



Affordable Housing Program  
**Implementation Plan  
2012**

Board approved on November 17, 2011

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**Federal Home Loan Bank of Indianapolis Affordable Housing Program (AHP)  
Implementation Plan 2012**

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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 is 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 Agency on October 17, 2008 to be effective immediately.

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 website 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 2012 AHP contribution to several set-aside programs. These programs are more fully described in Attachments G, H and I of this document.

### **Competitive AHP**

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

### **Disaster Relief Program**

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 Program (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 (800) 688-6697 and requesting a current copy of the Council Operating Charter.*

**5: Competitive AHP applications (§ 1291.5)**

**Application funding round (§ 1291.5 (b))**

The FHLBI will conduct one competitive application funding round in 2012. For this funding round, the FHLBI will allocate 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 this competition will be as follows:

<b>Application Deadline</b>	<b>Approved by Board</b>
May 23, 2012	September 7, 2012

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](http://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. 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 quad-plexes.

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
- Financial services fees, asset management fees or other similar fees

**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) or conveyed through a land bank for an amount equal to transfer 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.

For example: Donated units / Total units = DU%  
 DU% \* 5 points = Donated Property Points  
 9 donated units / 10 total units = 90%  
 90% \* 5 points = 4.5 donated property points

**Sponsorship by a not-for-profit organization or government entity: (up to 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 at least 50% and less than 100% general partnership or ownership interest in the proposed project and meets the requirements outlined in 1-6 below. Projects for which the not-for-profit has more than a 50% general partnership interest with the proposed project but does not meet requirements outlined in 1-6 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 and be actively involved with the local community in which the project is located.
- 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 (other than the sponsoring not-for-profit) may be involved with or related to the creation or management of the not-for-profit.
- 5) The not-for-profit must have been successfully 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.
- 6) The not-for-profit must be the managing general partner or owner and materially participate in the acquisition, development, ownership, and ongoing operation of the property for the entire compliance period.
- 7) The not-for-profit has a 100% general partnership or ownership interest in the proposed project and has at least a 50% interest in the developer fee.

*Note: The FHLBI may, at its discretion, disqualify commitments or participation by a non-profit organization in cases which appear partnerships are structured for purposes of "gaining points."*

**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: (up to 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  $\leq$  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  $\leq$  50% AMI

C= number of units 51% to 80% AMI

D= number of units  $\geq$  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 at least 80% or more of the total units receive 5 points. Projects reserving less than 80% of the total units, but 20% or more of the total units receive points as a calculated interpolation. Projects reserving less than 20% will receive no points.

Point calculation for projects committing  $\geq 20\%$  of total units and  $\leq 80\%$  of total units:

Homeless units / Total units = HU%

HU% \* 5 points = Homeless Points

8 homeless units / 39 total units = 20.51%	OR	31 homeless units/39 total units =79.5%
20.51% * 5 points = 1.026 homeless points		79.5% x 5 points = 3.98 points

Projects reserving  $\geq 80\%$  of the total units for homeless housing up to 100% receive 5 points

The FHLBI's homeless initiative supports a Housing First model furthering the creation of community-based housing that targets the extremely low income (less than 30% AMI) with intensive service programs. Housing First is an innovative approach to engage and rapidly house individuals who are homeless into permanent supportive housing and to provide intensive and flexible services to stabilize and support housing tenure. By identifying the individual's or family's barriers to self-sufficiency and targeting the most appropriate housing solution, a lower number of individuals that enter the homelessness delivery system lessens the demand on resources. For chronically homeless, linking services with housing provides stability and reduces the burden on community systems.

Key principles of the Housing First model of permanent supportive housing are:

- **Changing the system, not the person:** the major shift of this model is how services are provided. In many cases, services are offered on-site rather than expecting individuals to appear at an agency for services. Staff are constantly working to engage residents and are trained in evidenced-based practices shown to be effective in hard-to-serve populations;
- **Tenant choice on accepting clinical service:** Services need to be readily available with staff continually working to engage and build relationships with the tenants. No participation in clinical services is required in order to remain housed. A harm reduction approach is issued in addressing chronic substance addiction.
- **Focus is on being a good tenant:** The main emphasis is on safety with interventions on behaviors that negatively impact an individual or the community. Skills such as managing finances, handling conflicts with other tenants, and managing the day-to-day responsibilities in apartments or homes are essential for long-term tenancy.
- **Eviction is a last resort:** Such service-rich interventions are attempted to try to exhaust all other solutions prior to serving a tenant an eviction notice.
- **Strength-based model with emphasis on building community:** Peer support and community meetings are used to help individuals feel connected to community.

*Note: Rental projects reserving at least 20% of the units for homeless households requires completion of the FHLBI Supportive Services Addendum to the AHP Application that includes the role of supportive*

*service coordinator or organization, written referral agreements and communication, type and scale of services, site suitability, access to services, referral and screening processes including income verification, and property management coordination. Along with the FHLBI Supportive Services Addendum, homeownership projects must include documentation of a supportive service plan indicating that appropriate services will be provided.*

*Clients with dual diagnosis, which may include one or several of the following: chemical or alcohol dependency, chronic mental illness, physical and/or developmental disability, AND are homeless may not qualify under both homeless and permanent supportive housing initiatives. Commitments should be based upon historical data of individuals served with a qualifying need. The FHLBI reserves the right to reduce the number of homeless units committed if duplicity in the population(s) to be served is indicated. Providers serving both homeless and special needs populations should elect either homeless or permanent supportive housing initiatives but not both. Emergency and/or overnight shelters are AHP-eligible projects; however, they cannot receive points under this criterion.*

***The supportive service plan should not duplicate 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 will receive points as indicated for each activity offered, up to a maximum of 5 points. For each empowerment commitment there must be a clear, defined economic benefit to the entire resident population to be housed at this project.

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 and for each empowerment commitment.

All MOU's must specifically and clearly outline:

- 1) the empowerment services to be provided;
- 2) how the service is economically empowering to the targeted population of the project;
- 3) how the service will be carried out and delivered to the targeted population. If a public resource is utilized, detail a specific plan for program/service delivery to the resident population served outside of independent access to the resource;
- 4) cost and location of services to be provided to residents;
- 5) frequency of delivery; and
- 6) term of the MOU.

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:

- 1) Employment training or incubators, job preparedness and placement programs, job creation and workforce development readiness programs.
  - Includes services such as vocational training, employment/career counseling, resume development, interview techniques or adult accredited programs
- 2) On-site daycare services or after school programs ( on or off site) allowing the resident to pursue economic opportunities.
  - If day care or after school programs are off site, a memorandum of understanding with the transportation provider(s) outlining frequency, cost, and method of transportation should be included as part of this commitment
- 3) Education to include GED preparation and testing or “English as a second language” (ESL) programs.
- 4) Homebuyer pre-purchase counseling, homeownership, OR tenant counseling with financial literacy training.
  - Financial literacy initiatives may include, but are not limited to: financial planning, credit repair/counseling, budgeting, accessing benefits such as social security, disability, legal aid, etc.
- 5) Sweat equity (Homeownership only)
- 6) Residents’ council affecting the operation of the project
- 7) Homeowners’ association

Projects making commitments, wherein some or all of the units serve special needs or homeless populations, may not duplicate empowerment programs and supportive services. Empowerment programs must be made available and economically beneficial to all homeowners or residents to be eligible for points.

**First district priority: 21 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.

**Permanent supportive housing: (up to 8 points)**

The FHLBI’s supportive housing initiatives are structured to address the housing needs for individuals and/or families in the greatest need of accessible, affordable and inclusionary housing. Commitments in this initiative should demonstrate a program strategy with the individual and/or family at the core of a self determined case plan with the primary objective of establishing and maintaining long-term, independent living. This initiative fosters the development of housing for two distinctly different populations: special needs or the elderly. Commitments in the permanent supportive housing criterion may be elected for only one of these two population groups.

**Special Needs Housing (up to 8 points)** Points shall be awarded for projects 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 provides housing for the elderly promoting aging in place innovations.

Projects reserving at least 80% or more of the total units receive 8 points. Projects reserving less than 80% of the total units but 20% or more of the total units receive points as a calculated interpolation. Projects reserving less than 20% will receive no points.

Point calculation for projects committing  $\geq 20\%$  of total units and  $\leq 80\%$  of total units:

Special needs units / Total units = SN%

SN% \* 8 points = Special Needs Points

8 special needs units / 39 total units = 20.51%    OR    31 special needs units/39 total units = 79.5%

20.51% \* 8 points = 1.64 special needs points    79.5% x 8 points = 6.36 points

Projects reserving  $\geq 80\%$  of the total units for special needs housing up to 100% receive 8 points

***Note:** Rental projects reserving at least 20% of the units requires completion of the FHLBI Supportive Services Addendum to the AHP Application that includes the role of supportive service coordinator or organization, written referral agreements and communications, type and scale of services, site suitability, access to services, referral and screening processes, and property management coordination. Along with the FHLBI Supportive Services Addendum, homeownership projects must include documentation of a supportive service plan indicating how appropriate services will be provided.*

*Clients with dual diagnosis, which may include one or several of the following: chemical or alcohol dependency, chronic mental illness, physical and/or developmental disability, AND are homeless may not qualify under both homeless and permanent supportive housing initiatives. Commitments should be based upon the sponsor or service providers' historical data of individuals served with a qualifying need. The FHLBI reserves the right to reduce the number of supportive housing units committed if duplicity in the population(s) to be served is indicated. Commitments may not overlap with homeless commitments; providers serving both homeless and special needs populations should elect either the homeless or the permanent supportive housing initiative but not both. The supportive services plan should not be duplicative of empowerment initiatives.*

OR

**Elderly housing promoting aging in place- (8 points)** Refers to making the living environment safe and adaptable so elders can remain independent and continue to thrive in their homes and community as circumstances change. Aging in place models realize that allowing the majority of our aging population to stay in their homes requires change and innovation in housing and health care practices. The Aging in Place model can take two approaches:

- 1) allows the aging population to live in their own single family homes by making modifications to the existing property that incorporate universal design features, providing assistance for upkeep of the home and facilitating home health care with advancement of age OR
- 2) creates new developments (multi-family or single family) that supply the needs of an aging population using innovative universal housing designs specific to aging in place that creates a resident centered quality of life that focuses on safety, care, affordability, social and civic engagement, and maintaining independence.

Both approaches use technology and revised health care delivery practices to allow seniors more choices in housing and self-determined care needs. ***Housing types not eligible under this initiative include: nursing homes, assisted living communities, elder/med cottages or accessory dwelling units.***

Projects qualifying under the Aging in Place initiative must demonstrate in the FHLBI Supportive Services Addendum that at point of acceptance for housing the resident is:

- 1) physically and mentally able to maintain an independent or semi-independent lifestyle and is capable of carrying out most activities of daily living (ADL's) without assistance; and
- 2) as aging advances, semi-skilled care is coordinated as needed to maintain residency; and
- 3) the supportive service structure is self-determined, wherein residents hire and pay for services as established by the individual care plan developed by the resident, family and case coordinator; and
- 4) if skilled nursing care becomes a necessary part of the care plan, care costs are on a fee for services basis; and
- 5) **no less than 80% of the housing units shall be restricted for and solely occupied by at least one elder in each unit who is 62 years of age or older.**

Owners considering commitments in this scoring criterion should be familiar with the Housing for Older Persons Act, an amendment to the Fair Housing Act) and the implementation of the Housing for Older Persons Act Final Rule.

Reference the Green House Project website for additional resource and information regarding supportive services, universal building design and comprehensive aging in place characteristics at <http://www.thegreenhouseproject.org>.

**Member financial involvement: (up to 8 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 development costs 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.*

**Member financial involvement: (up to 8 points) -cont.**

Points	Type	% of total development cost at time of application
	<b>Permanent Financing or Significant Financial Donation</b>	
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
<b>OR</b> 5	Financial donation to the project development costs equal to the greater of \$10,000 or 1% of the total development costs.	N/A

<b>Interim Financing</b>		
3	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.	

*Total points awarded in this category may not exceed 8 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.*

**Economic diversity: (5 points)**

**5 points** - Projects that end isolation of very low-income households by providing economic diversity through 100% of its units being located in census tract(s) with a median annual income that is at or greater than 100% of AMI;

**OR**

Projects which include mixed-income, housing in the development scheme.

Mixed-income housing may be defined as: Projects in which 20% or more of the units are targeted to households earning more than 80% of the AMI. Project seeking points must demonstrate a history of reaching out and serving households in the greater than 80% AMI level. Further, the need for the greater than 80% AMI units must be supported in an independent market study and be consistent with targeting obligations as presented to other stakeholders in the project. Note: The FHLBI may, in its sole discretion, determine whether the application demonstrates the commitment of sufficient resources to substantiate that the strategy has a reasonable chance of implementation.

**Second district priority: 10 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.

**Comprehensive community development plan initiative: (5 points)**

Developments that, through their formation, are an important part of a broader or comprehensive program of neighborhood or community improvement plan will receive 5 points in this criterion. The proposed development has the capability of fundamentally changing the character of a neighborhood or community. Comprehensive community development marshals resources and deploys coordinated strategies in a concentrated area to create opportunities for others in the community to take prudent risks and reap the reward. The creation of new community amenities and retail opportunities serves as an impetus for future development. A comprehensive community development strategy identifies and creates a shared vision, planned by local leadership, and carried out by an array of partners. The development should be able to show, in measurable terms, how the community will be impacted.

This should include:

- 1) local municipal support articulated in a master community development plan, or other documented redevelopment initiative that leverages community assets including properties conveyed through a local or state land bank;
- 2) significant funding commitments from the local unit of government or evidence of a substantial major investment in the area that is consistent with an existing comprehensive community plan for improvement may also be considered;
- 3) the scope of the community development plan should include a multi-use and multi-service approach wherein the housing is part of an overall defined and approved plan by local or state government; and
- 4) funding commitments or major investments should include municipal support, private investment and/or private sector commitments to the redeveloped area.

The application should articulate and demonstrate how the development will fulfill or achieve a “community changing” effect on the neighborhood or community, citing and evidencing as many of the attributes as possible to be considered for this criterion. Note: The FHLBI may, in its sole discretion, determine whether the application demonstrates the commitment of sufficient resources to substantiate that the strategy has a reasonable chance of implementation.

**Readiness to proceed: (5 points)**

Points will be awarded based upon firm funding commitments documented **at the time of application** as demonstrated by a commitment letter or letter of intent from the funding provider based on the following tiers:

3 points for 85-90% of total funding sources committed exclusive of AHP

5 points for 91-100% of total funding sources committed exclusive of AHP

Such commitment letter or letter of intent may be subject to conditions of other funding including AHP, which will lead to the likelihood project going forward. Projects funded with low income housing tax credits require a reservation letter supported by at least a letter of intent by an equity provider. Acceptability of commitments including reasonableness of benchmarks noted below is determined at the sole discretion of the FHLBI. Projects that have community fundraising as a source of funds, points will be awarded based upon dollars banked at time of application supported by a statement of account and a signed resolution by the executive board of directors appropriating the use of funds raised toward the capital improvements outlined in the AHP application.

***In addition to funding commitments, project must demonstrate readiness to proceed based upon the following benchmarks:***

- 1) Time Limits: Eligible applicants must present a development schedule that demonstrates the ability to complete construction (demonstrated by issuance of a certificate of occupancy for new construction or a final construction invoice for rehabilitation projects) including the use of all AHP funds within 24 months from the date of AHP award announcement on or around September 2012. Further, full occupancy is expected within a reasonable time after certified completion of the project, not to exceed one year from the date the last unit is certified for occupancy.

*Note: Timelines that indicate key benchmarks that are inconsistent with documentation provided in the AHP application or to other stakeholders may be viewed as efforts to “gain points” and are discouraged. The FHLBI may, in its sole discretion, determine whether the application demonstrates the development strategy has a reasonable chance of implementation.*

- 2) Site Control: At time of application, demonstrate site control of 100% of the location(s). (property substitutions are not permitted if points are awarded in this initiative)
- 3) Zoning & Site plan: Evidence from the municipality that the proposed site is already properly zoned for the intended use; *AND* evidence by the municipality affirming the proposed site has received site plan approval is required at application.

*Note: At application submission, rehabilitation projects are required to provide a letter from the municipality indicating that the relevant board or commission of the municipality has reviewed the proposal, including the level of rehabilitation work to be completed, the site, and that no further plan approvals are necessary.*

**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 \$27,500 per unit. To determine the point value, use the following formula:

$$\text{Points} = (27,500 - \text{Subsidy per unit}) / 2,125$$

Based on the formula, the maximum amount will be awarded at \$2,000 subsidy per unit with 0 points awarded at \$27,500 or more, subsidy per unit.

**Community stability: 15 points**

Applications that promote community stability will receive points as follows:

**Preservation initiative: (Up to 5 points)**

Criterion requires a defined scope of work or physical needs assessment. Generally, the scope of work should focus on replacement of mechanical equipment, appliances, cabinets, floor covering, windows, doors, siding and roofing with less than five years of useful life remaining. A detailed rehabilitation estimate is required and should reconcile to the development uses of funds.

- 1) Acquisition and rehabilitation of existing housing property that meets any one of the following three classifications (5 points):
  - a) foreclosed property-improved land with housing structure
  - b) vacant housing structure
  - c) abandoned housing structure.

**Note:** All property locations in the project must be defined in one of the three classifications in the criterion to be eligible. The FHLBI may, in its discretion, award points under this initiative or the acquisition rehabilitation of existing housing initiative if deemed to be more appropriate for the proposed project.

**OR**

- 2) Acquisition/rehabilitation or rehabilitation of existing housing. Rehabilitation costs must be in excess of \$20,000 per unit in hard rehabilitation construction costs exclusive of builder's profit (3 pts). Projects that are not 100% rehabilitation do not qualify under this criterion.

*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.*

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

Green building integrates materials and methods that promote environmental quality, economic vitality, and social benefits through design, construction, and operation of affordable housing investment strategies with environmentally responsible building practices.

Projects qualifying in this category must submit a comprehensive green development plan that outlines options explored in the design phase of the project by a multi-disciplinary team including a qualified green expert. Qualifications of the green team must be specified. The green development plan should discuss the rationale reached through an integrated design process, the results of which are reflected in the green design elements committed in the application. The expected outcomes should be itemized by design feature and discuss the impact on development operating costs as well as health, economic and environmental benefits for residents, property owners and communities.

Minimum requirement of the green development plan include:

- 1) A roster of the name and role of each team member of the professional design and development team including identification of the team member responsible for the implementation of the green design features to include qualifications and experience of each team member. All team members must sign and certify to the content and initiatives in the green plan;
- 2) A statement of the overall green development goals of the project and the expected intended outcomes from addressing these goals;
- 3) A summary of the process that was used to select the green building strategies, systems, and materials that will be incorporated in the project;
- 4) A description of how each of the green design commitments will be carried out in the project; and
- 5) Signed by each member identified as the green development team, as an indication of commitment to the design requirements and the commitments have been vetted through the coordinated design team.

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 with completion monitoring documents. Projects seeking green design characteristics require an Architect's Certification with the application. Changes to green design elements will require a project modification and "substitution of design characteristics" outside of this list is not allowed.

*Note: Commitments require certification by the green architect as a part of the stage-two monitoring required at completion. Supplemental documentation including a resident's guide, photos, invoices and other supporting evidence of fulfillment may be required to document the commitments for which points are awarded. The FHLBI may allow substitution of LEED, Energy Star or similar ratings or certifications awarded at the completion of the project in lieu of third-party validation of fulfillment of each independent green initiative for which points are awarded.*

## 1 point green initiatives (each)

- Install rainwater collection system such as rain barrels, rain gardens or retention areas that reclaim storm runoff for irrigation of common area landscaping.
- Use Energy Star or high-efficiency commercial grade light fixtures AND bulbs in all common areas AND installation of occupancy sensors for common areas throughout the project.
- 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.
- Use of at least one defined construction material made from 50% or greater recycled content. Defined materials are: framing materials, exterior materials including siding, roofing, masonry; concrete/cement and aggregate; drywall/interior sheathing; flooring materials including carpet, wood or floor tile (excludes carpet padding).
- Development and implementation of a construction waste management plan to reduce the amount of materials sent to the landfill. Requires sorting and recycling of construction waste product by type: metals, plastic, cardboard, wood.
- Fill gaps around doors and window frames with crack resistant caulk and spray foam. Replace missing or hard and cracked door/window weather stripping. Install exterior door sweeps to eliminate air infiltration from under the door. Install foam behind exterior wall outlets, switches and panel as well as wall floor and attic penetrations.
- 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 and/or green labeled vinyl tile or flooring. Low VOC sealants and adhesives must be used where applicable.

## 2 point green initiatives (each)

- Install and/or replace all windows or glass doors with Energy Star qualified windows and glass doors rated for climate zone 4 for properties located south of Bloomington, IN or climate zone 5 for properties located in or north of Indianapolis to Michigan's upper-peninsula. All exterior facing doors must be Energy Star rated.
- Install in each, unit high efficiency, Energy Star rated appliances to include at a minimum: front loading washer, refrigerator, hot water heater, furnace and air conditioning unit.
- Use Energy Star-compliant roofing product.
- Durable exterior made of: 100% brick, 100% Hardi® or fibrous siding (or other similar product) or a combination of brick and fibrous cement siding. (Note: existing buildings that are already constructed of durable exterior product do not qualify)
- Installation of tank-less hot water heaters in each dwelling unit (electric or gas) or heat pump high efficiency hot water heaters in each unit.
- Installation of under-ground cistern systems that reclaim storm runoff for irrigation of common area landscaping.

3 point green initiatives (each)

- 100% SIP insulated construction panels or insulated concrete foam block.
- Installation of a “green” vegetated roof for at least 40% of the roof area.
- Use of open-grid pavers, permeable concrete or asphalt and grass pavers over at least 50% of the site’s hardscaped area.

4 point green initiatives (each)

- Site, design, and wire the development to accommodate installation of smart meters and/or be able to interface with smart grid systems in the future.
- Installation of solar hot water system AND site, design, and/or plumb the development to accommodate installation of photovoltaic (PV) for future connection.
- Installation of geo-thermal or bio-mass heating/cooling system for entire project.
- Install photovoltaic (PV) panels, wind turbines, or other electric-generating renewable energy source to offset at least 20% of the residential unit and common area demand.

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

*Reference the Enterprise Foundation's Green Communities plan for additional reference and resources:*

[http://www.greencommunitiesonline.org/tools/criteria/EGC2011Criteria\\_final.pdf](http://www.greencommunitiesonline.org/tools/criteria/EGC2011Criteria_final.pdf)

## 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*

A member may be approved to receive AHP direct subsidy to write down the principal amount of the interest rate on a loan prior to closing. 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 will reduce the subsidy amount accordingly, as required by regulation.

### *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 de-committed (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/and) 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:

- 1) Current operating pro-forma.
- 2) Current development budgets (sources and uses).
- 3) Relevant closing, loan and funding and partnership documents.
- 4) Retention documents.
- 5) Relevant contracts, invoices, cost certifications, sworn statement documents.
- 6) 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. Material omissions or changes in the financial structure, partnerships or project design elements may result in a determination by the FHLBI, the project fails to meet the criterion of the scoring element(s) for which points were awarded based upon review of relevant, supporting documentation not available at the time of application, but considered during the disbursement analysis. 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. Disbursements for projects funded with low income housing tax credits may not draw down the AHP subsidy until construction completion of at least 20% is achieved or is likely to be achieved in 60 days from the disbursement submission. The contractor's sworn statement is the prevailing evidence of the construction progress.

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 2012, the FHLBI will offer programs for down payment, closing cost, and rehabilitation assistance:

- 1) the Homeownership Opportunities Program (HOP) for first-time homebuyers; and
- 2) the Neighborhood Stabilization Assistance (NSA) for houses assisted with federal Neighborhood Stabilization Program funds; and
- 3) the Neighborhood Impact Program (NIP) for owner-occupied rehabilitation,

These programs will provide opportunities to request funds on an *Express* (as-needed, first-come first-served) basis. As required by § 1291.2(a)(1), the FHLBI must allocate at least one-third of the aggregate annual set-aside allocation to such programs to assist first-time homebuyers. The FHLBI will contribute 35% of the 2012 AHP contribution to these programs, of which 70% will be released in the spring and 30% in late summer. 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. Funding is open until all set-aside funding is exhausted. ***Funding for NSA will not be extended beyond the 2012 program year.***

Detailed information including disbursement and monitoring procedures regarding the Homeownership Opportunities Program, the Neighborhood Stabilization Assistance, and the Neighborhood Impact Program, can be found in Attachments G, H, and I, respectively, 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 a competitive 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 800-688-6697