if no eligible match	First-come, first-served basis <ul style="list-style-type: none"> <li>• 70% of funds available in spring</li> <li>• 30% remaining released in late summer</li> </ul> Member must complete registration process and participate in web-based training	Be owner occupants and have resided in the home as primary residence for six months prior to application
<b>NSA</b> Downpayment and closing cost assistance for homebuyers with household incomes of 80% of AMI or below to purchase NSP-assisted property for their principal residence	Provide members with household-by-household grant funding for downpayment and closing cost assistance for NSP-assisted houses NSA member limit - \$300,000	No specific allocation 3:1 Match of local NSP assistance Up to \$10,000 per household First-time homebuyer requirement waived	First-come, first-served basis <ul style="list-style-type: none"> <li>• 70% of funds available in spring</li> <li>• 30% remaining released in late summer</li> </ul> Member must complete registration process and participate in web-based training	\$500 minimum homebuyer contribution Homebuyer counseling required
<b>DRP</b> Assist low- and moderate-income households impacted by federal or state-declared disasters	Upon authorization by FHLBI Board, related to a specific disaster, provide members with homeowner assistance as needed	To be determined depending on disaster designation and FHLBI Board approval	Disaster-specific guidelines to be adopted based on local need	To be determined based on disaster-specific needs
<b>CIP</b> Finance community economic development activities benefiting households up to 115% of area median income, including housing, small business loans	Discounted loans: Reduced rate, intermediate and long-term advances that may be used for: <ul style="list-style-type: none"> <li>• Owner-occupied or rental housing</li> <li>• Economic development in targeted area</li> <li>• Small business loans</li> <li>• Job creation</li> </ul>	No limit per member but minimum \$100,000 advance	Open window Member institutions may apply at any time	Income and other eligibility requirements based on type of development activity Advances are subject to FHLBI credit and collateral requirements Prepayment penalties may apply

# About this Guide

This resource guide is a tool to help you gain a basic knowledge of our programs and their requirements. The information is not meant to replace or supersede the guidelines found in our Implementation Plan. Most forms can be downloaded from our web site, [www.fhlbi.com](http://www.fhlbi.com).

<b>2011 Matrix of Community Investment Programs</b> .....	1
<b>About this Guide</b> .....	2
<b>Who We Are</b> .....	3
How we raise money .....	3
How we lend money .....	3
How we help all communities .....	3
Our special mission to help low-income communities .....	3
<b>About AHAC - Affordable Housing Advisory Council</b> .....	4
<b>Implementation Plan</b> .....	4
<b>Affordable Housing Program (AHP)</b> .....	4
AHP Eligible Uses .....	5
AHP Ineligible Uses .....	5
Non-profit Sponsore Capacity .....	5
Role of Consultants .....	6
Sponsor Tips .....	6
Member Considerations .....	8
<b>AHP Grants - Application and Administration</b> .....	9
AHP Application .....	9
AHP Agreement .....	9
Monitoring .....	10
Disbursement Request .....	10
Modification Request .....	11
Semiannual Report .....	11
Completion Certification .....	12
HUD Area Median Income (AMI) Charts .....	12
Project Workbooks (Financials) .....	13
Annual Certification .....	13
Retention Agreement .....	14
Return Form .....	14
Services and Activities Questionnaire .....	15
<b>Homeownership Initiatives - HOP, NIP, NSA, and DRP</b> .....	15
Participation and Program Requirements .....	16
Disbursement, Closing and Monitoring Process .....	17
Returning Funds .....	18
<b>Community Investment Program (CIP)</b> .....	18
Participation and Program Requirements .....	18
Common Uses for CIP .....	19
CIP Application and Monitoring .....	19
Letters of Credit .....	19
<b>Industry Definitions and Acronyms</b> .....	20

## Who We Are

The Federal Home Loan Bank of Indianapolis (FHLBI) is a privately owned wholesale bank that provides readily available, low-cost funding to over 410 insured, chartered financial institutions throughout the Sixth District of Michigan and Indiana. Those institutions include commercial banks, savings banks, credit unions and insurance companies that are stockholder/members of FHLBI.

FHLBI is one of twelve regional Federal Home Loan Banks (FHLBanks) that make up the Federal Home Loan Bank System. The FHLBanks were created by Congress in 1932 to be government-sponsored enterprises helping primary retail lenders better serve their communities. Over 7,900 chartered financial institutions throughout the United States are stockholder/members of the System's district FHLBanks.

## How we raise money

Although we are a government-sponsored enterprise (GSE), FHLBI is privately funded and receives no financial support from taxpayers. The FHLBanks raise money by selling consolidated obligations (bonds) to institutional investors worldwide. FHLBank System bonds are rated Aaa/AAA by Moody's and Standard & Poor's rating agencies, respectively. Those ratings enable FHLBanks to issue debt at slightly higher rates than U.S. Treasury bonds.

## How we lend money

As an alternative source of funds, FHLBank credit products improve the financial strength of local lenders. Loans, which we call advances, provide local community lenders with liquidity at competitive prices so they can better meet the credit needs of their customers.

FHLBI also offers correspondent banking services to its members, such as deposit accounts, safekeeping, wire transfers, and technical assistance in strategic funds management.

## How we help all communities

The FHLBank System enables local lenders to extend affordable credit, thereby strengthening the communities they serve. This is especially important to small- and medium-sized lenders that do not have direct access to lower cost funds.

## Our special mission to help low-income communities

Each year since 1990, FHLBanks have contributed up to 10% of their net income to affordable housing programs. FHLBI has awarded \$158.5 million in grant money through its programs, which has helped 22,635 low-income families enjoy improved housing. These grant funds provide a valuable source of private funds for affordable housing. Each of the regional FHLBanks also provides long-term loans at below-market rates for neighborhood economic development through the Community Investment Program (CIP). CIP loans are made at no profit to the FHLBank and are designed to help promote job creation and to stimulate economic growth in building local communities.

## About AHAC - Affordable Housing Advisory Council

We are guided by an Affordable Housing Advisory Council (AHAC), comprised of twelve housing and community development practitioners representing Indiana and Michigan and knowledgeable of the housing and community economic development needs of our district. The AHAC advises the Board on ways FHLBI can best carry out its housing finance and community lending mission.

## Implementation Plan

The *Implementation Plan* is the blueprint for all FHLBI community investment programs. By federal law, all twelve Federal Home Loan Banks (FHLBanks) are required to donate 10% of their net earnings for affordable housing programs.

The *Implementation Plan* is written with the input of the Affordable Housing Advisory Council. Changes are made annually to reflect district needs and focus. Program requirements, scoring criteria, monitoring and reporting details and other key points are included. Check the website in January each year for the most recent version of the *Implementation Plan*.

### Tips

- Thoroughly read and study the *Implementation Plan* before submitting an application. Most questions about projects are outlined in the plan.
- Understand how requirements of other funding sources for a project compare with the *Implementation Plan*.

## Affordable Housing Program (AHP)

The Affordable Housing Program (AHP) is a flexible subsidy source for housing projects. The goal of the AHP is to provide housing opportunities for households whose incomes are 80% or less of the area median.

The AHP can fund the acquisition, construction or rehabilitation of properties for use as affordable housing, up to a maximum of \$750,000. Multifamily apartments, single-family homes, transitional housing facilities, homeless shelters and other housing projects have benefited from the flexible funding opportunities provided by the AHP.

A single funding round will be conducted in 2011, with applications due April 21, 2011. AHP grant awards are based on various scoring elements (subject to change each year), including demonstrated financial need. Other scoring criteria include the amount of AHP subsidy per unit, promotion of empowerment, social programs and area median income of targeted households, and project characteristics, including green development factors.

Member financial institutions, in partnership with local housing developers, receive the AHP award and pass it on to the project.



*FHLBI funds are only disbursed to its member financial institutions.*

*Be sure to solidify a partnership with one of our members and remember that they may have application and program requirements in addition to ours.*

**AHP Eligible Uses**

- Construction costs
- Construction financing
- Down payment assistance
- Fees and permits
- Developer fees
- Land acquisition
- Environmental fees
- Surveys
- Insurance during construction
- Rehabilitation costs

**AHP Ineligible Uses**

- Sponsor administration and operating expenses
- Utility costs that involve extending utilities to reach property
- Infrastructure
- Food for volunteers or other workers
- Fees charged by member associated with processing of AHP funding
- Services not part of direct housing costs - e.g., childcare centers, support services
- Replacement or operating reserves

**Non-profit sponsor capacity**

The benefit of housing developed, owned and managed by not-for-profit sponsors is recognized by the mandatory points required in the scoring of AHP applications, which FHLBI has enhanced. Not-for-profit entities have demonstrated their interest in community development and neighborhood revitalization by providing housing for very low income and special needs populations. These organizations have a proven track record in developing creative affordable housing solutions; the need of which is determined by a comprehensive market study and reliance on data gathered through services delivered and operations of the not-for-profit entity. Up to seven points are available for varying levels of a not-for-profit organization’s involvement in the sponsorship/ownership of AHP supported projects, from holding a partial partnership interest with another housing developer to complete ownership and responsibility for all aspects of the project from concept and development to ongoing operations.

In order to achieve the maximum points in this category, the not-for-profit must have been engaged in the business of fostering low-income housing in its geographic area of operation and of fostering housing for the population it serves for **a minimum of three years. Housing must be a core mission objective.** The not-for-profit must have more than a 50% general partnership or ownership interest in the proposed project and have at least a 25% interest in the developer fee. In addition, the not-for-profit must be the managing general partner and materially participate in the acquisition, development, ownership and ongoing operation of the property for the entire compliance period.



*Training opportunities and application information can be found at <http://www.fhlbi.com/news/eventcal.asp> or by sending questions to [housing@fhlbi.com](mailto:housing@fhlbi.com).*



*The lowest score awarded is approximately 55, but varies depending on the mix of applicants. If a project cannot earn at least 45 points, it may not be worth the effort to submit an application.*

## Role of Consultants and Others Assisting in Application Preparation

FHLBI offers extensive technical assistance to members and housing sponsors to assure potential AHP applicants are familiar with the application process and understand the obligations associated with receiving an AHP award. In the event a housing sponsor decides to use the services of a consultant or other assistance to prepare an AHP application, the extent of this other party's role in developing the concept of the project, acquisition of the property and development of the project, including preparation of other funding and financing requests, and on-going operations should be disclosed and may affect the award of not-for-profit sponsor points. Further, the sponsor/owner engaging the consultant is responsible for the delegation of duties to the consultant; reliance on the consultant's housing development experience is not an allowable substitute for a sponsor's housing inexperience or the sponsor's obligation. The FHLBI encourages non-profit-sponsors to pursue a vetting process in the selection of a consultant. Overall experience of the consultant in the housing industry, track record with the Affordable Housing Program and contributions that strengthen the development team are a few points to consider in the consultant selection process. Consultant contracts are required and should clearly specify the fees for services to be provided; consultant fees are treated as developer fees.

### Sponsor Tips:

- **Read the *Implementation Plan*.** It is a blue print for the entire program and should be thoroughly understood.
- **Contact an FHLBI member institution early in the process.** Make sure the member is willing to sponsor your application and give them time to review the application and obtain necessary approvals and signatures. Some members may establish a deadline in advance of the FHLBI to allow time for their review.
- **Use the Quick Smart Score tool** to obtain a preliminary score and determine how changing variables, like the number of targeted units or the subsidy amount, can change your project's scoring potential.
- **Review the requirements of the application financial workbooks as soon as possible.** Waiting until the last minute can seriously jeopardize your ability to provide accurate financial information by the application deadline. We recommend you do this after reading the Implementation Plan and before completing the application. Even if you don't have all the information, you can easily update the workbook before completion. The application includes the financial workbook in an Excel format and relies on the financial data entry to populate a number of fields in the application.
- **Submit Notice of Intent** for potential projects per deadlines so we can contact you if needed with workbook updates and assure project eligibility.
- **Writing the application is a balancing act!** Give us enough information to understand your project, financing details and other important information. Avoid "fluff" if you can. We do not care about style; we care about substance. The process of scoring applications is very objective. Lengthy descriptions and explanations only add to the time involved in scoring, not to the overall score. Being thorough and consistent with information is most important.



*Read the Implementation Plan. The most common error in applications is not reading and understanding guidelines.*

- **Application readiness is very important! Timing is important!** Please call us to discuss whether your application is ready to submit in the current round before taking the time to complete it. If we determine your project is premature in its submission, it will be excluded from the funding round. Generally, the primary funding source for the project should be committed so the need for subsidy can be measured. A good rule of thumb to follow is 70% of funding should be firmly committed by the time award announcements occur.
- **Balance the budget.** Submit workbooks showing equal sources and uses. Be sure to answer any questions on the Feasibility Analysis Checklist (FAC).
- **Submit firm financial commitments.** Firm financial commitments are funding sources for which you've received a confirmation or proposals with details of the proposed financial structure; not applications or letters of support.
- **Submit a complete and thorough application.** Do not leave boxes unchecked for any questions. Answer with a Yes, No or N/A. Omitting an answer could mean losing points you could have earned and, in some cases, can disqualify your application.
- **Say what you mean and mean what you say.** Your application is the blueprint for your project. If awarded, we compare and contrast the project's progress to the goals and objectives originally detailed in the application. We also compare commitments made in the AHP application with other funding sources.
- **Provide good supporting documentation with your application.** Remember, a good project begins with a good application and erected on a foundation of good documentation. The exhibit documentation is as important as the application itself!
- **Use appropriate exhibit pages.** Download only those needed and use inserts of brightly colored paper to separate the exhibits to help our staff review and score applications. Remember to complete the information box on each exhibit page.
- **Make sure monitoring on other AHP projects is up to date.** When determining project eligibility and sponsor capacity, we will consider sponsor and member compliance and monitoring cooperation with previously awarded AHP projects of that sponsor and member.
- **Submit the application with original signatures** and include printed names and dates. Make sure the member representative who signs the agreement appears on the FHLBI certified resolutions list of authorized signers.
- **Respond quickly.** We sometimes send requests for clarification or additional information when reviewing applications. Please make sure your contact person will be available and responds as quickly as possible.



*Perform a self-score before deciding to apply. If you don't score at least 45 points, consider other options or contact your member bank or FHLBI to discuss ways to improve your score.*

**Member considerations in addition to Sponsor tips:**

- **Consider establishing your own deadline for AHP applications** in advance of the FHLBI deadline to allow for your institution's review and approval processes.
- **Conduct usual and customary loan due diligence** prior to AHP application submission. If there is no lending opportunity because of the project's financial structure, the member should underwrite the grant as though it were a loan (FHLBI underwriting of a project should not be relied upon by the member or any other funder for lending purposes).
- **Application readiness is very important! Timing is important!** Please call us to discuss whether an application is ready to submit in the current round before taking the time to review and underwrite it. If we determine a project is premature in its submission, it will be excluded from the funding round. The member may have other requirements that impact the readiness tests such as: staffing needs to manage the AHP processes, time to get to know you, your organization and the project, project may or may not align with the member's current community development initiatives etc.
- **Submit Notice of Intent** for potential projects per deadlines so we can contact you with workbook updates and assure project eligibility.
- **Submit firm financial commitments.** Firm financial commitments are funding sources for which there is confirmation or proposal with details of the proposed financial structure; not applications or letters of support. Member involvement points rely upon the member extending construction and/or permanent lending facilities as well as a cash contribution toward the development costs of the project. Adequate time to get the applicable lending products through a loan committee review/approval is needed to extend the commitment necessary to award points in this category.
- **Make sure monitoring on other AHP projects is up to date.** When determining project eligibility and sponsor capacity, we will consider sponsor and member compliance and monitoring cooperation with previously awarded AHP projects of that sponsor and member. Be sure to provide detail for the application which outlines the member's oversight of the project through the development and compliance processes to include: physical inspections, semi- annual progress reporting, disbursement request reviews, completion monitoring review and long term monitoring obligations.
- **Submit a complete and thorough application.** Do not leave boxes unchecked for any questions. Answer with a Yes, No or N/A. Omitting an answer could mean losing points you could have earned and in some cases can disqualify your application.
- **Provide good supporting documentation with the application.** Remember, a good project begins with a good application and erected on a foundation of good documentation. The sponsor has prepared the bulk of the AHP application. If you are unclear about any aspect of the application, chances are those scoring the application will too! Anticipate the questions and work with the sponsor to ensure documentation is clear and follows appropriately through to the project financials.

- **Submit the application with original signatures** and include printed names and dates. Make sure the member representative who signs the agreement appears on the FHLBI certified resolutions list of authorized signers.
- **Respond quickly.** We sometimes send requests for clarification or additional information when reviewing applications. Please make sure your contact person will be available and responds as quickly as possible.

## AHP Grants - Application and Administration

### AHP Application

The AHP application will be accepted in a single round. The application is typically available beginning mid-February and due mid-April, with results announced at the end of July.

Before submitting an application, applicants should send FHLBI a *Notification of Intent* (NOI). This one page form provides the staff with information to allow them to offer early recommendations (i.e., recommending a project apply for different funds, recognizing when a project is not viable, etc.) and to determine if a site visit can be scheduled for a project.

The AHP application process is extremely competitive. An average of one in three applications is awarded due to the volume of funds requested. Statistics from the last few years, which are published on our website, can help applicants determine their project's competitiveness.

Sponsors and members can always consult with FHLBI staff to help decide whether or not to apply. Use the Training on Demand Tool to request a staff consultation before applications are due and after award announcements. The Quick Smart Score tool is a self-scoring form that can be found at [http://www.fhlbi.com/housing/ahp\\_app\\_gateway.asp](http://www.fhlbi.com/housing/ahp_app_gateway.asp) that assists sponsors and members in evaluating how competitive a project may be.

Upon award, recipients receive a comprehensive award kit as well as education on administering AHP grants through real-time, web-based training with FHLBI staff.

### AHP Agreement

In order to use AHP grant funds, a tri-party agreement between FHLBI, the member financial institution and the project sponsors/owners must be signed and executed.

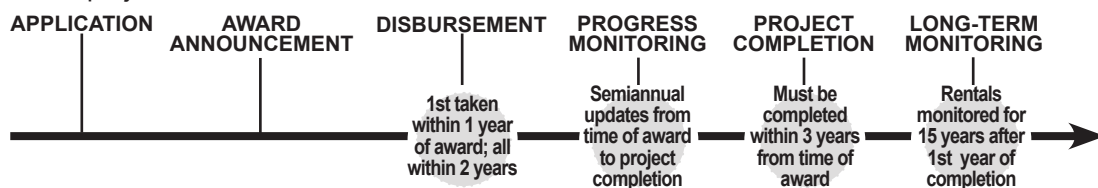
The agreement includes a schedule listing points awarded and commitments made in the application. Members and sponsors/owners should carefully review the schedule to ensure its accuracy.

#### TIPS

- Make sure the member representative who signs the agreement appears on FHLBI certified resolutions list of authorized signers.
- Return the agreement within the time frame indicated in the award announcement letter. A fully executed agreement is required to draw down funds.

## Monitoring

Getting an AHP grant is only the beginning of actually seeing a project to fruition. There are several more steps in the AHP project life cycle. In short, projects are monitored before during and after completion. The forms described in this section are used at various stages of the project's life.



## Disbursement Request

The *Disbursement Request* is submitted as funds are needed at various phases of project development. Before funds can be disbursed, the signed and executed AHP Agreement must be received by FHLBI.

In some cases, 100% of a project's funds are disbursed at one time. In others, disbursements are made in increments as needed. At the time of each disbursement, FHLBI will review the project in a manner similar to an underwriting process. During the review, staff will ensure a project is progressing according to schedule, it is still financially consistent with information provided at the time of application, the use of funds disbursed is consistent with the application and there is still a need for FHLBI subsidy. An updated financial workbook and other documents are required with the *Disbursement Request*.

## Top reasons disbursements are delayed or rejected

- **Original, authorized signatures are not provided.** Make sure the member who signs the disbursement is an FHLBI authorized signer.
- **Forms are incomplete** and required attachments are not provided.
- **The most recent disbursement request form isn't used.** (Before downloading from our website, hit the *Refresh* key in your web browser to ensure access to the latest form) There are separate request forms for homeownership and rental.
- **AHP agreements have not been returned to FHLBI.** They should be returned to FHLBI within the time frame specified in the award announcement letter.
- **Significant changes occur to a project's financials** since the time of application, to the extent that need for subsidy cannot be determined.
- **Projects are outside the feasibility guidelines** without explanations/documentation.
- **Projects need modifications**, but a *Modification Request* is not included.
- **Third party documentation isn't consistent** with information already obtained.
- **Updated Sources & Uses statements are not provided**, or are completed incorrectly.
- **Household income** cannot be verified.
- **Monthly housing expense** exceeds 30% of gross income.

## Modification Request

Any significant or proposed changes to a project or changes that would have affected the score of a project if the change were in effect at the time of application, must be communicated to and approved by FHLBI. In order for a modification to be considered, there must be a good cause for the modification, incorporating the proposed changes would allow the project to meet eligibility requirements described in the AHP regulation and the sponsor or owner must have made best efforts to avoid noncompliance.

When changes occur, FHLBI must rescore the project's application. This means for the given category, FHLBI will determine what the score would have been with the proposed change. If the project doesn't re-score higher than the last project funded in the funding round awarded, options are limited and decommitment or recapture of the award may be necessary. FHLBI will meet with the project sponsor and member financial institution to discuss options.

The most common modification requests are for changes in targeting, changes in the number of units to be developed, project design elements, member financial involvement and not meeting other application commitments.

### TIPS

- Be reasonably sure you can fulfill all commitments made in your application. This will avoid the need for modification requests and possible loss of subsidy.
- If modifications are necessary, submit a *Modification Request* as soon as possible and before the project is completed.
- If a manager's unit in a rental project is not AHP income-qualified at the targeting level committed to in the application, do not include that unit with total AHP units.
- Make sure all required attachments, like updated financial workbooks, are included.

## Semi-Annual Report

*Semiannual reports* are required from the time a project is awarded until it is complete and until the entire award is disbursed (*due June 1 and December 1 annually until project is certified complete*). They are sent to project sponsors who have the responsibility of completing the report and forwarding it to the member. The purpose of the report is to provide FHLBI with information to ensure the following:

- The project is progressing at a reasonable rate and will meet FHLBI completion and disbursement deadlines.
- The budget/financial plans are on target and consistent with information provided in the application.
- The project is financially viable and still in need of FHLBI funds.
- The project meets specific regulatory requirements.



*Any time a project changes, a Modification Request should be sent to the FHLBI for approval. Changes can affect the project's original score.*

### TIPS

If there are changes to funding sources or significant changes in the development budget (10 percent or more), you must submit an updated financial workbook with the Semiannual Progress Report.

- Submit a *Modification Request* form, if needed (for changes affecting one or more of the scoring criterion).
- *Extension Requests* should be submitted if deadlines cannot be met.

### Completion Certification

When a project is reported complete, a *Completion Certification* is sent to the sponsor and member to obtain remaining monitoring information. Upon receipt of the completed form, FHLBI will review the project information to ensure commitments made in the application or as modified confirm the following:

- Services and activities provided to renters or homeowners
- Operating proforma and sources of uses of funding
- Final cost validation
- Targeting
- Finished condition and description of property
- Other commitments

Homeownership projects are considered complete on the date the last unit in the project is “closed” (homebuyers) or the date the last unit is rehabilitated (owner-occupied). Rental projects are complete on the date the certificate of occupancy is issued or the date the last unit is suitable for occupancy. There are separate forms for rental and homeownership projects. The certified completion date marks the beginning of the respective five-year retention period for homeownership projects and fifteen (15) years for rental projects.

### TIPS

- Submit other required monitoring information
- Provide explanations for variances from commitments made in the application
- Compare the actual final results with the original budget and explain variations

### HUD Area Median Income (AMI) Charts

FHLBI has chosen *HUD’s area median income* (AMI) guidelines as the standard used to qualify homebuyers or renters for all FHLBI programs.

The most current chart is on our website, and past charts for all states can be accessed at [www.huduser.org](http://www.huduser.org). Click on *Datasets*, *Income Limits* and then select the year and state.

To streamline the qualification process, AMI qualification is automatically calculated on most FHLBI forms and applications (AHP income targeting worksheets; NIP, HOP, and NSA, disbursement requests, Income Calculation Worksheet). Simply enter the household size,

income, county and state, and the AMI will be calculated and appear. If a household does not qualify, an error message will usually appear.

Early each year, HUD publishes its updated income information on its website, [www.hud.gov](http://www.hud.gov) or [www.huduser.org](http://www.huduser.org). This information does not delineate all income targeting buckets.

### Median Income Definitions used in the HUD charts

Very Low	<50%
Low	50% – 80%
Moderate	80% - 115%

### TIPS

- Use the HUD AMI chart from the year in which the income was earned. For example, if a loan is being approved using a 2010 W2, use the 2010 income charts.
- If the current year data is not reflected in the workbook, first visit the website and download the most recent file. Then contact FHLBI to discuss the availability of the current year figures.

### Project Workbooks (Financials)

At application and before awarding grant funds at each disbursement, modification and project completion, FHLBI must carefully review a project to ensure its viability and integrity. *Project workbooks* (in Excel) allow us to capture financial information for analysis. At various stages we must look at the data, compare it to what was provided at the time of application and confirm that the project is on the right track. Information reviewed includes the following.

- Development budget - sources and uses
- 15 year Operating Proforma
- Targeting data
- Funding sources and project costs are validated with third party documentation

### Annual Certification

To verify rental project units remain affordable for the 15-year retention period, *Annual Certifications* must be submitted for 15 years after the project's first year of completion.

The *Annual Certification* is due annually in December. The form is sent to the sponsor first, who signs it and then forwards it to the member for signatures and submission to FHLBI. Income targeting worksheets and rent rolls are required at different stages, depending on the age of the project and the amount of subsidy and funding sources for the project (please check the *Implementation Plan* for more information).

Project owners annually certify that rents and incomes are in compliance with the rent and income targeting commitments made in the application, the project is habitable, and documentation is maintained to support the certification. (For projects that are developed with low-income housing tax credits, the FHLBI may rely upon the state's housing finance authority for income verifications and targeting compliance.)



*Some member institutions have separate AHP application deadlines that occur prior to ours.*

### TIPS

- Some projects will require an updated income targeting worksheet and a sampling of income documentation with the *Annual Certification*. Be sure to read the cover letter sent with the certification request to see if it is required for a particular project.

### Retention Agreement

The retention mechanism is a deed restriction recorded in the county recorder or clerk's office to maintain units for affordable housing during the required retention period. It is recorded as a soft, second mortgage. The retention period is 15 years from the completion date for rental projects and five years from the completion date for homeownership projects. Lease/Purchase projects are treated as rental projects until the last unit is sold, at which time they convert to homeownership projects.

There are separate retention agreements for each type of project: homeownership, rental or lease/purchase. Each agreement has specific requirements described in the *Implementation Plan*. In general, the retention agreements require FHLBI or its designee be given notice of any sale or refinancing of units occurring prior to the end of the retention period. In addition, if a unit is sold prior to the end of the retention period, an amount equal to a pro rata share of the direct subsidy for homeownership projects, or the entire subsidy of the unit for rental projects, may require repayment to FHLBI.

### TIPS

- Conduct thorough title searches on properties before deciding to fund them.
- Keep the original recorded retention agreement in member files.
- Remember the cost of filing retention agreements.
- AHP Rental Projects: a "draft" agreement is required with the first disbursement. A recorded agreement must be provided within 60 days following disbursement. 100% of the subsidy is subject to repayment for the entire 15 year retention period.
- AHP Homeownership Projects: a sampling of draft and recorded documents are required (see current year *Implementation Plan*).

### Return Form (Homeownership)

If part of a subsidy needs to be returned to FHLBI for any home receiving AHP-homeownership, members should access the *Return Form* from the FHLBI website. Once grant type and number, homeowner name, address, original grant amount, original closing date and payoff amount are entered, the payoff amount is calculated.

The form should then be printed and sent to FHLBI with a check. Members may also indicate a request to debit the funds from their FHLBI CMS account. To access the form, visit [www.fhlbi.com/housing/ahp\\_forms.asp](http://www.fhlbi.com/housing/ahp_forms.asp). The form is located near the bottom of the page.

## Services and Activities Questionnaire

At the time of project completion notification, a *Services and Activities Questionnaire* will be requested by FHLBI. This document requests information about the commitments made in the AHP application and needs to be submitted along with supporting documentation as part of the completion monitoring. For example, if specific supportive services were promised, evidence of those services must be provided. Project design and green characteristics require certification by the architect to validate initiatives were integrated in the design as committed.

## Homeownership Initiatives Programs - HOP, NIP, NSA, and DRP

Helping families own their own homes is our business. We know saving the cash to buy a home is a big hurdle for some, especially first-time homebuyers. For others who already own their own home, having enough money to maintain it can also be a challenge. These programs provide funds for owner-occupied housing on a household-by-household, first come, first-served, basis.

- **The Homeownership Opportunities Program (HOP)** provides down payment and closing cost assistance to first-time homebuyers as follows:
  - > Up to \$7,500 if the member originates the first mortgage loan; or
  - > Up to \$5,000 if a non-member originates the first mortgage or there is no first mortgage.
- **Neighborhood Stabilization Assistance (NSA)** provides down payment and closing cost assistance to households purchasing a Neighborhood Stabilization Program (NSP) assisted home.
  - > Up to \$10,000 is available with a \$3:\$1 match to NSP funds secured by the household.
- **The Neighborhood Impact Program (NIP)** assists existing homeowners with rehabilitation assistance as follows:
  - > \$10,000 if homeowner is receiving matching funds from a government entity, forgivable or deferred loan from an eligible state or local home improvement loan program, member home equity loan or if the member is the first lien holder of the mortgaged property. FHLBI provides up to \$3:\$1 match.
  - > Up to \$7,500 if no matching funds from above-listed eligible sources.
  - > NIP participants must be owner-occupants and have occupied the home as a primary residence for at least 6 months prior to enrollment in the program.
  - > FHLBI eligible and ineligible improvements are detailed in the Implementation Plan.
  - > Rehabilitation and repair of systems materials must be of similar quality, like and style.
  - > Additional documentation such as bids, estimates and/or proof of need may be required.
- **Disaster Relief Program (DRP)** is available to respond to homeowner needs resulting from federal or state declared disasters. Members registered to participate in Homeownership Initiatives Programs are eligible to administer any disaster specific funding authorized by the FHLBI Board of Directors on a case-by-case basis as determined by local need.



*To participate members simply register, sign an agreement and participate in web-based training .*

## Participation and Program Requirements

- In order to participate, members must attend a webinar training and sign a Master Agreement as well as a Registration and Certification form for FHLBI's 2011 Homeownership Initiatives.
- All homeownership initiative funds are available on a first-come, first-served basis.
- Funds are requested as needed until no funds remain or a member reaches the maximum allowed amount.
- Funds are released in two funding rounds; one in the spring and one in late summer based on the availability of funds.
- In order to qualify for the funds:
  - > households must have annual income of 80% or less of the area median income.
  - > for HOP and NSA, households must also contribute at least \$500 of their own funds and complete homeownership training. Up to \$150 of the HOP award may be used to pay for required homeownership counseling.
  - > HOP and NSA homebuyers' housing expense (PITI) must not exceed 35% of gross income and total debt must not exceed 45% of gross income.
- Financing Costs
  - > The rate of interest, points, fees and any other charges for all loans that are made with the program funds shall not exceed a reasonable market rate of interest, points, fees and other charges for loans of similar maturity, terms and risk.
  - > Typical fees charged by non-profit organizations for providing services such as counseling, loan packaging, program delivery, transaction processing, etc. ranges between \$250 - \$800.
  - > HOP, NSA or NIP funds cannot be used for processing fees charged by members for providing AHP direct subsidies to a project.
- These programs offer FHLBI member banks flexibility by giving them the freedom to decide how to use funds. Choices include whether to combine with an existing program, setting a lower match ratio and limiting grant amounts. The *HOP Guidelines*, *NIP Guidelines* and *NSA Guideline*, outline all the program requirements.
- The per member annual limit for HOP, NIP and NSA are \$300,000 each.

## Disbursement, Closing and Monitoring Process

The disbursement processes for HOP, NIP and NSA are very similar. Each is simple, requires minimal paper work and has a quick turnaround time. All forms are available in an easy-to-use Excel workbook file. Detailed instructions are included in the respective guidelines as well as via mandatory training.

- Upon approval of the proper forms, members usually receive funds in their FHLBI CMS account within ten business days.
- The member must ensure the HOP and NSA loan transaction is closed within 30 days of the FHLBI disbursement date. A copy of the HUD-1/Settlement Statement and other closing documentation must be submitted immediately upon closing.
- The member must ensure the Real Estate Retention Agreement for NIP transactions must be recorded within 30 days of the FHLBI disbursement date and notice of the recording date must be provided to FHLBI.
- The monitoring requirements are simple. Members should maintain (in their files) a complete file for every grant recipient, including documents such as:
  - > A copy of the final HUD-1 executed by all owners in the legal title
  - > A copy of the executed and recorded retention document executed by all owners in the legal title
  - > Evidence of completing homeownership counseling (HOP and NSA)
  - > Evidence of the recipient's required \$500 cash donation (HOP and NSA)
  - > Evidence of other matched funds
  - > Income calculation workbook and corresponding income documentation
  - > Cancelled checks, bid change orders, invoices and cost validation such as copies of paid invoices (NIP)
  - > Title searches, insurance verification, proof of ownership
  - > Documents related to underwriting the transaction

### **Returning Funds**

If disbursed funds are not used, or if a home is sold prior to the end of the five-year retention period, funds may need to be returned to FHLBI. All funds should be returned using the *Funds Return form* (Excel worksheet) which can be found on our website. The amount to be returned, also called the payoff, is automatically calculated by the form once original grant amount, original closing date and payoff date are entered. The payoff is based on a monthly pro rata formula.

Once the *Funds Return* form has been completed, it should be printed and returned to FHLBI with a check payable to FHLBI (or without a check if the member has requested the withdrawal of the funds from its FHLBI CMS account).

### **Community Investment Program (CIP)**

The CIP provides a continuous, favorably priced source of funds called advances for FHLBI members involved in community economic development activities that benefit low- and moderate-income families or neighborhoods. The funds, which can be used for the development of housing, infrastructure improvements or small businesses, are provided at below-market rates to reduce the risk associated with making non-conventional mortgages for community development. CIP advances are made on a secured basis only and collateral requirements are consistent with those on all FHLBI credit programs. Prepayment fees may also apply. CIP advances are available in terms up to 20 years and amortizations are offered for up to 30 years.

### **Participation and Program Requirements**

The member borrows the funds from FHLBI, adds a spread and passes a favorable rate and term to the eligible project/borrower. Projects must meet the requirements of one of the following criteria for CIP eligibility.

- Ownership Residential: Financing of proposed one to four family mortgage loans made to individual homeowners whose incomes do not exceed 115% of the area median income.
- Rental Residential: Financing of rental, cooperative housing, or construction financing for any rental or cooperative development in which: the incomes of at least 51% of the residents do not exceed 115% of the AMI, or the rents for at least 51% of the units are affordable to residents whose incomes do not exceed 115% of the AMI.
- Commercial and Economic Development:
  - > Business loans to a business meeting the SBA definition,
  - > Business investment (CIP) - qualified wage levels
  - > Projects providing services and benefits under one of the following criteria:
    - be located in one of the target areas with a specified AMI
    - provide services and benefits to individuals or households located in an area with a specified AMI
    - be located in one of the targeted areas such as a Champion Communities, Empowerment Zones, Michigan Renaissance Zones, Enterprise Communities, Federally declared Brownfields, area affected by a federal military base closing or realignment or Federally declared disaster areas

### **Common Uses for CIP**

Uses of funds include, but are not limited to the following projects.

- Capital Improvement
- Construction
- Social Services Facilities
- Public Works Facilities
- Small Business Funding
- Historic Preservation
- Social Services Facilities
- Healthcare Facilities
- Industrial Facilities

### **CIP Application and Monitoring**

The application process for CIP is simple! FHLBI staff is available to help qualify projects. Minimal monitoring or reporting is required. Funds-only commitments will be established when both the Community Investment and Credit Services departments have approved applications. A single report is required within the 6 month commitment period. There is no follow-up monitoring or reporting required.

### **Letters of Credit**

Members may also receive CIP pricing for standby Letters of Credit and confirmations to be used to fund affordable housing for eligible households.

## Industry Definitions and Acronyms

**Advance:** Loan to an FHLBI member financial institution

**AHAC:** Affordable Housing Advisory Council, comprised of 12 housing and community economic development representatives from Indiana and Michigan, that advise the FHLBI Board of Directors on the district's housing needs.

**AHP:** Affordable Housing Program, an FHLBI competitive grant program providing up to \$750,000 in subsidy for the acquisition, rehabilitation or new construction of affordable rental or for rehabilitation of owner-occupied or for-sale single family housing.

**AMI:** HUD's area median income (AMI) guidelines are the standard used to qualify homebuyers or renters for all FHLBI programs and other programs as well. The most current charts for all states can be accessed at [www.huduser.org](http://www.huduser.org). Click on Datasets, Income Limits and then select the year and state.

**CDBG:** Community Development Block Grant. Title 1 of the Housing and Community Development Act of 1974 replaced eight former categorical grant and loan programs with a system of unified block grants, under which communities of over 50,000 people are entitled to receive funding directly from HUD, while other communities may apply for discretionary funding. Its purpose is to encourage more broadly conceived community development projects and expand housing opportunities for low- and moderate-income persons.

**CDFI:** Community Development Financial Institution. An array of diverse institutions that lend to low-income and, increasingly, middle-income persons, Native American reservations and community development projects. Included are community development banks, credit unions, loan funds and micro-loan funds.

**CFI: Community Financial Institution.** Currently defined as institutions having average assets less than \$1.04 Billion and regulated by the FDIC.

**CHDO (choe-doe):** Community Housing Development Organization. A not-for-profit organization with the primary mission of developing affordable housing. In Indiana, IHCDA administers CHDO certifications. In Michigan, MSHDA administers the state CHDO designations, though "participating jurisdictions" can also grant CHDO certification. For information about CHDO certifications in Indiana contact IHCDA. In Michigan, contact MSHDA.

**CIP:** Community Investment Program, an FHLBI discounted advance for community economic development purposes.

**Empowerment:** Programs or services that assist residents to move toward better economic opportunities, i.e., daycare services, homeownership counseling, education and training.

**FHLMC:** Federal Home Loan Mortgage Corporation ("Freddie Mac"). A private corporation authorized by Congress, whose primary purpose is to establish a secondary market for conventional home loans. Its money is generated by the sale of participation certificates secured by pools of conventional mortgage loans.

**FHFA - Federal Housing Finance Agency:** FHLBI's regulator.

**FHLBI:** The Federal Home Loan Bank of Indianapolis

**FNMA:** Federal National Mortgage Association ("Fannie Mae"). A congressionally chartered private corporation (since 1938) that provides a secondary market for FHA, VA and conventional loans. Fannie Mae is the nation's largest private investor in American home mortgages.



[www.fhlbi.com/housing/cipprog.asp](http://www.fhlbi.com/housing/cipprog.asp)

## Industry Definitions and Acronyms

**First-time homebuyer:** An individual who meets any of the following criteria:

- 1) An individual and his or her spouse who has had no ownership in a principal residence during a three-year period ending on the date of the purchase of the property.
- 2) An individual who is a displaced homemaker and has only owned a home with a spouse.
- 3) A single parent who has only owned a home with a former spouse while married.
- 4) An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
- 5) An individual who has only owned a property that was not in compliance with state, local, or model building codes, or other applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

**Foreclosure:** "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 AHP, foreclosures include circumstances in which the owner has received a notice of default, a notice of trustee sale or notice of foreclosure sale, or that the property has been taken as "real estate owned" by the lender.

**HOME:** Home Investment Partnership Program. HOME is a federal housing block grant program that allows states and local governments the flexibility to fund a wide range of low-income housing activities, including moderate and substantial rehabilitation, new construction, tenant-based rental assistance and other housing-related activities.

**Homebuyer Education:** Educational programs providing potential homebuyers with the information they need to successfully purchase and own a home using AHP, HOP, or NSA.

**Homeless Household:** As defined or amended by HUD, a household made up of one or more individuals, other than individuals imprisoned or otherwise detained pursuant to state or federal law, that

- 1) lacks a fixed, regular and adequate nighttime residence, or
- 2) 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; or
  - c) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

OR

Individuals at imminent risk of homelessness or where a family or unaccompanied youth is living unstably. Imminent risk includes situations where a person must leave his or her current housing within the next 14 days with no other place to go and no resources or support networks to obtain housing. Instability includes families with children and unaccompanied youth who:

- 1) are defined as homeless under other federal programs (such as the Department of Education's Education for Homeless Children and Youth program),
- 2) have lived for a long period without living independently in permanent housing,
- 3) have moved frequently, and
- 4) will continue to experience instability because of disability, history of domestic violence or abuse, or multiple barriers to employment.

## Industry Definitions and Acronyms

**HOP:** *Homeownership Opportunities Program, an FHLBI matching grant program to assist eligible first-time homebuyers with down payment and closing costs.*

**IHCDA:** Indiana Housing and Community Development Authority. A state agency that finances residential mortgages and the development of rental housing. In addition, IHCDA administers the Low Income Housing Tax Credit and other federal and state housing programs in Indiana. ([www.in.gov/ihcda](http://www.in.gov/ihcda)).

**LISC:** Local Initiatives Support Corporation. LISC is a national not-for-profit organization that invests in the revitalization of urban and rural communities by channeling private resources from corporations, foundations and individuals to local community development corporations (CDCs) which are engaged in the development of affordable housing, vital community facilities and job-creating commercial projects.

**LIHTC:** Low Income Housing Tax Credit Program. An investment vehicle created by the Federal Tax Reform Act of 1986. Tax credits permit investors in affordable rental housing (corporations, banks and individuals) to claim a credit against their tax liability for a period of 10 years. Tax credits are competitively allocated to for-profit and nonprofit developers of affordable rental housing. Many projects use the LIHTC and AHP as funding sources.

**Member(s) or Member financial institutions:** Used interchangeably to mean those financial institutions that belong to FHLBI. Being a member gives a bank, credit union, or insurance company chartered in Indiana or Michigan the opportunity to borrow from FHLBI. Loans we make to member financial institutions are called "advances."

**MSHDA (mish-da):** Michigan State Housing Development Authority. Established to provide affordable housing to those with lower incomes. Provides financing directly to borrowers or through a network of private lending institutions. Administers several federal programs including LIHTC, HOME Investment Partnership Program and Neighborhood Stabilization Program ([www.michigan.gov/mshda](http://www.michigan.gov/mshda))

**NIP:** Neighborhood Impact Program, an FHLBI matching grant program to assist eligible homeowners with necessary rehabilitation.

**NMTC:** New Markets Tax Credit. Established within the Community Renewal Tax Relief Act of 2000, NMTC is intended to spur investment into a range of privately managed investment vehicles that make loans and equity investments to support community development.

**NOI:** Notice of Intent to apply for AHP competitive grant.

**NSA - Neighborhood Stabilization Assistance:** An FHLBI program that provides funds for down payment and closing cost assistance for houses assisted with federal Neighborhood Stabilization Program (NSP) funds.

**NSP - Neighborhood Stabilization Program:** Emergency federal assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities.

**QAP:** Qualified Allocation Plan, a state-adopted plan for the allocation of Low Income Housing Tax Credits (LIHTC).

## Industry Definitions and Acronyms

**Retention Requirements:** Requirement that a project's units be provided to and remain occupied by qualified households for the duration of the compliance period (i.e., 15 years for rental projects and five years for owner-occupied projects). Members must ensure a recorded deed restriction or legally enforceable mechanism addressing retention requirement is in place.

**Reservation:** This means a specific number of units have been committed or set aside for targeted individuals, such as individuals with special needs or first-time homebuyers.

**SHP - Supportive Housing Program:** A federal program, authorized by Title VI of the Stewart B. McKinney Homeless Assistance Act of 1987, that provides financial assistance toward the development and operating cost of transitional housing for the homeless and permanent housing for the homeless and disabled. Grants may only be used to provide long-term housing opportunities.

**Special Needs Housing:** Housing in which at least 20 percent of the units are reserved for occupancy by households wherein at least one member is living with a mental, physical, or developmental disability, or a chronic mental condition.

**Sponsors or Non-Profits:** A non-profit or public entity that creates housing or works with housing developers to develop affordable housing. In many cases, a for-profit developer will partner with a non-profit organization to sponsor an AHP. The non-profit may provide empowerment services to the tenants, assist with tenant selection or other services. In order to be a "sponsor," a not-for-profit must have an ownership interest in a rental property and meet other qualifying criteria.

**SRO:** Single Room Occupancy. SRO building types contain efficiency-sized units for occupancy by one person.

**Targeting:** The allocation of income levels of the individuals that will occupy the housing. For example, to receive the maximum points in targeting, an AHP rental project must have 60% of its units "targeted" for individuals that are 50% or below median income.

**Webinar:** On-line meeting using toll free conference call and shared computer screen viewing, primarily used for training purposes.







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