



FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

AFFORDABLE HOUSING PROGRAM 2010B IMPLEMENTATION PLAN

Board approved on May 20, 2010

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Federal Home Loan Bank of Indianapolis Affordable Housing Program (AHP)
Implementation Plan 2010B

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1: Purpose and plan adoption (§ 1291.3)

The Federal Home Loan Bank of Indianapolis (FHLBI), a member-owned, wholesale bank, is required by federal law to provide the greater of 10% of its annual net earnings or the FHLBI's pro rata share of an aggregate of \$100 million in total by all the Federal Home Loan Banks (FHLBanks) to low- and moderate-income households. This is done through the Affordable Housing Program. The Affordable Housing Program has been governed by regulations of the Federal Housing Finance Agency (FHFA) at 12 CFR Part 1291 (Regulation). The most recent general amendments to the Regulation were adopted by the Federal Housing Finance Board on October 6, 2006, and were effective on January 1, 2007.

In accordance with the Regulation, the FHLBI's Board of Directors (Board), after considering the advice and recommendations of its Affordable Housing Advisory Council (Council), shall adopt an AHP Implementation Plan (Plan) governing the administration of the AHP. The Plan sets forth the following AHP criteria.

- Applicable median income standards.
- Requirements for the competitive application program.
- Requirements for its homeownership set-aside programs.
- Requirements for monitoring under its competitive application and set-aside programs.
- Time limits for use of AHP subsidies.
- The retention agreement requirements for projects and households under the competitive and set-aside programs.

This Plan is not intended to be a comprehensive statement of all of the FHLBI's policies and procedures applicable to the AHP. The Implementation Plan may be amended by the FHLBI from time to time in accordance with the requirements of the Regulation. Any amendment to the Plan will be provided to the Council for review and the Council shall provide its recommendations to the Board for its consideration.

Plan notifications and public access

The FHLBI shall notify the FHFA of any amendments to its Plan within 30 days after the date of their adoption by the Board. The FHLBI shall publish any amendments to the Plan on its web site within 30 days after the date of their adoption by the Board.

2: Definitions and applicable median income standard (§ 1291.1)

The standard for determining income eligibility for recipient households in both competitive and set-aside programs shall be based on the median income for the area, as published annually by the U.S. Department of Housing and Urban Development (HUD), adjusted by family size (§ 1291.1 "median income for the area"). The definitions set forth in § 1291.1 of the Regulation shall apply. Other definitions are set forth in Attachment A.

3: Required annual AHP contributions; allocation of contributions (§ 1291.2)

Homeownership set-aside programs (Homeownership Initiatives Programs)

The FHLBI shall determine annually whether to offer a set-aside program(s) (Homeownership Initiatives) for the following year pursuant to the Regulation. The FHLBI will contribute up to the greater of \$4.5 million or 35% of the 2010 AHP contribution to several set-aside programs. These programs are more fully described in Attachments G, H, I and K of this document.

Competitive AHP

All other funds accrued annually will be provided to projects funded through the AHP competitive program.

Disaster Relief Plan

The FHLBI shall address serious disaster issues in the sixth district through funding from the set-aside program pursuant to § 1291.2(b)(3) of the Regulation. The FHLBI may allocate up to the greater of \$1.5 million or 10% of the annual required total AHP contribution for the subsequent year to the current year's program pursuant to a written authorization adopted by the Board. Detailed requirements and guidelines for the Disaster Relief Plan (DRP) are outlined in Attachment J, approved as necessitated by such federal or state declared disasters, and approved by the Board prior to the funding for any disaster.

4: Affordable Housing Advisory Council (Council) (§ 1291.4)

Appointments

The Board shall appoint Council members from a diverse range of organizations so that representatives of no one group constitute an undue proportion of the membership of the Council, giving consideration to the size of the FHLBI's district and the diversity of low- and moderate-income housing and community lending needs and activities within the district.

Election of officers

Each Advisory Council shall elect from among its members a chairperson, a vice chairperson and such other officers that the Council deems appropriate.

Duties

The purpose of the Council as described in § 1291.4 of the Regulation is to meet with representatives of the Board at least quarterly to provide advice to the FHLBI on ways in which the FHLBI can better carry out its housing finance and community investment mission, including, but not limited to, advice on low- and moderate-income housing and community investment programs and needs in the district (Michigan and Indiana), and on the use of AHP subsidies, FHLBI advances, and other FHLBI credit products for these purposes. The Council's advice shall include recommendations on: 1) the amount of AHP subsidies to be allocated to the FHLBI's competitive and set-aside programs; 2) the Plan and any subsequent amendments; 3) the scoring criteria, related definitions, and any additional optional District eligibility requirements for the competitive application program; and 4) the eligibility requirements and any priority criteria for any set-aside programs. The FHLBI Board shall consult with the Council before nominating any individual for any independent directorship.

Scheduling and notice of meetings (§ 1291.4(d)(1))

The Council shall, at a minimum, meet quarterly with the Affordable Housing Committee (Committee) of the Board.

Note: Additional information regarding the FHLBI's Affordable Housing Advisory Council can be obtained by contacting the FHLBI at (317) 465-0371 and requesting a current copy of the Council Operating Charter.

5: Competitive AHP applications (§ 1291.5)

Application funding rounds (§ 1291.5 (b))

The FHLBI will conduct two competitive application funding rounds. For each funding round, the FHLBI will allocate approximately 50% of the annual funds available for the competitive application based on applicable net income from the prior year, plus the addition of funds from the cancellation, recapture, return or reduction of subsidy from previously approved projects or deduction of funds due to the authorized increase of subsidy to previously approved projects. The tentative schedule of these competitions will be as follows:

Application Deadline	Approved by Board
April 7, 2010	June 18, 2010
September 23, 2010	December 10, 2010

The FHLBI will request interested parties to complete an AHP Notification of Intent form to indicate the intention to apply for AHP funding.

Member eligibility (§ 1291.5 (b)(2))

The FHLBI accepts applications only from institutions that are current members of the FHLBI. The FHLBI does not accept applications from institutions with pending applications for membership in the FHLBI, or from members belonging to other FHLB districts. Further, awards will only be made to current members, and an institution that leaves membership between the time of application and

the Board's award approval date is not eligible to submit an application. The FHLBI will still score the application and allow the sponsor time to locate a current member at least 3 weeks prior to the Board's award approval date. A list of eligible members may be obtained at www.fhlbi.com.

AHP project monitoring current and member qualifications

In order to submit applications in the current round, at the time of the round announcement each member of the FHLBI is expected to be current on all certifications and required documentation for all previously approved AHP projects. Accommodations will be made where reasonable compliance efforts are being pursued. The FHLBI reserves the right to restrict participation in the program as set forth in the remedial action for non-compliance and recaptures (see Section 11 of this document).

6: Minimum eligibility requirements (§ 1291.5 (c))

AHP subsidy may be used exclusively for:

- *Owner-occupied housing.* The purchase, construction, rehabilitation or necessary soft costs of an owner-occupied project by or for very low-, low- or moderate-income households, with the exception of the Refinance Assistance Program (RAP), which allows for the refinancing of first mortgages of eligible households. A household must have an income meeting the income targeting commitments in the approved AHP application at the time it is qualified by the project sponsor for participation in the project. Ownership properties are those for which there is a fee-simple interest in the property and is to be used as a primary residence. Owner-occupied units may include single-family detached units, condominiums, town homes, duplexes, triplexes or quadplexes.
- *Rental housing.* The purchase, construction, or rehabilitation of a rental project, where at least 20% of the units in the project are occupied by and affordable for very low-income households. A household must have an income meeting the income targeting commitments in the approved AHP application upon initial occupancy of the rental unit or for projects involving the purchase or rehabilitation of rental housing that is already occupied at the time the application for AHP is submitted to the FHLBI for approval. Rental properties include any housing with units for rent or lease or units for lease-purchase. Shelter-type projects even where no rent is being charged are considered rental properties.

Need for subsidy - Competitive AHP:

- A project's estimated sources of funds shall equal its estimated uses of funds, as reflected in the development budget. The FHLBI excludes, in both sources and uses, the estimated market value of in-kind donations, voluntary professional labor or services and sweat equity from project development costs pursuant to § 1291.5(c)(2)(i) of the Regulation.
- In the case of homeownership projects where the sponsor extends permanent financing to the homebuyer, the sponsor's cash contribution shall include any cash down payment from the buyer, plus the present value of any purchase note the sponsor holds on the unit. If the note carries a market interest rate commensurate with the credit quality of the buyer, the present value of the note equals the face value of the note. If the note carries an interest

rate below the market rate, the present value of the note shall be determined using the market rate to discount the cash flows.

AHP subsidy may not be used for:

- Repaid AHP subsidy may not be reused in the same project.
- AHP subsidy cannot be used for processing fees charged by members for providing AHP direct subsidies to a project.
- Certain prepayment and cancellation fees related to subsidized advances.
- Operating or replacement reserves

AHP project costs and feasibility guidelines (§ 1291.5 (c))

Taking into consideration the geographic location of the project, development conditions, and other non-financial household or project characteristics, the FHLBI shall determine that a project's costs, as reflected in the project's development budget are reasonable and in accordance with the FHLBI's project cost guidelines.

In addition, the FHLBI evaluates the developmental and operational (rental projects) feasibility of a project as required by § 1291.5(c)(4). The feasibility guidelines include a set of development cost and financing criteria and related benchmark ranges, designed to guide the FHLBI in assessing project feasibility and need for subsidy. The FHLBI evaluates project feasibility and need for subsidy in the course of reviewing a project at the following stages:

- At the time of application (§ 1291.5(c)(4)).
- Prior to the disbursement of any approved AHP subsidies (§ 1291.5(g)(3)).
- Within the first year of project completion (§ 1291.7(a)(1)(i)(C)).
- During modification processing, including the transfer to another member or sponsor (§ 1291.5(f)(1)).

Based on the evaluation of feasibility and need for AHP subsidy described in this section, the FHLBI will determine whether a project meets the minimum standards for the application to be scored. This determination is made solely at the FHLBI's discretion and is not a representation as to the actual feasibility of the project.

The AHP project feasibility guidelines include, among other things, project "readiness" or timing of the proposed subsidy use, project sponsor qualifications, member and sponsor compliance history with FHLBI, etc. The guidelines are more fully described in Attachment B of this document.

Cost of property and services provided by a member institution

If a member provides an AHP subsidy to a project under the competitive AHP, and that member or one of its subsidiaries also either sold property or services to the project, or holds a mortgage or lien on the property, then the purchase price of the property or services, as reflected in the project's development budget, may not exceed the market value of such property or services as of the date upon which the purchase price for the property or services was agreed upon. Further, in such a case as the aforementioned scenario, if the property in question was real estate owned, then 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 of the property that is acceptable to the FHLBI and that is performed within six months prior to the date the FHLBI disburses the subsidy to the project.

Financing costs

The rate of interest, points, fees, and any other charges for all loans that are made for the project in conjunction with the AHP subsidy shall not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms and risk.

Time limits on use of AHP subsidies

Approved competitive AHP projects must adhere to the following time limits.

- 12 months - AHP subsidies for approved projects should be drawn for at least a portion of the project's AHP eligible costs within 12 months of the date of approval of the AHP application. Extensions may be granted on a case-by-case basis, at the FHLBI's discretion, if sufficient evidence is provided documenting the reason for delay or progress toward project completion and funding.
- 24 months - Funds not drawn down and used within 24 months from the date of the award may be canceled and made available for other AHP-eligible projects. Extensions may be granted on a case-by-case basis, at the FHLBI's discretion, if sufficient evidence is provided.
- 36 months - Projects that have not completed all units committed in the application within 36 months from the date of approval of the AHP application may be required to return all subsidies received, unless a modification addressing the failure to complete all units has been approved by the FHLBI. Extensions may be granted on a case-by-case basis, at the FHLBI's discretion, if sufficient evidence is provided.

In general, to receive an extension the FHLBI will consider issues including but not limited to:

- 1) the percentage of project completed to date;
- 2) the timing of applications and other requirements of other funding sources involved in the project;
- 3) weather-related construction problems;
- 4) natural disasters or local conditions that cause delay. Any extension granted will be limited to the time period necessary to address the specific project contingency; and
- 5) circumstances caused by national economic conditions.

Refinancing of existing projects

If a project uses competitive AHP subsidies to refinance an existing single-family or multifamily mortgage loan, the equity proceeds of the refinancing must be used only for the purchase, construction, or rehabilitation of housing units meeting the eligibility requirements of the Regulation. Refinancing where no equity is taken out of the project and the refinancing only results in a lower

debt service for an existing project is not permitted because there would not be a resulting purchase, construction or rehabilitation of housing units.

Retention

Only applications with provisions for maintaining the housing for low- and moderate-income persons for specific periods of time (five years for homeownership housing and 15 years for rental housing) will be considered in the application process. The methodology for ensuring retention must be a recorded legally enforceable deed restriction or recorded retention agreement requiring that the member and the FHLBI be given notice of any sale or refinancing of the AHP-assisted unit(s) and providing for repayment of the subsidy under certain circumstances. Required legal retention mechanisms will be provided to awarded projects and can be found in Attachment E of this document. **Please contact the FHLBI for prior approval of any changes to the retention agreements.**

Fair housing

The project, as proposed, must comply with applicable federal and state laws on fair housing accessibility, including, but not limited to, the Fair Housing Act, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and the Architectural Barriers Act of 1969, and must demonstrate how the project will be affirmatively marketed.

7: District eligibility requirements (§ 1291.5 (c)(15))

Project caps

The maximum amount of subsidy that may be requested per project in a single round is \$500,000.

AHP funds availability

The FHLBI expressly reserves the right to change AHP competitive program funding availability requirements at any time subject to FHFA requirements.

8: AHP scoring guidelines for competitive applications (§ 1291.5 (d))

The FHLBI will score only those applications that, in its judgment, meet the minimum eligibility standards set forth in § 1291.5(c) of the Regulation. Only applications received at the FHLBI office before 5:00 PM Indianapolis time on the deadline date will be scored.

Points awarded for each criterion shall be either fixed or variable. An application that, in the judgment of the FHLBI, meets a criterion with a fixed number of points shall be awarded the total points allocated for that criterion. Other variable point categories are calculated based on interpolation.

The FHLBI follows strict numerical ranking guidelines; however, the scoring does not operate to vest in an applicant or project any right to an AHP award in any amount. FHLBI will allocate AHP subsidies consistent with sound and reasonable judgment, prudent business practices and the exercise of its inherent discretion, in all instances.

Scoring Criteria

Use of donated, government-owned or other properties: up to 5 points

Points shall be awarded as follows:

1 point - projects that have 100% of the properties conveyed to the project by the federal government or any agency or instrumentality thereof.

or

up to 5 points - projects that have a minimum of 50% of the total units or land area wherein ownership is obtained through donation or at a nominal price (of \$1.00 plus minimal conveyance fees).

Projects with 100% of the total units or land area donated receive 5 points. Projects with less than 100% but 50% or more of the total units or land area donated receive points as a calculated interpolation. Projects with less than 50% of the total units or land area donated shall receive no points. A below market value or reduced purchase price does not qualify for property donation.

Sponsorship by a not-for-profit organization or government entity: 7 points

For rental projects:

1 point - Projects for which the not-for-profit sponsor has up to 25% general partnership or ownership interest in the proposed project.

4 points - Projects for which the not-for-profit has 26% - 50% general partnership or ownership interest in the proposed project and meets the requirements outlined in 1- 5 below. Projects for which the not-for-profit has more than a 25% general partnership interest with the proposed project but does not meet requirements outlined in 1-5 below will receive 1 point.

7 points - Projects for which the not-for-profit sponsor meets the requirements outlined in 1- 7 below.

- 1) Project sponsorship by a not-for-profit organization 501(c)(3) or 501(c)(4), 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.
- 2) The not-for-profit must be a local, community-based organization with representation on its governing board from the local community in which the project is located, or local representatives from the population which it serves. A national, statewide or multi-county not-for-profit must have local community representation on the board or a separate organized board or advisory board.
- 3) The not-for-profit must be determined by the FHLBI not to be affiliated with or controlled by any for-profit organization.
- 4) No individuals or entities involved with or related to any potential participant in the development may be involved with or related to the creation or management of the not-for-profit.

- 5) The not-for-profit must have been engaged in the business of fostering low-income housing in its geographic area of operation or of fostering housing for the population it serves for a minimum of one year.
- 6) 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.
- 7) The not-for-profit must be the managing general partner.

For homeownership projects:

7 points - The sponsor must be *integrally* involved in the project by either one or more of the following: 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.

Targeting: 20 points

For homeownership projects, targeting is as follows:

Homeownership projects with the greatest percentage of households with incomes at or below 60% AMI and incomes from 61% to 80% AMI, in that order, will receive the most points. A weighted average is calculated with the greater weight given to households with incomes at or below 60% AMI. The following formula is used to determine the score.

$$20 (B/A) + 8(C/A) = \text{Score}$$

Where: A= total number of units

B= number of units ≤ 60% AMI

C= number of units 61% to 80% of AMI

For rental projects, targeting is as follows:

Points will be awarded to projects that finance the purchase, construction, and/or rehabilitation of rental housing, of which at least 20% of the units in the project will be occupied by and affordable to very low-income households with incomes at or below 50% of AMI.

Rental projects for which 60% or more of the total units will be occupied by and affordable for very low-income households (at or below 50% of AMI) will receive the full 20 points. Rental projects that do not meet the 60% very low-income criteria will be scored using the following formula:

$$40 [(B - (.20 (A)))/ .80 (A)] + 5 [C/ (.80 (A))] + 0 (D) = \text{VALUE}$$

VALUE multiplied by .889 = SCORE

Where: A= total number of units

B= number of units ≤ 50% AMI

C= number of units 51% to 80% AMI

D= number of units ≥ 80% AMI

In order to facilitate reliance on monitoring by a federal, state, or local government entity providing funds or allocating Low-income Housing Tax Credits to a proposed project, the FHLBI may, in its discretion, score each project according to the targeting commitments made by the project to such entity.

Note: It is important that the applicant take into account the various income levels of persons that may occupy the housing units at any given time, throughout the entire retention period, when establishing the project's income targeting in the application.

Housing for the homeless: up to 5 points

Points shall be awarded for projects meeting the following criteria: 1) Rental housing projects, excluding overnight shelters, that reserve at least 20% of the total units for homeless households, or 2) transitional housing projects permitting a minimum of six months' occupancy, or 3) permanent owner-occupied housing reserving at least 20% of the units for homeless households. Projects reserving 100% of the units receive 5 points. Projects reserving less than 100% but 20% or more of the units receive points as a calculated interpolation. Projects reserving less than 20% will receive no points.

Note: Rental projects reserving at least 20% of the units for homeless households will require completion of the FHLBI Supportive Services Addendum to the AHP Application that includes the role of supportive service coordinator or organization, written referral agreements, type and scale of services, etc. Homeownership projects must include documentation of a supportive service plan indicating that appropriate services will be provided. Overnight shelters are an eligible use of AHP funds; they cannot, however, receive points under this criterion. The supportive service plan should not be duplicative of empowerment initiatives.

Promotion of empowerment: up to 5 points

Projects providing housing in combination with a program offering one or more of the following activities that assist residents in moving toward better economic opportunities. Projects will receive points as indicated for each activity offered, up to a maximum of 5 points.

To receive credit for "sponsor provided" activities or services, the application must include an Memorandum of Understanding (MOU), letter or plan detailing the services to be provided specifically to the residents or homebuyers. Services for which points are being requested must be clearly delineated and supported with an explanation of how the service will be carried out and delivered to the targeted population, cost of services to clients and frequency of delivery. Information must also include experience and history of service provider as it relates to the services being offered.

To receive credit for services provided by organizations other than the sponsor, an MOU should be completed for each service provider. The MOU must clearly delineate the support services to be provided, to include an explanation of how the service will be carried out and delivered to the targeted population, cost of services to clients, frequency of delivery and term of the MOUs. One point each, up to a maximum of five points, will be awarded for any of the following distinct activities or services, documented as outlined above:

- Employment training, job preparedness programs and/or job creation
- On-site daycare services or after school programs (on or off site) allowing the resident to pursue economic opportunities
- Education to include GED or "English as a second language" (ESL) programs
- Homebuyer pre-purchase counseling, homeownership, or tenant counseling, with financial literacy training
- Sweat equity (Homeownership only)
- Residents' council affecting the operation of the project
- Homeowner's association

First district priority: 15 points

Points shall be awarded for each of the following criteria, which were chosen from the list in § 1291.5(d)(5)(vi) of the Regulation. The number of points available for each criterion is listed with the explanation of the criterion.

Special needs: up to 5 pts

Points shall be awarded for the financing of housing in which at least 20% of the units are reserved for occupancy by households wherein at least one member is living with a mental, physical or developmental disability, a chronic mental condition or is a victim of domestic abuse. Projects reserving 100% of the units receive 5 points. Projects reserving less than 100% but 20% or more of the units receive points as a calculated interpolation. Projects reserving less than 20% will receive no points.

Note: Rental projects reserving at least 20% of the units will require completion of the FHLBI Supportive Services Addendum to the AHP Application that includes the role of supportive service coordinator or organization, written referral agreements, type and scale of services, etc. and should not be duplicative of empowerment initiatives. Homeownership projects must include documentation of a supportive service plan indicating that appropriate services will be provided. For clients with a dual diagnosis which includes one of the special needs listed above and a diagnosis that is a non-qualifying special need, unit commitments should be based upon historical data of individuals served with a qualifying need. The FHLBI reserves the right to reduce the number of special needs units committed if duplicity in the population(s) to be served is indicated.

Member financial involvement: up to 10 pts

Up to 10 points - Projects demonstrating member financial involvement (by the AHP sponsoring member) in a project by the provision of permanent financing, construction line of credit to the proposed project, letter of credit in support of the proposed project or monetary donation in support of the proposed project, as evidenced by a letter from the member institution. A general "letter of interest" is not adequate to demonstrate member involvement. To be considered, the letter must contain the terms, interest rate, collateral and other conditions, must be signed by an authorized representative of the member institution and must state that the commitment is "firm" or that preliminary credit approval has been obtained. The commitment may be subject to the securing of AHP or other soft debt and equity. Projects must demonstrate need for the proposed financing structure by providing adequate explanation in the application.

Note: The FHLBI reserves the right to evaluate member participation of relevant financing such as,

but not limited to, credit enhancement of bond financing, commitments from a Member affiliated foundation, community development fund or other philanthropic initiative as permanent financing.

Points	Type	% of total development cost at time of application
	Permanent Financing or Significant Financial Donation	
4	Permanent financing (financing term of a minimum of 120 months).	3-15%
5	Permanent financing (financing term of a minimum of 120 months).	16% or more
OR 8	Financial donation to the project equal to the greater of \$10,000 or 1% of the total development costs.	N/A

Points	Type
	Interim Financing
2	Intermediate or short-term financing to the project (construction loan, bridge loan, line of credit or letter of credit). The line of credit cannot be for operating support of the sponsor.

Points	Type
	Financial Donation
2	Financial donation to the project equal to or greater than \$1,000 but less than or equal to \$2,999
3	Financial donation to the project equal to or greater than \$3,000 but less than 1% of the total development costs.

Total points awarded in this category may not exceed 10 points.

Note: Where multiple loans are approved, the loan with the longest term will be used for point allocations. The submission of a loan commitment letter with the application certifies that the member has performed its due diligence in the underwriting of the proposed loan, sponsor/borrower, rate, structure and terms. Member further certifies that loan commitments have not been issued merely to assist the project's overall score, but to provide necessary debt financing to a project. Interest rates, fees and points shall not exceed a reasonable market rate of interest, fees or points for loans of similar maturity, terms and risk. The FHLBI reserves the right to disqualify commitments or other contributions structured or valued for the purpose of "gaining points." The execution of such loans will be validated in the monitoring process. Failure to execute the loans as proposed in the application will result in a modification of the proposed project and jeopardizes the AHP subsidy.

Second district priority - quality of life: 16 points

Points will be awarded based on the extent to which the project, at the time of application, satisfies

or intends to satisfy the following criterion.

Development/Project design characteristics (13 points)

5 points - Projects that are considered “small,” defined by FHLBI as having 49 or fewer total units.

Up to 8 points - Projects that have characteristics as noted below. An Architect’s Certification will be required with the application and may be required at initial monitoring as well as other forms of documentation such as pictures. Changes to these amenities will require a project modification and “substitution of amenities” outside of this list is not allowed.

Column 1	Column 2
<i>½ point for every amenity</i>	<i>1 point for each amenity</i>
*Alarm system for each unit	*Card access control system
*Computer with internet access provided for each unit	Garage for each unit
*Low-step shower units in all units	Horizontal axis washers in every unit
Security camera - all outside entrances	Kitchen appliances in each unit (minimum stove and refrigerator) – homeownership only
Washer & dryer appliances in each unit	
High Speed Internet – rehabilitation only projects (This may be accomplished by wiring each unit with at least one Category 5 network wall socket or by installing a wireless Local Area Network server and providing each unit with at least one wireless LAN card)	NOTE: projects providing washer and dryer appliances for each unit are eligible for washer dryer hookups in each unit but not laundry facilities in each building.
Carport (one spot per unit)	
*Community room (open to all residents) at project site with equipped computer center and internet access	
External individual storage for each unit – homeownership only	
Exercise room with exercise equipment (open to all residents)	
*Individual porch/patio/balcony for each unit	
Laundry facilities in each building	
Playground (must be of reasonable size for the development and clientele served)	
Washer/dryer hook-up in each unit – rental only	

*The FHLBI, in its sole discretion, may give special consideration to “per unit” requirements for group home or special-needs type projects. This evaluation will be based on relevance to the project type, size and population to be served.

Quality of life accessibility: 3 points

3 points - projects located within one mile of amenities relevant to the housing project: bus line/public transportation, childcare facility, counseling, dental, full service grocery stores, hospital/healthcare, laundry facility, pharmacy, public library, public schools, restaurant, retail/shopping, senior/community center, theater/movie, YMCA/fitness, other relevant amenities; or within two blocks of public transportation. To receive points for these criteria a map must be provided with a printed scale clearly identifying the amenities and project.

AHP subsidy per unit: 12 points

As required by Regulation, maximum points shall be awarded to the projects that propose to use the least amount of subsidy per AHP-targeted unit. Other projects shall be awarded points on a declining scale and pro-rated between \$2,000 and \$32,000 per unit. To determine the point value, use the following formula:

$$\text{Points} = (32,000 - \text{Subsidy per unit}) / 2,500$$

Based on the formula, the maximum amount will be awarded at \$2,000 subsidy per unit with 0 points awarded at \$32,000 or more subsidy per unit.

Community stability: 15 points

Applications that promote community stability will receive points as follows:

Preservation initiative: (Up to 5 pts)

- 1) Acquisition and rehabilitation of existing housing property that meets any one of the following three classifications: 1) foreclosed property 2) vacant property 3) abandoned property. (Requires defined scope of work or physical needs assessment.) (5 pts)

OR

- 2) Acquisition/rehabilitation or rehabilitation of existing housing. Rehabilitation costs must be in excess of \$15,000 exclusive of builder's profit. (Requires defined scope of work and physical needs assessment.) (3 pts)

Building green development/rehabilitation initiative: (up to 10 pts)

(Green development plan required)

Projects qualifying in this category must submit a comprehensive green development plan that outlines options explored in the design phase of the project with a multi-disciplinary team including a qualified green expert. Qualifications of the green team must be specified. The Owner must provide a written guide for homeowners/renters outlining the intent, benefits, use and maintenance of green building features; and encourages additional green activities such as recycling, gardening and use of healthy cleaning materials. A detailed resident orientation walkthrough must be included for new resident/homeowner that reviews the building's green features, operations and care/maintenance.

Note: The FHLBI reserves the right to evaluate the green plan for financial feasibility, reasonableness and overall consistency with overlapping scoring criteria.

Up to 6 points: Implementation of minimum green components specified from any of the five green community core criteria A – E

Green Development/Rehabilitation Initiative – core criteria:

A. Building Envelope & Orientation – must select 3 out of 7 options below for rehabilitation and 5 out of 7 options below for new construction: - 2 points

1. Insulation consistent with Grade II specifications set by the national Home Energy Rating Standards
2. Passive solar heat gain including installing a calculated roof overhang or canvas/trellis/ pergola awnings on southern/western exposures to minimize summer heat gain and to promote winter heat gain.
3. Install and/or replace windows or glass doors with Energy Star qualified windows and glass doors with a U-value of 0.35 or less and a solar heat gain coefficient (SHGC) less than or equal to 0.40.
4. Use an appropriate air infiltration barrier such as Tyvek or Tytar to meet minimum Air Penetration standards of <.004 cfm/sft.
5. If replacing windows, orient larger windows on the northern exposure and/or reduce size of southern window exposure or canvas/trellis/ pergola awnings on southern/western exposures to minimize summer heat gain.
6. Fill gaps around doors and window frames with crack resistant caulk, spray foam and insulative batting. Replace missing or hard and cracked door/window weather stripping. Install exterior door sweeps to eliminate air infiltration from under the door.

7. Building Orientation:

New Construction: Make use of passive cooling or passive solar heating by orienting building(s) to make the greatest use of passive cooling or passive solar heating. A site plan and narrative outlining how building orientation maximizes southern exposures for the greatest passive winter heat gain by using window placement, roof overhang and strategic placement of vegetation is required. Floor plans that indicate air flow patterns and heat sink locations are required.

Rehabilitation: Make use of passive cooling or passive solar heating by doing any one of the following:

- a) Remove vegetation that prohibits passive cooling or passive solar heating
- b) If replacing roof, install new roof with a calculated roof overhang

B. Landscaping, Erosion Control & Water Reclamation– 1 point

Select native trees and plants that are appropriate to the site's soils and microclimate and locate to provide shading in the summer and allow for heat gain in the winter.

AND

Install rainwater collection system such as rain barrels or water retention areas that reclaim storm runoff for irrigation of common area landscaping.

C. Water Conservation – 1 point

New Construction – Install water-conserving fixtures with the following specifications: toilets – 1.3 gallons per flush or dual flush toilets; faucets (showerheads, kitchen/bath faucets) 2.0 gallons per minute. All water fixtures must meet EPA Water Sense specification.

Rehabilitation – Install water-conserving fixtures with the following specifications for toilets and showerheads and follow requirements for other fixtures wherever and whenever they are replaced: 1.3 gallons per flush or dual flush toilets; faucets (showerheads, kitchen/bath faucets) 2.0 gallons per minute. All water fixtures must meet EPA WaterSense specification.

D. Efficient Energy Use – Must select minimum of 2 from the following options – 1 point

1. *New Construction:* All appliances must meet Energy Star standards (includes HVAC, and hot water supply)

1.a. *Rehabilitation* - Perform an energy analysis of existing building condition, estimate costs of improvements, making those with a 10 year or shorter payback. Appliance older than 8 years must be replaced with Energy Star rated equipment.

2. Install daylight sensors (photocells) or timers on all outdoor energy star rated lighting.

3. Install Energy Star labeled lighting fixtures in all interior units.

4. Use Energy Star or high-efficiency commercial grade fixtures in all common areas and install Occupancy Sensors for common areas throughout the project.

E. Healthy Living Environment – must select minimum of 4 from the following options: 1 point

Low/ No Volatile Organic Compounds (VOC):

1. ***Paints and Primers*** – Specify that all interior paints and primers must contain low or no VOC.

2. ***Adhesives and Sealants*** – Specify that all adhesives and sealants must contain low or no VOC.

3. ***Formaldehyde-free Composite Wood*** – Do not use any composite wood that has exposed particleboard (which contains added urea-formaldehyde), unless the exposed area has been sealed.

4. *Green Label Certified Floor Covering* – Do not install carpets in basements, entryways, laundry rooms, bathrooms or kitchens. If using carpet, use the Carpet and Rug Institute's Green Label certified carpet and pad.
5. *Water Heaters: Mold Prevention*- Install conventional hot water heaters in rooms with drains or catch pans piped to the exterior of the dwelling with a non-water sensitive floor covering.
6. *Materials in Wet Areas*: Tub and shower enclosures must be one-piece fiberglass or similar enclosure OR if using any form of grouted material, use backing materials such as cement board, fiber cement board, fiberglass-reinforced board or cement plaster.
7. *Clothes-Dryer and Stove/Range Exhaust* – Clothes dryers and Range hoods must be exhausted directly to the outdoors.

Additional Green Point Options:

- Use of at least one construction material made from 50% or greater recycled content. (1 pt.)
- Development and implementation of a construction waste management plan to reduce the amount of materials sent to the landfill. (1 pt)
- Installation of tankless hot water heaters throughout entire project (1pt)
- Use of non-vinyl, non-carpet floor coverings in all rooms. (2pts)
- Change to SIP insulated construction panels, insulated concrete foam block, 100% brick exterior, 100% non fibrous cement siding or a combination of brick and non fibrous cement siding. (3pts)
- Installation of geo-thermal heating/cooling system for entire project. (3 pts)
- Solar hot water system (3 pts)

Note: Please see Attachment A for definitions of foreclosed, vacant and abandoned buildings.

The acquisition and/or rehabilitation of a project must be accompanied by a physical needs assessment and current scope of work, if applicable. Current scope of work must include the repair or replacement of components that are in immediate need of such repair or replacement or are substantially, functionally obsolete.

Approval of AHP applications

The Board shall approve applications in descending order starting with the highest scoring application until the total funding amount, except for any amount insufficient to fund the next highest scoring application, has been allocated. The Board shall also approve at least the next four highest scoring applications as alternates, and, within one year of approval, may fund such alternates if any previously committed AHP subsidies become available. The Board may also approve the reallocation of unused set-aside funds to ensure utilization of all AHP funds.

Changes to approved subsidy amount and modifications

Adjustments due to interest rate changes

If the amount of subsidy required to maintain the debt service cost for the loan decreases from the amount of subsidy initially approved by the FHLBI due to a decrease in applicable market interest rates between the time of approval and the time the lender commits to the interest rate to finance the project, the FHLBI may, in its sole determination, reduce the subsidy amount accordingly.

Other adjustments

In cases where AHP subsidy has been approved to fill a funding gap and such approval was based on estimates of other funding sources or applicable costs at the time of the application, the amount of subsidy finally awarded, funded and allowed to remain outstanding for a project may change if actual project data varies from the estimates or representations made in the application. The FHLBI may, in its sole determination, reduce the subsidy amount accordingly.

Subsidy increases

Generally, projects in the development phase that need an increase in the amount of subsidy will need to submit a new application in subsequent AHP funding rounds for the total amount of subsidy required. The total amount of subsidy requested cannot exceed \$500,000. If a new award is approved, the following must occur:

- 1) The old award will be decommitted (de-obligated), and
- 2) The new award must be for the combined amount of the old award and the increased amount.

The new award must be the effective award in all respects including, but not limited to, the qualifying characteristics, file number and reporting, and all other aspects of the transaction.

Modifications

Through the application, disbursement and monitoring process, the FHLBI attempts to request adequate information necessary to make informed decisions regarding AHP applications and projects. It is, however, incumbent upon each program participant to disclose completely and accurately all information regarding the project. The FHLBI requires that project sponsors/owners and members report to the FHLBI material changes in an approved project upon discovery. A material change means any change that could affect the facts under which the competitive program application was originally scored and approved by the FHLBI.

The FHLBI processes project modifications in accordance with the requirements of the Regulation and the FHLBI's project modification policy and procedure. The FHLBI, in its sole discretion, may increase the subsidy of a completed project through the modification procedure. Justification for this process must be clearly documented and will be done in very rare circumstances. Modifications involving requests for additional subsidy will be approved or disapproved by the FHLBI's Board. The authority to approve or disapprove such requests will not be delegated to FHLBI officers or other FHLBI employees.

Section § 1291.5(f) of the Regulation addresses modifications prior to project completion or after project completion.

Disbursement process and procedures

Membership requirements for disbursements

Disbursements of AHP subsidies may only be provided to institutions that are members at the time of the draw, per § 1291.5(g)(1).

If a member loses membership in the FHLBI, § 1291.5(g)(1)(ii) provides that the FHLBI may disburse subsidies to another FHLBI member to which the member has transferred its obligations under the approved application, or that the FHLBI may disburse subsidies through another FHLB as long as a member of that FHLB has assumed the project by executing an AHP Correspondent Disbursement Agreement.

Disbursement submission process

A project approved under the competitive application program that is ready to receive funds may request disbursement of all or part of the approved subsidy. Funding requests must be made by a member of the FHLBI and will be processed by the FHLBI in accordance with the FHLBI's procedures and guidelines for funding of subsidies and applicable monitoring procedures. If the FHLBI determines that a disbursement request is substantially incomplete or missing information, the request will be returned to the member for completion.

Disbursement procedures and guidelines

The FHLBI's disbursement and monitoring procedures and guidelines for the competitive program require that the applicant member and project sponsor/owner provide the FHLBI with current information about the project sufficient to enable the FHLBI to verify, prior to funding and in the course of other periodic reviews, that the project maintains compliance with the requirements of the AHP. The member or the project sponsor/owner (if so delegated by the member) must complete and submit to the FHLBI an AHP Disbursement Request Form with copies of required documents, which include project-related documents as follows:

- Current operating pro-forma.
- Current development budgets (sources and uses).
- Relevant closing, loan and funding documents.
- Retention documents.
- Monitoring agreements or applications from other monitoring entities, if applicable.

In processing disbursement requests, the FHLBI reviews the information submitted and other pertinent project information obtained from the member and sponsor/owner during the application process. The FHLBI verifies that the project continues to qualify for the awarded subsidy based on the applicable threshold requirements and scoring criteria and that the project is in compliance with the obligations committed to in the approved application. The FHLBI will re-evaluate the financial and operational feasibility of the project, and will verify the project's continued need for subsidy and reasonableness of the project's development cost. The FHLBI reserves the right to contact other funding sources to obtain information and/or request copies of applications for funding, i.e., low-income housing tax credit applications. If the FHLBI cancels any AHP application approvals due to noncompliance with eligibility requirements as described, the FHLBI shall make the AHP subsidies available for approved alternate projects or other AHP-eligible projects at the next available funding round.

9: Procedures for carrying out monitoring obligations – AHP only (§ 1291.7)

As required by § 1291.7(a)(1), the FHLBI has developed procedures for carrying out monitoring obligations under § 1291.7, including monitoring scheduling plans and sampling methodologies. Detailed completion and long-term monitoring procedures are included in this plan as Attachment C.

10: Homeownership set-aside programs (Homeownership Initiatives Programs) (§ 1291.6)

The FHLBI shall determine annually whether to offer a set-aside program(s) (Homeownership Initiatives) for the following year pursuant to § 1291.2(b)(2) of the Regulation. In 2010, the FHLBI will offer a Refinance Assistance Program (RAP) under new regulatory authority, as well as programs for down payment, closing cost, and rehabilitation assistance: the Neighborhood Impact Program (NIP) for owner-occupied rehabilitation; and the Homeownership Opportunities Program (HOP) for first-time homebuyers; and the Neighborhood Stabilization Assistance (NSA) for houses assisted with federal Neighborhood Stabilization Program funds. These programs will provide opportunities to request funds on an *Express* (as-needed, first-come first-served) basis. The FHLBI will contribute 35% of the 2010 AHP contribution to these programs, of which 70% will be released in March and 30% in August 2010. The FHLBI reserves the right to allocate funds among set-aside uses and adjust the release dates to meet demand and assure utilization of all funds. *Express* funding is open until all set-aside funding is exhausted.

Detailed information including disbursement and monitoring procedures regarding the Homeownership Opportunities Program can be found in Attachment G of this document. Detailed information including disbursement and monitoring procedures regarding the Neighborhood Stabilization Assistance can be found in Attachment H of this document. Detailed information including disbursement and monitoring procedures regarding the Neighborhood Impact Program can be found in Attachment I of this document. Detailed information including disbursement and monitoring procedures regarding the Refinance Assistance Program can be found in Attachment K of this document.

11: Remedial actions for non-compliance and recaptures (§ 1291.8)

FHLBI procedures for remedial actions are to be taken if AHP subsidies are not used in compliance with the terms of an approved application of the AHP and the requirements of the Regulation. The FHLBI will follow the requirements of § 1291.8 of the Regulation including the following:

Repayment of subsidies by members

- 1) *Noncompliance by member.* A member must repay to the FHLBI the amount of subsidy (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 application for the subsidy, as approved by the FHLBI, and the requirements of this part, unless
 - a) the member cures the noncompliance within a reasonable period of time, or
 - b) the circumstances of noncompliance are eliminated through a modification of the term of the application for the subsidy pursuant to § 1291.5(f).

- 2) *Noncompliance by project sponsors or owners.* Duty to recover subsidies. A member shall recover from the sponsor of a homeownership or rental project and repay to the FHLBI the amount of any subsidy (plus interest, if appropriate) that, as a result of the sponsor's or owner's actions or omissions, is not used in compliance with the terms of the application for the subsidy, as approved by the FHLBI, and the requirements of this part, unless
- a) the sponsor or owner cures the noncompliance within a reasonable period of time, or
 - b) the circumstances of noncompliance are eliminated through a modification of the terms of the application for the subsidy pursuant to § 1291.5(f).

The member shall not be liable to the FHLBI for the return of amounts that cannot be recovered from the project sponsor or owner through reasonable collection efforts by the member.

Repayment of subsidies by project sponsors or owners

A sponsor of a homeownership project and the owner of a rental project shall repay to the member the amount of any subsidies (plus interest, if appropriate) that, as a result of the sponsor's or owner's actions or omissions, is not used in compliance with the terms of the application for the subsidy, as approved by the FHLBI, and the requirements of this part, unless

- (a) the sponsor or owner cures the noncompliance within a reasonable period of time, or
- (b) the circumstances of noncompliance are eliminated through a modification of the terms of the application for the subsidy pursuant to § 1291.5(f).

Amounts repaid to the FHLBI pursuant to this section, including any interest, shall be made available for other AHP-eligible projects.

Suspension and debarment

The FHLBI may suspend or debar a member, project sponsor, or owner from participation in the AHP program if such party shows a pattern of noncompliance or engages in a single instance of flagrant noncompliance with the terms of an application for AHP subsidy or the requirements as stated above. Further, the FHFA can order the FHLBI to suspend or debar any member, project sponsor or owner.

Agreements (§ 1291.9)

The FHLBI shall have in place with each member receiving an AHP direct or subsidized advance an agreement containing at minimum the provisions found in Attachment F.

Collection expense reimbursement

For each AHP project, each of the project sponsors and, with respect to rental projects only, the project owner (Obligor) shall pay all charges and expenses incurred by the FHLBI or the member (including reasonable attorneys' fees and expenses) in connection with (a) any investigation by the FHLBI or the member in respect of the AHP Agreement, any related document or any other AHP requirement as it relates to the project; (b) the enforcement, protection or preservation of any right or claim of the FHLBI or the member against the project sponsor or project owner under the AHP Agreement, any related document, or any other AHP requirement as it relates to the project; or (c)

the collection of any amounts due under the AHP Agreement, any related document, or any other AHP requirement as it relates to the project. As used herein, "related document" includes, but is not limited to, the retention/recapture documents required by the AHP Agreement and the Regulation.

12: Conflicts of Interests

The FHLBI has established a conflict of interest policy governing the Board, the Council and employees. To obtain a copy of that policy, please contact the FHLBI at 317-465-0371.