



Attachment A AHP Implementation Plan Definitions

Adaptive reuse: The conversion of a building from a non-housing use to a housing use. For example, a warehouse converted to apartments or condominiums, a hotel converted to apartment units other than overnight shelter units, schoolhouses converted to apartments, or convents and monasteries converted to a housing use for the general public.

Advance: A loan to a member from the FHLBI that is provided pursuant to a written agreement, supported by a note or other written evidence of the member's obligation, and fully secured by collateral in accordance with the Act and 12 CFR Part 950 of the Regulation.

Affordable: Defined at 12 CFR § 1291.1.

1. Affordable rent charged for a unit that is reserved for occupancy by a household with an income at or below a specific percent of the area median income, as committed to in the AHP application, must not exceed 30% of the income of 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 means that, to be considered affordable, the rent may not exceed 30% of the applicable 50, 60, 70, or 80% targeted median income level committed to in the AHP application.
2. The rent charged to a household, for rental units subsidized with Section 8 assistance under 42 U.S.C. 1437f or subsidized under another assistance program, if the rent complied with this 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, respectively.

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

Area median income (AMI): As established annually by HUD and available at www.huduser.org.

Board: Unless otherwise indicated, means the board of directors of the FHLBI.

Capitalized reserves: A project may include capitalized operating reserves on the development budget. A reserve is considered capitalized or "prefunded" when a sponsor deposits a significantly large amount of money in the replacement reserve account early in a project's life, for example, when it settles on the acquisition or permanent loan for the property. Not an eligible use of AHP.

Carryover reserves: Previously established reserves acquired with the purchase of property.

CICA: The FHLBI's Community Investment Cash Advance Program defined at 12 CFR § 952.

Community Investment Program (CIP): Defined at 12 CFR § 952.1. The FHLBI's Community Investment Program was established under 12 USC § 1430(i); under it, loans are made to FHLBI members at FHLBI's cost, plus a reasonable administrative charge.

Closing costs: Includes expenses over and above the price of the property incurred by the buyer when transferring ownership of the property. Representative closing costs include, but are not limited to, loan origination fee, loan discount fee, appraisal fee, credit report, mortgage insurance application fee, closing fee, document preparation, attorney fees, title insurance (for mortgagor or owner), judgment search fees, abstracting fees, recording fees, local tax fees, survey fees, plat drawing fees, pre-paid interest for up to 30 days, initial flood insurance premium, two months' escrow of mortgage insurance, five months of property tax, two months' escrow of flood insurance, first year's premium on homeowner's insurance, first year's premium for mortgage insurance, property inspection fees. Project administrative costs attributable to the sponsor are not an eligible use of AHP subsidy and may not be considered a closing cost.

Competitive application program or the Affordable Housing Program (AHP): Established pursuant to 12 USC § 1430(j) and the Regulation.

Contingency: The contingency budget for a project is generally expected to be between 5% and 10% of the construction budget, unless the applicant can demonstrate that costs are unlikely to change from those proposed. Since unforeseen costs are encountered in virtually all construction/rehabilitation projects, an adequate contingency budget is key to ensuring funds will be available to complete the project. Projects that might justify a smaller or no contingency budget include those where only acquisition or minor rehabilitation will be undertaken. On the other hand, adaptive reuse of historical properties may require a higher contingency budget due to the potential for greater unforeseen costs in old buildings

Contractor cost limits: Contractor cost limits, also referred to as construction contract items or general requirements are the construction related costs such as temporary facilities, services, overhead, and the contractor's profit needed to perform the construction work.

Cost of funds: Defined at 12 CFR § 1291.1. For purposes of a subsidized advance, the estimated cost of issuing FHLB System consolidated obligations with maturities comparable to that of the subsidized advance.

Debt Coverage Ratio (DCR): Also known as debt service coverage ratio. The ratio of a project's annual net operating income divided by the total annual debt service (principal plus interest).

Developer's Fee: Include developer overhead, profit, and fees for services normally performed by the developer such as development consultant fees.

Difficult Development Area (DDA): Any area designated by the Secretary of Housing and Urban Development (HUD) as an area that has high construction, land, and utility costs relative to area median gross income. A list of these areas can be found at www.huduser.org/datasets/qct.html.

Direct subsidy: Defined at 12 CFR § 1291.1 as an AHP subsidy in the form of a direct cash payment.

Donated property: Property donated or conveyed for a "nominal price" (see definition of minimal conveyance) by the federal government or any agency or instrumentally thereof, or by any other party.

Effective gross income: Gross rents for all units and miscellaneous income less vacancy allowance.

Eligible household: A household that meets the income limits and other requirements specified by the FHLBI for the competitive application program and homeownership set-aside Homeownership Initiatives" programs, provided that: 1) in the case of owner-occupied housing, the household's income may not exceed 80% of the median income for the area; and 2) in the case of rental housing, the household's income in at least 20% of the units may not exceed 50% of the median income for the area.

Eligible project: A project eligible to receive AHP subsidy pursuant to the requirements of the Regulation.

Eligible targeted refinancing program: Defined by the FHFA as a program offered by HUD, USDA, Fannie Mae, Freddie Mac, a State or local government, or a State or local housing finance agency for the limited purpose of refinancing (i.e., paying off) first mortgages on primary residences for households that cannot afford or are at risk of not being able to afford their monthly payments, as defined by the program, in order to prevent foreclosure. The eligible targeted refinancing program must have established refinancing terms, such as the mortgage debt-to-income ratio, loan-to-value ratio, payment history, type of original loan (e.g., subprime or nontraditional), and reasons for delinquency.

Eligible uses: Permitted uses of AHP funds are for acquisition, construction, rehabilitation or necessary soft costs of housing for low-moderate income residents, with the exception of the Refinance Assistance Program (RAP) which includes refinancing of first mortgages, reasonable principal reductions and closing costs incurred in conjunction with allowed refinancing of owner-occupied housing being used as principal residences by low- and moderate-income homeowners.

Enrollment date: Defined by the FHLBI as the date on which the member issues a pre-qualification or other such loan commitment or enrolls the household in a member set-aside program. In the case of rehabilitation, the date the household is enrolled in the program by member. Members must submit a disbursement request to FHLBI within three months after enrollment of the household into the program.

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

FHLBI: The Federal Home Loan Bank of Indianapolis. Information about FHLBI is available at www.fhlbi.com.

FHFA: The agency established as the Federal Housing Finance Agency, successor regulatory agency to the Federal Housing Finance Board.

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.

General Requirements: See contractor cost limits.

Gross Earned Income: The full amount (before payroll deductions) of all wages and salaries, overtime pay, commissions, fees, tips, bonuses and other compensation for personal services, received up to the date of enrollment.

Habitable: Defined at 12 CFR § 1291.1. Suitable for occupancy, taking into account, local health, safety, and building codes.

Hard costs: The costs of purchasing the property and making improvements to the property (acquisition and construction costs), including new construction or rehabilitation.

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.

Homeownership Opportunities Program (HOP): An FHLBI program that provides funds to first-time homebuyers for down payment and closing cost assistance.

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

Homeownership Set-aside Program or Homeownership Initiatives Program: Defined at 12 CFR § 1291.6. Funds provided to a member by the FHLBI pursuant to the homeownership set-aside programs, also known as the Refinance Assistance Program (RAP), Neighborhood Impact Program, the Homeownership Opportunities Program, the Homeownership Opportunities Program

– Neighborhood Stabilization, and the Disaster Recovery Program. Also referred to by FHLBI as “Homeownership Initiatives”)

HUD: The Department of Housing and Urban Development.

Infrastructure: Costs associated with installation of roads, sewers, water and electric utilities to the project. Not an AHP eligible use of funds.

Lease/purchase: A rental project that will convert to homeownership at a future date. If AHP subsidy is used at or prior to the beginning of the lease term, the project is treated, monitored, and scored as a rental project until the last unit in the project converts to homeownership.

Low-income housing tax credit equity: The sale of low-income housing tax credits is expected to generate a minimum of \$0.55 per Tax Credit Equity dollar in equity proceeds. No maximum has been established. Projects including a below-market price for tax credits may be required to provide justification of the estimates used in their budgets.

LIHTC: (Federal) Low-income housing tax credit program.

Low- or moderate-income household: Defined at 12 CFR § 1291.1.

Owner-occupied projects:

- a) For purposes of a homeownership project, “low- or moderate-income household” means a household which, at the time it is qualified by the sponsor for participation in the project, has an income of 80% or less of the area median income for the area.

Rental projects:

- a) For purposes of a rental project, “low- or moderate-income household” means a household that, upon initial occupancy of a rental unit, has an income at or below 80% of the median income for the area.
- b) Housing with current occupants: In the case of projects involving the purchase or rehabilitation of rental housing with current occupants, “low- or moderate-income household” means an occupying household with an income at or below 80% of the median income for the area at the time an application for AHP subsidy is submitted to the FHLBI.
- c) Family size adjustment: The income limit for “low- or moderate-income households” will be adjusted for family size in accordance with the methodology of the applicable median income standard.

Management fees: Fees charged to the project usually as a per-unit cost or based on a percentage of actual rents or fees collected. This fee usually covers the company’s collection of monthly housing costs, the payment of bills when due, monthly meetings with the ownership entity, and preparation of the monthly income and expense reports.

Manufactured Housing: Manufactured housing (formerly known as a mobile home) is built to the Manufactured Home Construction and Safety Standards (HUD Code) and displays a red certification label on the exterior of each transportable section. Manufactured homes are built in the controlled environment of a manufacturing plant and are transported in one or more sections on a permanent chassis.

Median income: Defined by FHLBI as the median income for the area, as published annually by HUD.

Member: An institution that has been approved for membership in the FHLBI and has purchased capital stock in accordance with 12 CFR § 925.20, 925.24. Typically, these members will be commercial banks, savings and loan institutions, credit unions, or insurance companies.

Minimal conveyance: Conveyed at a minimal price means a small, negligible amount, most often one dollar, and may be accompanied by the modest expenses related to the conveyance of the property for use by the project (See definition of donated property).

Multifamily building: A structure with five or more dwelling units.

Native American Service Area: Defined as the area within which a Native American tribe operates affordable housing programs or the area in which a tribally designated housing entity (as designated for purposes of the Native American Housing Assistance and Self-Determination Act) is authorized by one or more Indian tribes to operate affordable housing programs.

Neighborhood Impact Program (NIP): An FHLBI program that provides funds to homeowners for rehabilitation assistance with the goal of improving neighborhoods.

Neighborhood Stabilization Program (NSP): 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.

Net earnings of a Bank: The net earnings of a Bank for a calendar year after deducting the Bank's annual contribution to the Resolution Funding Corporation required under section 21B of the Act (12 U.S.C. 1441b), and before section 16 of the Act (12 U.S.C. 1436). Includes any dividends on capital stock subject to a redemption request even if under GAAP those dividends are treated as an "interest expense."

Operating reserves: Funds set aside by the sponsor to cover unexpected fluctuations in actual operating expenses during the year. Not an eligible use of AHP funds.

Owner-occupied project: A project involving the purchase, construction, or rehabilitation of homeownership housing, including condominiums and cooperative housing, by or for very low- or low- or moderate-income households.

Owner-occupied unit: Defined at 12 CFR § 1291.1. A dwelling unit occupied by the owner of the unit. Housing with two to four dwelling units consisting of one owner-occupied unit and one or more rental units is considered a single owner-occupied unit.

Project completion date: For purposes of the AHP, project completion is defined as follows:

- *Rental Projects:* For retention purposes, the completion date is the date the certificate of occupancy is issued by the local jurisdiction, or in areas that do not issue such certificates,

the date the last unit in the project is suitable for occupancy. For monitoring purposes, the completion date is the later of the above or the date of the last AHP disbursement.

- *Homeownership Projects*: For record retention purposes, the date the mortgage for the last unit in the project has closed, or for rehab projects, the date the rehab for the last unit is complete. For monitoring purposes, the completion date is the later of the above or the date of the last AHP disbursement.

Qualified Census Tract (QCT): Any census tract which is designated by the Secretary of Housing and Urban Development (HUD) must have 50% or more of the households with incomes below 60 percent of the area median gross income or have 25% poverty rate to be “eligible.” A list of these areas can be found at www.huduser.org/datasets/qct.html.

Refinance Assistance Program (RAP): An FHLBI program that provides grant funding to assist homeowners refinancing first mortgages through eligible targeted refinancing programs.

Rental project: Defined at 12 CFR § 1291.1. 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, and manufactured housing.

Replacement reserves: This is basically a “savings account” set up by the owner to cover some or all of the cost to replace assets as they are used up (e.g., roof, plumbing, appliances) usually calculated on a per unit basis. Not an AHP eligible use of funds.

Retention period: Defined at 12 CFR § 1291.1.

- 1) 5 years from closing for an AHP-assisted homeownership unit or in the case of rehabilitation of a unit currently occupied by the owner, 5 years from the date of the recording of the retention agreement.
- 2) 15 years from the date of project completion for a rental project.

Rural: To be considered rural, a project must have one of the following:

- 1) Any housing located outside of a Metropolitan Statistical Area (MSA) where the population is 25,000 or less or,
- 2) Any housing located in an area eligible for USDA Rural Housing Service Programs. At the time an application for funds is submitted, the FHLBI will use the most current U.S. Census Bureau estimate of population, as published on the U.S. Census Bureau’s web site.

Shelter project: Projects in which beds are provided as units. Typically, a single unit is counted as the number of beds occupied by unrelated individuals. For example, a shelter project with 20 beds occupied by 20 unrelated individuals would have 20 units. However, when possible, the FHLBI will be consistent with other funding sources in the methodology used to count the number of units for shelter-type projects. In the absence of other funding sources, the FHLBI, in its sole discretion, will determine unit counts after consideration of the project’s operational policies.

Single-family building: A structure with one to four dwelling units.

Small project: Defined by the FHLBI as a project having 49 or fewer total units.

Soft costs: These costs are related to those items in a project that are necessary to prepare and complete the non-construction needs of the project. Soft costs include such items as architecture, design, engineering, permits, inspections, consultations, environmental studies, and regulatory demands needing approval before construction begins. Soft costs do not include construction, telecommunications, furnishings, fixed equipment, and expenditures for any other permanent components of the project.

Sponsor: Defined at 12 CFR § 1291.1. A not-for-profit or for-profit organization or public entity that:

- 1) has an ownership interest (including any partnership interest) in a rental project, or
- 2) is integrally involved in a homeownership project, by exercising control over the planning, development, or management of the project or by qualifying borrowers and providing or arranging financing for the owners of the units.

Sponsorship by a not-for-profit organization or government entity: Project sponsorship by a not-for-profit organization, a state or political subdivision of a state, a state housing agency, a local housing authority, a Native American Tribe, an Alaskan Native Village, or the government entity for Native Hawaiian Home Lands are considered in awarding points. Other entities, including for-profits, may sponsor an application and receive AHP funding but cannot receive points for such sponsorship.

Subsidized advance: Defined at 12 CFR § 1291.1. An advance to a member at an interest rate reduced below FHLBI's cost of funds by use of an AHP subsidy. It is not an FHLBI CIP advance.

Vacant or abandoned: A chronically vacant and uninhabitable property, including, but not limited to, a vacant property that because of its poor physical condition is a public nuisance or constitutes a blight on the surrounding area or is in violation of the applicable housing code such that it constitutes a substantial threat to life, health or safety of the public.

Very low-income household (VLI): Defined at 12 CFR § 1291.1.

- 1) Owner-occupied projects:
 - a) For purposes of a homeownership project, "very low-income household" means a household that at the time it is qualified by the sponsor for participation in the project has an income at or below 50% of the median income for the area.
- 2) Rental projects:
 - a) For purposes of a rental project, "very low-income household" means a household that upon initial occupancy of a rental unit has an income at or below 50% of the median income for the area.
 - b) Housing with current occupants: In the case of projects involving the purchase or rehabilitation of rental housing with current occupants, "very low-income household" means an occupying household with an income at or below 50% of the median income for the area at the time an application for AHP subsidy is submitted to the FHLBI.
- 3) Family-size adjustment: The income limit for low- to moderate-income households will be adjusted for family size in accordance with the methodology of the applicable median income standard.