# 2016
## AFFORDABLE HOUSING IMPLEMENTATION PLAN

# Numbers Tell The Story

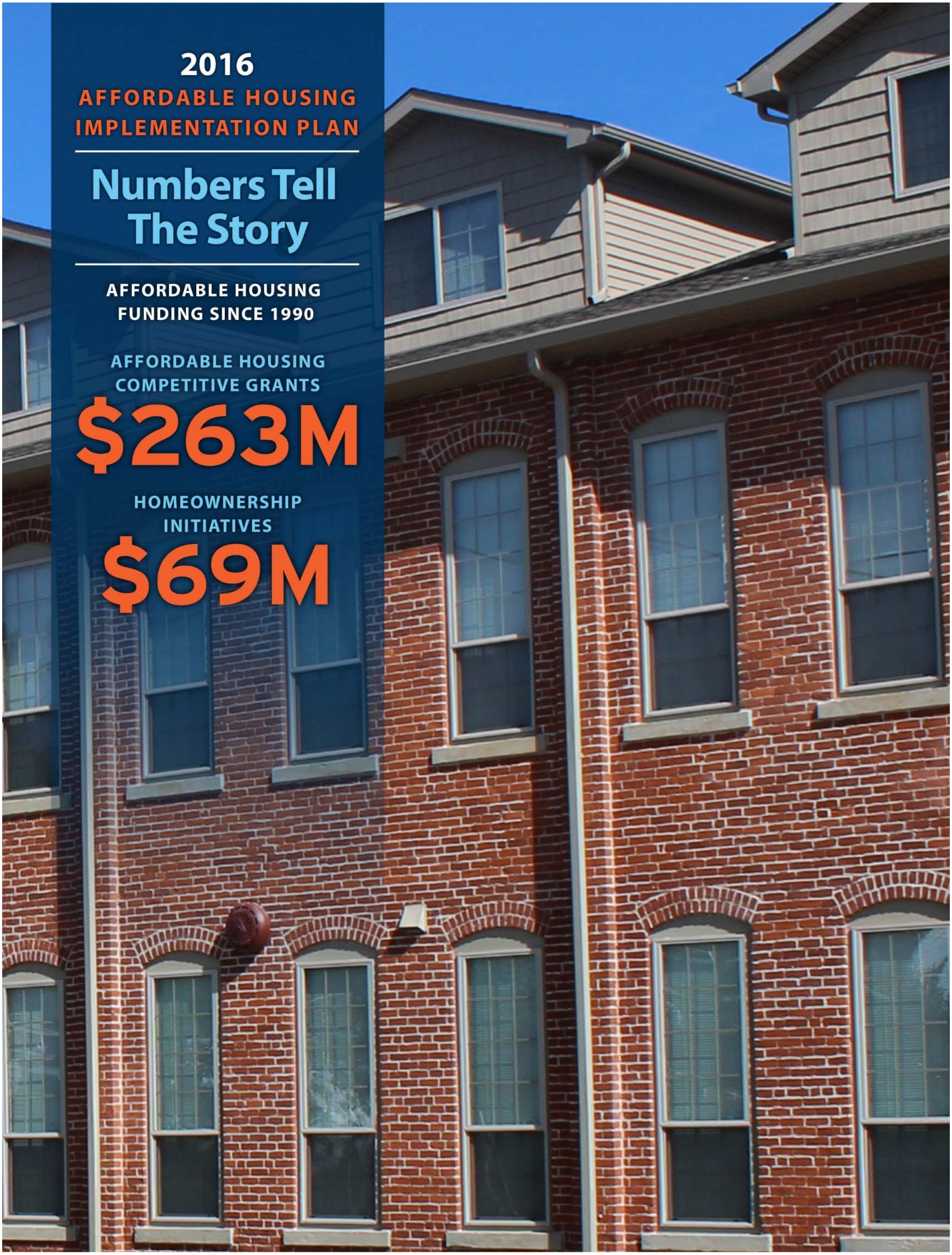
**AFFORDABLE HOUSING FUNDING SINCE 1990**

**AFFORDABLE HOUSING COMPETITIVE GRANTS**

# $263M

**HOMEOWNERSHIP INITIATIVES**

# $69M



# Federal Home Loan Bank of Indianapolis Affordable Housing Program (AHP)

# Implementation Plan 2016

## Contents



## Attachments

## 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 very low-, 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 §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 herein to be referred to as the Homeownership Initiatives Programs;

Requirements for monitoring under its competitive application and Homeownership Initiatives Programs;

Time limits for use of AHP subsidies; and

The Retention Agreement requirements for projects and households under the competitive and Homeownership Initiatives 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 Homeownership Initiatives 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 Initiatives Programs

The FHLBI shall determine annually whether to offer the Homeownership Initiatives Programs for the following year pursuant to the Regulation. The FHLBI will contribute up to the greater of $4.5 million or 35% of the 2016 AHP contribution to the Homeownership Initiatives Programs. These programs are more fully described in Attachments G, H, I and J 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 Homeownership Initiatives Programs 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 resolution 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 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 Homeownership Initiatives 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 Homeownership Initiatives 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 2016. 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:

| Application Deadline | Approved by Board |
|---|---|
| April 27, 2016 | August 03, 2016 |

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 receive an award. 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. Given that the member is responsible for monitoring and oversight of the project, the applying member and sponsor must be separate entities. A list of eligible members may be obtained at https://www.fhlbi.com/.

### AHP project monitoring 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 down payment and closing 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. Within 60 days of closing or if there are changes in household size, significant changes in income, or changes in the number of employed household members from the time of application to the time of closing, income must be recalculated. The AHP subsidy must be noted on the HUD-1 Settlement Statement/Closing Disclosure and buyer cash down payment must be in place by the time closing occurs. If the revised income calculation changes the household's AMI, the amount of required buyer down payment shall be based upon the new income calculation. The purchase price of the home may not exceed the appraised value. An "As Is" appraisal must be completed no more than 3 months prior to closing by an independent certified real estate appraiser. Properties whereby a Habitat for Humanity affiliate originates the home mortgage, valuation of the property is the appraised value as noted above. Homebuyer down payment requirement is adjusted net of the value of the owner's sweat equity. Ownership properties are those for which the household has a present possessory interest (other than that created by a leasehold) in the property and is to be used as a primary residence of the household. Owner-occupied units may include single-family detached units, condominiums, town homes, duplexes, triplexes or quadplexes.

Use of AHP subsidy for rehabilitation of existing owner-occupied housing is restricted to those projects meeting the Aging in Community criteria. At the time of application, the properties must be identified with household income eligibility determined and a specific, detailed scope of work for each property prepared by a licensed architect or independent contractor certified in the installation of universal design enhancements proposed. Because this is a rehabilitation effort, no homeowner match is required.

*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.

Need for subsidy analysis shall be conducted at:

- Application review
- Every disbursement
- Completion of the project.

Should any one of the analyses indicate subsidy need is less than the amount awarded and/or disbursed, repayment of some or all funds disbursed may be indicated and/or the balance remaining to disburse may be de-obligated. (See also disbursement policies)

In the case of homeownership projects where the sponsor extends permanent financing to the homebuyer, the sponsor's cash contribution shall include the required 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. At application, subsidy need is determined based upon a forecast of a typical buyer's income and household composition. AHP subsidy will be funded pursuant to an individual household subsidy need calculation based upon the total household income at the time of approval by the sponsor. The total subsidy disbursed for a homeownership project may not exceed the awarded amount, but will vary by household. Subsidy remaining at the completion of the project is subject to de-commitment. Subsidy disbursed to a single household may not exceed 20% of the purchase price of the home. Housing costs for the buyer may not be in excess of 35% of the buyer's gross income. The selling price of the property must be supported by an independent third-party appraisal obtained not more than 3 months in advance of the scheduled closing date. In all cases, the AHP down payment subsidy and buyer's cash down payment must be identified on the HUD-1 Settlement Statement /Closing Disclosure at the time closing occurs or else the funds may be de-committed.

### The following are prohibited/restricted uses of AHP subsidy:

- 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
  Financial literacy or counseling provided to the tenant or homebuyer

### 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 whether 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 costs 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/owner §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.

### Market Demand

A comprehensive market analysis of the housing needs of low-income individuals targeted in the area to be served by the development must be performed and submitted with the application. Sufficient demand in the market for the development must exist and, based on reasonable predictions, will continue to exist during the term of the affordability period for the number of units to be developed. Such study should be relevant in breadth and scope to the housing population to be served. For example, a development housing chronically homeless individuals would be difficult to engage a traditional market study. Evidence of the most recent point in time count coupled with the continuum of care plan identifying a shortage of housing beds for this vulnerable population is an appropriate substitute in circumstances where a traditional market study would not be relevant.

### Project Site Standards

At the time of application, the proposed project site must be secured as evidenced with an accepted: option to purchase, purchase agreement, HUD 1- Settlement Statement/Closing Disclosure, deed or other such evidence the subject property is secured with an agreement. Agreements shall not expire earlier than 30 days following the anticipated award announcement date or an accepted extension of the agreement is required.

Properties that involve: remediation of hazardous materials and/or brownfield remediation on the proposed site must submit at time of application: 1) evidence the hazardous materials can be mitigated; 2) a plan that includes financing of how the substances will be mitigated from the site.

Property substitutions after the submission of the application are not permitted. In such cases wherein a change of property is necessary to advance the project and AHP has been awarded, the project shall be withdrawn. Such withdrawal shall not preclude the applicant from submitting a subsequent application when the new site location if affirmed.

### FHLBI member compliance experience with sponsor

The sponsor must have a demonstrated ability to provide timely monitoring information and to complete projects on a timely basis. The FHLBI will review past projects as an indication of performance on new applications. If the sponsor history is unsatisfactory, which includes failure to utilize previous AHP awards, inability to complete previous projects in required time frames, repeated failure to submit required documentation or serious and repeated violations of the program, the project may be excluded from the scoring process. The FHLBI will rely on the member's willingness to submit the application as an indication of its own satisfactory history with the project sponsor and support of the application.

### Sponsor capacity/development team experience

The AHP application must demonstrate that the developer/sponsor has the ability, experience and financial capacity to complete and manage the property for the retention period and that it has developed projects of comparable size and financing complexity. For new organizations, board members and/or staff members must be experienced in providing or developing the type of housing outlined in the application or the sponsor may contract with an experienced developer. Applications that fail to indicate adequate sponsor/development team capacity and support will be excluded from the scoring process. The FHLBI will rely on the member's willingness to submit the application as an indication of its comfort with sponsor's capacity/development experience and general support of the application. The member support of the development should consider a customary underwriting/review processes that weighs the sponsor's development experience, management team and organizational management structure.

### Project readiness to proceed threshold

The FHLBI requires that funding of AHP subsidies commence within 12 months of approval. The Implementation Plan further stipulates requirements that the AHP subsidy be completely used within 24 months of date of award. Projects that have not been able to procure site locations, or that have not clearly identified stable development funding at the time of application, may not be able to meet the time limit requirements.

Only projects that are considered to meet the "readiness test" will be included in the scoring process. In general, to determine project "readiness," the FHLBI will examine the following documentation for overall readiness to proceed, including but not limited to, the following:

- Site control - Current, verifiable evidence from a third-party source (e.g., a copy of: an executed deed, purchase option, sales agreement, long-term lease, ordinance) that control of the proposed project site has been obtained or is projected to be obtained within six months following the approval of the application.
- Financing commitments - Current, verifiable evidence that the project has identified its permanent finance structure and that interim, bridge and permanent financing can be secured in order to maintain the FHLBI timelines. Project sources using Low Income Housing Tax Credits require a letter of intent by an equity provider at application and a hard equity commitment within 120 days of award announcement. Required approvals - Verifiable evidence (e.g., copies of building permits, planning board ordinance, judicial decree) that the project has acquired zoning, environmental, and other municipal, state or federal approvals or that such approvals are pending and/or likely to be approved in the very near future.
- Other such documentation that can be provided to verify the project will be ready to proceed and be completed within the 36 month requirement.
- The FHLBI, in its sole discretion, reserves the right to disqualify a project when it determines that the project does not meet the readiness test.

## 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.

For projects with a financial structure which will use Low Income Housing Tax Credits (LIHTC), at the time of application, the applicant must submit a letter from the proposed equity investor that includes all of the following:

- The amount, price, and terms of the investment
- The planned equity pay-in schedule
- Investment underwriting and financial forecast pages compiled by the investor including: sources and uses of funds, draw schedules, rental income and operating expenses, cash flow analysis, lease-up schedule, reserve requirements
- Such other materials as the Bank may reasonably request.

## 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. (i.e., by December 31, 2017)

24 months - AHP subsidies for approved projects should be completely disbursed within 24 months of the date of approval of the AHP application. Funds not drawn down and used within 24 months from the date of the award may be cancelled 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. (i.e., by December 31, 2018)

*Note: Projects receiving points under the Readiness to Proceed initiative must achieve construction completion within 24 months in addition to full subsidy disbursement or a modification of the Readiness to Proceed points will be required. See also the section(s) relating to scoring modifications.*

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. (i.e., by December 31, 2019)

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.

At the time of application, eligible development costs expended or incurred towards the development and/or acquisition shall not exceed seventy-five percent (75%) of the total estimated eligible development costs.

### Refinancing of existing projects

If a project uses competitive AHP subsidies to refinance an existing single-family or multi-family 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.

### Recapitalization of existing housing projects

As existing housing projects approach the end of an ongoing long term affordability obligation, owners may recapitalize the affordable housing to cure deferred maintenance, refinance existing debt obligations, add unit enhancements to maintain or improve market competitiveness, replenish replacement and operating reserves accounts etc.

Such recapitalization activities may include dissolution, change of a previous ownership structure, and/or retirement of prior project financing. The FHLBI will review costs attributable to a recapitalization transaction for unreasonable fees or costs, non-arms'-length transactions, and other factors which may suggest "unjust enrichment" under applicable FHFA regulation, and will consider this in the need for subsidy evaluation. The cost reasonableness evaluation may include, but is not limited to: minimum eligibility standards, alignment with feasibility guidelines, sources and uses of funds, other market standards for specific cost line items, and any other factors the FHLBI deems relevant. If the project received a prior AHP award and the retention period will expire within one year of the proposed recapitalization and the first disbursement deadline thereunder, and the development timeline realistically forecasts the development progress to be consistent with the three year deadline to complete the project, the project may be considered in the current year's funding cycle for an additional award. Project performance, sponsor compliance, occupancy trends and other factors may be considered in evaluating the project for a second AHP award.

### 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.*

### Federal and State Law Compliance

The project, as proposed, must comply with applicable local, state and federal laws on fair housing accessibility and disability-related laws, 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. In addition, the development design should reflect the requirements of applicable local building code standards.

## 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.

## Application Completeness:

The application submission should be complete with supporting documentation consistent with the application. This includes, but is not limited to, a fully completed Excel® application form in accordance with the instructions and submission of all applicable exhibits. The FHLBI reserves the right to remove an application from consideration in its sole discretion if the application contains multiple material errors in documentation, is incomplete, or contains material inconsistencies.

## Project Narrative at Application:

Applications should contain a narrative which consists of a detailed and complete description of the project which includes, at a minimum, the type of project; type of financing; tenants served; bedroom mix; local, federal or state subsidies, if any; number of jobs created, including an explanation/analysis for how this number was determined; and any other relevant descriptive information. Applicants should be as detailed as possible, particularly in describing areas about the development that involve unusual or complex elements. Mixed use developments require attention to non-housing aspects of the project in narratives, costs, market assessment and other such aspects that may impact the housing proposed. Such narratives should articulate the need for the AHP subsidy to support the development budget and reduce, through rents and targeting, permanent debt financing.

## Scoring Criteria

### Use of donated, government-owned or other properties: *(up to 5 points)*

Points shall be awarded as follows:

Up to 2 points - projects that have 100% of the properties conveyed to the project by the federal government or any agency or instrumentality thereof will receive 1 point. Projects meeting the 1 point criteria that are undergoing a RAD conversion will receive an additional point.

OR

up to 5 points - projects that have a minimum of 50% of the total units or land area wherein ownership is obtained through a charitable donation within the preceding 10 years or conveyed at a nominal price (such as $1.00 plus minimal conveyance fees) or from a land bank. 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 qualified not-for-profit organization or government entity: *(up to 7 points)*

*For rental projects:*

The qualified not-for-profit must have been successfully engaged in the business of developing 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.

1 point – Projects for which the not-for-profit sponsor has up to 25% general partnership or ownership interest, has at least a 25% interest in the developer fee in the proposed project and meets the requirements of 1-4 below.

4 points – Projects for which the not-for-profit has at least 49% and less than 100% general partnership or ownership interest in the proposed project, and has at least a 49% interest in the developer fee and meets the requirements outlined in 1-5 below. Projects for which the not-for-profit has more than a 49% 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 has 100% general partnership interest with the proposed project, has 100% interest in the developer fee and meets the requirements outlined in 1-5 below. Projects for which the not-for-profit has a 100% general partnership interest with the proposed project but does not meet requirements outlined in 1-5 below will receive 1 point.

1) Project sponsorship by a not-for-profit organization 501(c)(3) or 501(c)(4) defined not-for-profit, 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; and, has no part of its net earnings to the benefit of any member, founder, contributor, or individual.
5) 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. A not-for-profit is considered to be materially participating "where it is regularly, continuously, and substantially involved in providing services integral to the development and operation of a project."

   *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. Households with income in excess of 80% AMI are ineligible for AHP subsidy; mixed income developments may only include the less than 80% AMI units in the AHP total development costs.

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. To the extent units within the development are subject to multiple sets of income restrictions, the most restrictive income limit shall apply. The AHP commitments may be the most restrictive overall. Comparison of commitments represented to other stakeholders and the AHP targeting reflected in the application will be evaluated for consistency. In cases where there is ambiguity in targeting commitments between AHP and other stakeholders, the FHLBI may, in its sole discretion, align the targeting for the AHP application with the commitments represented to the primary stakeholder.

*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.*

<u>Housing for the homeless: *(up to 6 points)*</u>

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 - 6 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. An illustrative list of eligible households in this criterion includes but is not limited to individuals who are: survivors of domestic violence, individuals aging out of the foster care system, and individuals with chemical and/or alcohol dependency.

Point calculation for projects committing ≥ 20% of total units and ≤ 80% of total units:

Homeless units / Total units = HU%
HU% * - 6 points = Homeless Points
8 homeless units / 39 total units = 20.51% OR 31 homeless units/39 total units =79.5%
20.51% * 6 points = 1.23 homeless points 79.5% x 6 points = 4.77points

Projects reserving ≥ 80% of the total units for homeless housing up to 100% receive - 6 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 may not duplicate empowerment initiatives.*

Promotion of empowerment: *(up to 6 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 6 points. For each empowerment commitment there must be a clear, defined economic benefit to the entire resident population to be housed at the proposed project. It is expected that services will be available to project residents on an ongoing basis.

Projects that are providing supportive services to special needs, homeless, or aging in place residents should keep the following in mind:

- empowerment initiatives may not duplicate supportive services;
- empowerment initiatives must be made available to and demonstrate how they are economically beneficial to all homeowners or residents;
- services requiring a person- centered delivery approach will generally be considered a supportive service;
- empowerment initiatives should complement and not overlap with services designed to stabilize and sustain the person in housing.

To receive credit for empowerment activities or services, the application must include a Memorandum of Understanding (MOU) completed for each service provider and for each empowerment commitment detailing the services to be provided specifically to the residents or homebuyers. When activities or services are provided by the project sponsor, a resolution of the Board of Directors (or equivalent) of the Sponsor shall be provided instead of an MOU.

All MOUs must specifically and clearly outline:

a) the empowerment services to be provided;
b) how the service is economically empowering to the targeted population of the project;
c) how the service will be funded;
d) how the service is appropriate for the population being served by the project;
e) how the service will be carried out and delivered to the targeted population;
f) how the services being provided to the resident population differ from what is already available to the general public;
g) how residents/homeowners are expected to get to and from the service location;
h) the cost of services to be provided to residents;
i) the frequency of delivery (at least one time annually);
j) if the project sponsor will be providing the service, what is the sponsor's experience or history in providing this service; and
k) the term of the MOU.

One point each, up to a maximum of six points, will be awarded for any of the following distinct activities or services, documented as outlined above:

1) Employment Initiatives
    - Such as, but not limited to: vocational training, resume building/interview techniques, business etiquette, or job placement programs.
2) Daycare Services or After School Programs
    - If offsite, an MOU for transportation directly to and from the day care/after school program must be provided.
3) Educational Initiatives
    - Such as, but not limited to: GED preparation and testing, reading/writing, or second language classes.
4) Homebuyer Pre-purchase Counseling, OR Tenant Counseling with Financial Literacy Training.

    - Such as, but not limited to: member provided financial classes, credit repair/counseling, budgeting or assistance accessing benefits such as social security, disability, legal aid, etc.
5) Sweat equity (Homeownership only)
6) Residents' Council affecting the operation of the project, OR Homeowners' Association
7) Other services, that assist residents to move toward better economic opportunities
    - Such as, but not limited to: welfare to work initiatives, adult and child mentoring programs, health/nutrition classes, innovative transportation solutions, or other services that do not duplicate or overlap the empowerment initiatives set forth in 1-6 above.

### Monitoring / Evidence of fulfillment -Empowerment:

Evidence of how each initiative was carried out is required at the completion monitoring review as verification of fulfillment of each initiative for which points are awarded. Acceptable documentation may include, but is not limited to, one or more of the following:

1. Resident surveys indicating awareness/utilization of empowerment initiatives offered
2. Sign-in sheets/attendance logs
3. Meeting minutes
4. Course or class curriculum/agenda/outline
5. Materials handed out to empowerment initiative attendees
6. Photos or such evidence relevant to demonstration of fulfillment

Providing a printout of the service provider's website is not considered sufficient support documentation for purposes of awarding points or evidence of fulfillment at completion. The FHLBI reserves the sole discretion to award points based upon the empowerment MOU and other supporting documentation.

### First district priority: 17 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 6 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. Program support should concentrate efforts to eliminate isolation and foster engagement with and in the community. 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 6 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 6 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 ≥ 20% of total units and ≤ 80% of total units:

Special needs units / Total units = SN%
SN% * 6 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% * 6 points = 1.23 special needs points | | 79.5% x 6 points = 4.77 points |

Projects reserving ≥ 80% of the total units for special needs housing up to 100% receive 6 points

*Note: Rental projects reserving at least 20% of the units 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 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 delivery 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 may not be duplicative of empowerment initiatives.

OR

Elderly housing promoting Aging in Community- ( up to *6 points*) Refers to making the living environment safe and adaptable, targeting households age 55 or 62+, so elders can remain independent and continue to thrive in their homes and community as circumstances change. Aging in Community 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. FHLBI encourages the use of universal design features best suited to the targeted population of the development. Any development involving the construction or rehabilitation of single family homes, duplexes, triplexes, or townhomes must meet the following visitability mandate. Visitability is defined as design concepts that allow persons with mobility impairments to enter and stay, but not necessarily live, in a residence. There are three (3) specific design elements that must be incorporated to satisfy the visitability mandate:

- Each unit must contain at least one zero-step entrance on an accessible route. This can be any entrance to the unit;
- All main floor interior doors (including bathroom doors) in each unit must provide at least 32-inches of clear passage; and

- Each unit must contain at least one half or full bathroom on the main level that is accessible per the Fair Housing Act Part B: Usable Bathroom standard.

The Aging in Community housing model can take two approaches:

Homeownership:

1) Allows the aging population to live in their own single family homes by construction of new homes or making modifications (rehabilitation) 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. The scope of the home repair shall comply with the Accessibility Modification Program (AMP) guidelines.

   *OR*

Rental:

2) Creates new housing facilities or communities or renovates existing housing (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 person-centered quality of life.

Both approaches focus on safety, care, affordability, social and civic engagement, and maintaining independence. Both may use technology and revised health care delivery practices to allow seniors more choices in housing and self-determined care needs. Long-term care linkages may be provided in any of the following ways: on-site, nearby (within 5 miles) or through door to door transportation, or be linked to or part of a larger continuing care retirement community model of living. Aging in Community designated developments may be licensed or unlicensed.

Aging in Community - 6 pts:

- Projects for which supports are coordinated; and planned on-site utilizing an active “Person Centered” planning process; and
- All or a portion of the supportive service costs are incurred by the owner/sponsor as evidenced through a separate and detailed supportive service pro-forma; and,
- No less than 100% of the housing units are occupied by persons who are 62 years of age or older at the time qualification for housing is approved (in compliance with the Housing for Older Persons Act) OR receiving income related to a qualified disability at the time qualification for housing is approved

*OR*

Aging in Community – 2 pts:

- Projects targeting a 55+population, and do not provide on-going resident assessment more than one time per year; and
- Such services are provided on a referral basis offsite to agencies and providers of such services; and
- No or minimal supportive service costs are incurred by the sponsor/owner; and

- At least 80% of the total project units must be occupied by one person age 55+ at time of qualification for housing is approved OR receiving income related to a qualified disability at the time qualification for housing is approved.

*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 Community 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 using a person centered planning process, 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) service providers must meet Medicaid provider standards; and
6) rent, meals and services must be billed separately.

Owners of multi-family projects 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 (24 CFR §100).
http://www.hud.gov/offices/fheo/library/hopa_final.pdf

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

*Note: The FHLBI, in its sole discretion, will evaluate the supportive service plan in context with other project objectives to determine the level of points for which the project is eligible under the Aging in Community housing objectives.*

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 and/or monetary donation in support of the total housing 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. The monetary donation in support of the total housing development costs of the proposed project may be provided over a period of time not to exceed 3 years or upon project completion, whichever is first. Projects must demonstrate need for the proposed financing structure by providing adequate explanation in the application. Up to 8 points may be earned using any combination of the three options under this initiative. Points will be awarded in the following priority: 1) permanent financing 2) construction/interim financing 3) member donation.

Financing structures where the FHLBI member submitting the AHP application is a loan participant but not the lead lender will receive 2 points for permanent financing totaling 15% or less of total development costs, 2.5 points for permanent financing totaling 16% or more of total development costs, and 1.5 points for interim financing

*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.*

*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.*

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

| Points | Type of Financing | % 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 |
| Up to 5 | Financial donation to the project development costs equal to the greater of $10,000 or 1% of the total development costs shall receive 5 points<br><br>Financial donations to the project development that do not meet the dollar value for the 5 points may receive points as a calculated interpolation and must be at least $5,000. (example below) | N/A |

| | | |
|---|---|---|
| | Interim Financing | |
| 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. | |

*Example of variable member donation points: The project total housing development costs (THDC) of $2,500,000 would receive 5 donation points if the AHP member commits to a contribution of $25,000. A donation of $5,000 is equal to .2% of the THDC. Therefore, the member donation fraction is the equivalent of 20% of the maximum 5 points or 1 point.*

| | | | | | |
|---|---|---|---|---|---|
| THDC = | 2,500,000 | 25,000 | =1% of THDC | | |
| | Donate $ | | | Points Awarded | |
| | 5,000 | .20% | 5*.20 | 1 | |
| | 7,500 | .30% | 5*.30 | 1.5 | |
| | 10,000 | .40% | 5*.40 | 2 | |
| | 12,000 | .48% | 5*.48 | 2.4 | |
| | 15,000 | .60% | 5*.6 | 3 | |
| | 17,500 | .70% | 5*.70 | 3.5 | |
| | 20,000 | .80% | 5*.80 | 4 | |
| | 25,000 | 1.00% | 5*1.00 | 5 | Max Pts. |

Economic diversity*: (3 points)*

3 points

Projects that end isolation of very low-income households by providing economic diversity through100% of its units being located in census tract(s) with a median annual income that is at or greater than 100% of AMI;

OR

Mixed-income targeting in the development scheme to end the isolation of very low-income households through the creation of economically diverse housing. 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. Projects with less than 15 total units in the development require a minimum of 40% of the units targeted to households earning greater than 80% of 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. The development Sources must include an eligible funding provider for the >80% market rate units. *Example: A $4m development containing 40 units with per unit cost of $100,000; the developer designates 20% or 8 units as >80% AMI market rate units; $800,000 in private funding source(s) is required.*

*Note: The FHLBI may, in its sole discretion, determine whether the application demonstrates the commitment of sufficient resources to substantiate the strategy has a reasonable chance of implementation*.

Second district priority: 13 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:

Desirable Sites Initiative (Up to 5 points)

Up to 5 points are available for projects that can demonstrate proximity/access to public transportation and amenities. If points are sought for both criteria under this initiative only one map is required. Projects involving multiple/scattered sites a separate map for each location is required. Requirements for the scoring initiative must be demonstrated at all sites to be eligible for points.

Proximity to Transportation (2 points)

Applicants that can demonstrate the project is located within two blocks of a public transportation stop (i.e. bus stop, train stop) OR have access to no- or low-cost transportation services available to all residents may be considered for points.

To receive points for the project being located within two blocks of a public transportation stop documentation must include a site map indicating the specific location of the public transportation stop in proximity to the project site. The map must be legible and display or calculate the distance from the housing to the public transportation stop and have a clear scale. An indication of major roads/intersections must be included on the map. Photographs of the site and surrounding area must be provided.

For applicants with access to no- or low-cost transportation services the transportation service must be provided on-site or to the doorstep. Documentation must include a MOU or letter from the transportation service provider agreeing to and outlining the services being provided.

Site Amenities: (3 points)

Projects located within 1 mile of any five (5) of the amenity categories listed below may be eligible for points (from a minimum of five (5) different categories).

To receive points a site map indicating the type and specific location of each amenity in proximity to the project site must be provided. The map must be legible and display or calculate the distance from the housing to the location of the amenities and have a clear scale. An indication of major roads/intersections must be included on the map. Photographs of the site and surrounding area must be provided.

| | |
|---|---|
| Community or recreation center | Entertainment venue (including music, theater, museum, sports facility, other) |
| Education institutions (including K-12, university, adult education, vocational school, or community college) | Government office that serves public onsite |
| Public library | Public park |
| Post office | Social services center |
| Services (Including laundry/dry cleaner, health club, bank, other) | Retail (including grocery store, farmer’s market, pharmacy, restaurant, café, clothing store, other) |
| Medical facilities (including hospitals, doctor office, dentist office, clinic, other) | Licensed childcare, adult, or senior care |

Small Projects: *(3 points)*

Projects that have less than 25 units are defined as small projects and eligible for points in this criterion.

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 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 may be subject to conditions of other funding including AHP, which will lead to the likelihood of the project going forward. Projects in which the AHP subsidy request is greater than 50% of the total housing development costs at the time of application are not eligible for points under this category.

In addition to the requirements above, developments funded with low income housing tax credits require a reservation letter supported by:

a) A fully accepted letter of intent by an equity investor to receive 3 points

b) A fully executed equity commitment by an investor (or have an executed partnership agreement) to receive 5 points

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, the 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 (i.e., by July 31, 2018). 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 that the development strategy has a reasonable chance of implementation. Failure to meet the 24 month completion timeline may result in a modification to remove Readiness to Proceed points. Such modification may result in the project becoming ineligible for funding due to the loss of points wherein repayment of subsidy funded is required.*

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: *(15 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 $1,500 and $22,500 per unit. To determine the point value, use the following formula:

Points = (22,500 - Subsidy per unit) / 1500

Based on the formula, the maximum amount will be awarded at or below $1,500 subsidy per unit with 0 points awarded at $22,500 or more in subsidy per unit.

*Projects in which the funding gap results in AHP subsidy per unit in excess of $75,000 are ineligible projects.*

Community stability: (11 points)

Applications that promote community stability will receive points as follows:

Stabilization initiative: *(5 points)*

1) Improvement and/or rehabilitation of real property wherein at least 75% of the proposed project site(s) meets any combination of the following four classifications:
   a) foreclosed property-improved land with housing structure;
   b) vacant housing structure;
   c) abandoned housing structure;
   d) vacant land where housing was razed in the preceding 7 years.

*Note: All property locations in the project must be defined in one of the four classifications in the criterion to be eligible. The FHLBI may, in its discretion, award points under this initiative or the Preservation initiative if deemed to be more appropriate for the proposed project. Adaptive reuse projects and projects requiring partial or complete demolition will be considered new construction and not eligible for points under this criterion.*

OR

Preservation initiative: (3 points)

2) Acquisition/rehabilitation or rehabilitation of existing housing. Rehabilitation costs must be in excess of $30,000 per unit in hard rehabilitation construction costs exclusive of builder's profit and contingencies. Projects that are not 100% rehabilitation do not qualify under this criterion.

Criterion requires a complete Capital Needs Assessment (CNA) conducted by a qualified independent third party dated within one year of the application date. Such assessment must:

a) Detail the scope of work required to sustain the property without additional significant capital expenditure after the completion of the proposed project that is in excess of the projected replacement reserve balance and;

b) The scope of work must include the repair or replacement of components that are in immediate need of such repair or replacement generally within the next five years or are substantially, functionally obsolete. An independent itemization with contractor trade breakdown (scope of work) by an individual qualified to make such estimates of repair is also required.

c) If the development already has capital improvement reserves that will be retained, the reserves shall be included in the source of funds unless doing so would be prohibited under the terms of the development agreement, regulatory agreement, or other applicable requirement. Please describe the nature of any such prohibition.

In addition to structural and environmental abatements, sidewalk and parking surfaces, the scope of work should address replacement of mechanical equipment, appliances, bathroom and kitchen fixtures and cabinets, floor covering, windows, doors, siding and roofing with less than five years of useful life remaining. The cost of the proposed renovations should reconcile to the development uses of funds. USDA Rural Development Section 515 properties may include the cost of construction for community buildings and common area amenities in per unit costs.

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

Building green initiative: *(up to 6 pts.)*

Building green development/rehabilitation initiative: *(up to 6 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 can earn points in this category by receiving a qualifying Green Certification *OR* by incorporating at least six of the Green Standards provided below.

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 and/or certification. The elected green initiatives should be consistent with development size, scope and population being served. 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, green certification/designations 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, materials and certifications (if applicable) 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.
6) A detailed outline of a resident orientation walkthrough guide or video must be provided for each new resident/homeowner that reviews the building's green features, operations and care/maintenance with stage two monitoring documents.

If the Green Certification or all Green Standards are not achieved by the stage-two monitoring required at completion, the project will require a modification that results in total points lost for this category. All Green Standards outlined below must be achieved to maintain points; if the green team makes the determination to seek a green certification after the application submission, additional points for such certification may not be added to the final score.

### Green initiative with certification - 6 Points

To receive 6 points, the project must commit to receive a Green Certification from the following programs by the stage-two monitoring required at project completion. The Certification must be submitted at this time or a reasonable time thereafter as determined by the FHLBI. At the time of application, the green expert must verify the project will incorporate all the requirements to achieve the Certification. The Green Plan must identify each element that will be incorporated into the project as required by the Certification and how each element will be achieved. The level of Certification is at the discretion of the project team.

- Enterprise Green Communities
- US Green Building Council LEED Certification
- ICC 700 National Green Building Certification
- NAHB (National Association of Home Builders)

*OR*

### Green initiative with no certification - 3 Points

To receive 3 points, the project must commit to incorporating ***at least 6*** of the following Green Standards into the project. Evidence of incorporating these standards will be required at the time of the stage-two monitoring at project completion through a combination of supporting evidence that can include: photos, invoices, letter of certification by green team architect or green expert, and/or video. At the time of application, the green expert must verify the project will incorporate all of the requirements. The Green Plan must identify the specifics of how each standard will be achieved and include a statement of the building code standard applicable to the region where the project is located where indicated by the individual criterion.

For rehabilitation projects at least 75% replacement must occur for each green initiative in which points are being sought. For example, if you have a 10 unit project and are seeking points in the windows category, all windows must be replaced in at least 8 of the units.

Note: The FHLBI reserves the right to evaluate the green plan for financial feasibility, reasonableness and overall consistency with overlapping scoring criteria. Additionally, the FHLBI may, at its discretion, award 3 points rather than the 6 points indicated where there is ambiguity in the green plan or there is a lack of compelling assurance a certification can be achieved based on the level of green initiatives detailed in the green plan.

#### Building Envelope and Insulation

- Exceeds minimum building code requirements for thermal insulated windows by 10%
- Exceeds minimum building code requirements for entry doors by 10%.
- All roofs/attics insulated in excess of the minimum building code requirements by 10%.
- All exterior walls insulated in excess of the minimum building code requirements by 10%.
- When installing or replacing exterior finishing materials brick, stone, fiber cement siding or vinyl siding (of at least .044" thickness Residential Grade carrying a lifetime warranty) must be used. (Existing buildings that were constructed using a brick exterior finish are not eligible under this criteria.)

#### Recycling

- Use of at least three defined construction materials 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 wood or tile (excludes carpet, carpet padding, and OSB plywood material).
- Development and implementation of a construction waste management plan to reduce the volume of materials that would be sent to the landfill by at least 25%. Requires sorting and recycling of construction waste product by type: metals, plastic, cardboard, wood.

### Fixtures

- Install new, in each unit, Water Sense labeled High-Efficiency Toilets (HET), Showerheads, Kitchen Faucets and Bathroom Faucets.
- If providing appliances or replacing appliances including washer, dryer, refrigerator, dishwasher, furnace, air conditioning unit, or water heater, install new in each unit (if applicable) high efficiency Energy Star rated appliances.
- Use Energy Star or high-efficiency commercial grade light fixtures AND bulbs in all common areas AND in multi-family rental properties, install occupancy sensors in common areas throughout the project such as conference, meeting and laundry rooms, offices and all areas where permitted by local building code.

### Flooring

- Install or replace flooring with Green Label Certified or Green Label Certified Plus carpet, adhesive and padding used throughout the project. Non-carpet areas in common areas and within housing units should be GREENGUARD or GREENGUARD Gold or Floor Score certified material.

### Renewable Energy

Offset at least 20% of the residential unit and common area demand using wind or solar energy alternatives.

## 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 Homeownership Initiatives Programs funds to ensure utilization of all AHP funds.

## Tie-Breaking Methodology

In the event that two or more applications have identical scores in the same funding round and there is insufficient AHP subsidy to approve all of the tied applications, the following tie-breaking methodology will be used:

Step 1: Compare the tied applications' scores under the readiness criterion in the Second District Priority. The application with the highest score is approved for funding. If the applications' scores are still tied, proceed to Step 2.

Step 2: Compare the tied applications' scores under the Subsidy per Unit criterion. The application with the highest score is approved for funding. If the applications' scores are still tied, proceed to Step 3.

Step 3: Compare the tied applications' scores under the Member Involvement criterion. The application with the highest score is approved for funding. If the applications' scores are still tied, proceed to step 4.

Step 4: Compare the tied applications' scores under the Building Green criterion in the Community Stability category. The application with the highest score is approved for funding.

If an application does not prevail in breaking the tie, it will be approved as an alternate award.

## 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.

For projects using Low Income Housing Tax Credits (LIHTC), the FHLBI defers to the applicable state housing finance agency's approach in effect during the credit allocation year for the purpose of determining equity and the AHP funding gap. The FHLBI recognizes rate fluctuations and equity pricing can significantly increase or decrease the amount of development gap. The FHLBI will rely on signed letters of intent, firm equity commitments, the LIHTC application and other third party resources available in the gap evaluation for AHP subsidy. Further, the FHLBI may conduct a rate survey to determine that the LIHTC sales price reflected appears reasonable. In the course of such analysis that is required by Regulation at application, each disbursement, and completion of the project, the FHLBI in its sole discretion, may determine the AHP subsidy awarded must be reduced or the funding gap is eliminated in its entirety.

*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. Representations made in the application relative to non-AHP funding sources, the owner, applicant, developer, related party/entity or any member of the development team, their experience and previous participation is material to the evaluation of the application by the FHLBI and its Member; therefore, transfer requests or conveyance of an ownership interest to another party by the sponsor is generally discouraged. The FHLBI may in its sole discretion decline the proposed transfer or team change and require resubmission of the application in the next competitive funding round.

The FHLBI processes project modifications in accordance with the requirements of the Regulation and the FHLBI's project modification policy and procedure.  Any changes to a project that require a re-scoring or re-evaluation that causes the project's score to fall below the first unfunded project will result in the project being ineligible for the AHP subsidy and the project must be withdrawn if a reasonable remedy cannot be determined within a practical timeframe.  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 the most 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 and the need for subsidy is consistent with the approved application. 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 manually-executed original signature by an individual so authorized by the member and sponsor/owner; AND one complete paper copy of required documents, which include but are not limited to project-related documents as follows:

1) Current updated Excel® project workbook appropriate for the project type; and
2) Relevant closing, loan and funding and partnership documents; and
3) Retention documents; and
4) Relevant contracts, invoices, cost certifications, AIA G702/G703 Pay Application/Sworn Statement documents; and
5) Documentation from all other funding sources including applications, award letters, award agreements, fundraising statements, partnership agreements, board resolutions, etc.; and
6) Any additional documentation necessary to evaluate the project as deemed applicable by the FHLBI.
7) Printed materials may be supplemented with electronic media formats to include Microsoft® and Adobe® file formats saved to a thumb drive, CD ROM or as directed by the FHLBI.
8) At the completion of the project, contingencies must be zero or AHP funds may be de-committed or recaptured.

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 that 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.

In cases where the developer fee is identified as an intended use of the AHP funds, sponsors may request an amount that is consistent with the percentage of completion achieved at a certain date up to 80%. The final 20% may be requested when the construction phase of the development is certified complete. A maximum of 20% of the developer fee may be requested before the commencement of the construction phase and may reimburse the sponsor for pre-development related expenses such as: survey and appraisal fees, market study, and engineering and architect fees. The FHLBI will not allow any amount in excess of 20% of the total developer fee to reimburse expenses characterized as pre-development. Low Income Housing Tax Credit developments deferring the developer fee as a source of funds, the amount of AHP subsidy available to draw is limited to the applicable percentage that is net of the deferred fee. The contractor's sworn statement is the prevailing evidence of the construction progress.

*Example: Total developer fee is $100,000. First disbursement request: project may request 20% or $20,000 toward reimbursement or funding of pre-development related activities or developer fee. The Contractor Sworn Statement indicates the project completion achieved to date is 30%; therefore, the cumulative total developer fee available for funding from AHP is $30,000 at this time and the maximum developer fee available to draw down is $10,000.*

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 Initiatives Programs (§ 1291.6)

The FHLBI shall determine annually whether to offer a Homeownership Initiatives Programs for the following year pursuant to § 1291.2(b)(2) of the Regulation. In 2016, 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 Impact Program (NIP) for owner-occupied rehabilitation; and
3) the Accessibility Modifications Program (AMP) for owner-occupied accessibility improvements

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 Homeownership Initiatives Programs allocation to such programs to assist first-time homebuyers. The FHLBI will contribute up to 35% of the 2016 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 Homeownership Initiatives Programs uses and adjust the release dates to meet demand and assure utilization of all funds. Funding is open until all Homeownership Initiatives Programs funding is exhausted.

Detailed information including disbursement and monitoring procedures regarding the Homeownership Opportunities Program (HOP), the Neighborhood Impact Program (NIP), and the Accessibility Modifications Program (AMP) 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 followed 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.

The FHFA prohibits the FHLBI from engaging, directly or indirectly, in certain transactions with individuals or entities on the FHFA's list of suspended counterparties (http://www.fhfa.gov/SupervisionRegulation/LegalDocuments/Pages/SuspendedCounterpartyProgram.aspx). Accordingly, neither the Member nor the Project Sponsor shall employ, contract for, or otherwise use the services of any person or entity on the FHFA's list of suspended counterparties (a suspended party) such that the suspended party would directly or indirectly participate in any contractual relationship in the mortgage, securities or other lending product business with the FHLBI.

Projects with severe compliance issues that demonstrate a consistent pattern of failing to make reasonable progress toward completion of existing projects; a consistent pattern of failing to provide requested documents including but not limited to: semi-annual progress reports, annual certifications, household income sampling information, disbursement/monitoring information; a consistent pattern of noncompliance with approved requests or cure periods; or failure to comply with applicable Program requirements may be subject to the following sanctions until compliance issues have cleared:

1. All disbursements involving member and/or sponsor may be suspended. The project may be withdrawn by the FHLBI or Member in cases where such sanctions may not resolve the reporting and compliance deficiency.
2. If during an AHP application funding round, applications for member and/or sponsor may be eliminated from consideration.
3. Access to Homeownership Initiatives may also be suspended in severe circumstances.
4. Addition to the FHLBI's internal watch list and reported to the Board quarterly until the noncompliance matter is resolved or escalated to further action including recapture. Further, the FHLBI may notify other FHLBs of the noncompliance matter where it is known the sponsor has ongoing AHP projects.

Permanent suspensions or debarments will be approved by the Board. In cases of suspensions or sanctions due to noncompliance, resolving the issue of noncompliance may lift the sanction without Board approval.

As part of the normal course of business, the FHLBI may provide, separately or as part of other communication, a written warning to the appropriate person or entity of the potential for suspension or debarment or withdrawal of the AHP award. However, failure to do so will not affect the FHLBI's ability to so suspend or debar a participant. If the FHLBI suspends or debars a person or entity, it will provide written notice containing:

1. Notification of the suspension or debarment;
2. The reason(s) for suspension or debarment;
3. The repercussions of the suspension or debarment; and,
4. The effective and end date of the suspension or debarment.

### 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 with respect to 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 within its Code of Conduct. To obtain a copy of that policy, please contact the FHLBI at 800-688-6697.

## 13: Notifying FHLBI of Questionable, Criminal, or Fraudulent Conduct

The FHLBI is committed to protecting its revenue, property, reputation, and other assets. The FHLBI has an Anti-Fraud Policy (a copy of which is on the FHLBI's public website at https://www.fhlbi.com/) in place to support this commitment and to enhance its compliance efforts. This Policy addresses not only instances of questionable, criminal, or fraudulent conduct within the FHLBI, but also such misconduct detected in our dealings with our members, AHP sponsors, and vendors.

If a Member or Project Sponsor suspect that questionable, criminal, or fraudulent conduct may have occurred involving the FHLBI, whether it occurs inside or outside of the FHLBI, please let us know by contacting the Community Investment Staff or by sending an email to compliance@fhlbi.com.

FHLBI

# Attachment A
# AHP Implementation Plan Definitions

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

Advance: A loan to a member from the FHLBI that is provided pursuant to a written agreement, supported by a note or other written evidence of the member's obligation, and fully secured by collateral in accordance with the Act and 12 CFR §1266 of the Regulation.

Affordable: Defined at 12 CFR § 1291.1.

Affordable rent charged for a unit that is reserved for occupancy by a household with an income at or below a specific percent of the area median income, as committed to in the AHP application, must not exceed 30% of the income of a household of the maximum income and size expected to occupy the unit (assuming occupancy of 1.5 persons per bedroom or 1.0 persons per unit without a separate bedroom). This means that, to be considered affordable, the rent may not exceed 30% of the applicable 50, 60, 70, or 80% targeted median income level committed to in the AHP application.

The rent charged to a household, for rental units subsidized with Section 8 assistance under 42 U.S.C. 1437f or subsidized under another assistance program, if the rent complied with this definition at the time of the household's initial occupancy and the household continues to be assisted through the Section 8 or another assistance program, respectively.

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

Accessibility Modifications Program (AMP): An FHLBI program that provides funds for accessibility modifications and minor home rehabilitation for eligible senior homeowners or owner-occupied households with a person(s) with a permanent disability

Applicable AFR (Annual Federal Rate): Every month, the Internal Revenue Service publishes a schedule of the minimum annual interest rate that must be charged for a loan to be considered a market-rate loan and therefore free of tax complications. These are the applicable federal rates, or AFR. These rates are based on market yields on various securities and are typically lower than what a commercial lender would charge. The rates fall into three tiers based on the length of the loan.

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

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

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

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

CICA: The FHLBI's Community Investment Cash Advance Program defined at 12 CFR § 1292.

Community Investment Program (CIP): Defined at 12 CFR § 1292.1. The FHLBI's Community Investment Program was established under 12 USC § 1430(i); under it, loans are made to FHLBI members at FHLBI's cost, plus a reasonable administrative charge.

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

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

Contingency: The contingency budget for a project is generally expected to be between 5% and 10% of the construction budget, unless the applicant can demonstrate that costs are unlikely to change from those proposed. Since unforeseen costs are encountered in virtually all construction/rehabilitation projects, an adequate contingency budget is key to ensuring funds will be available to complete the project. Projects that might justify a smaller or no contingency budget include those where only acquisition or minor rehabilitation will be undertaken. On the other hand, adaptive reuse of historical properties may require a higher contingency budget due to the potential for greater unforeseen costs in old buildings. The FHLBI excludes soft contingency expenses relating to non-construction activities. Contingencies must net zero at completion of the project or the subsidy awarded and/or disbursed may be reduced by the amount of the contingency remainder.

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

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

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

Developer's Fee: Include developer overhead, profit, and fees for services normally performed by the developer such as development consultant fees. Low Income Housing Tax Credit developments deferring the developer fee as a source of funds, the amount of AHP subsidy available to draw is limited to the applicable percentage that is net of the deferred fee.

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

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

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

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

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

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

Eligible uses: Permitted uses of AHP funds are for acquisition, construction, rehabilitation or some necessary soft costs relating to the development or preservation of housing for low-moderate income residents.

Enrollment date: Defined by the FHLBI as the date on which the member issues a qualification or other such loan commitment or enrolls the household in an FHLBI Homeownership Initiatives Program. Members must submit a disbursement request to FHLBI within 30 days after enrollment of the household into the FHLBI Homeownership Initiatives Program.

Effective Date of Tenant Certification: The date the tenant income certification becomes applicable. For initial certification for occupancy, this date must be the move-in date of the tenant.

Fair Market Value: An amount that represents the true value at which property could be sold on the open market.

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

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

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

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

1) An individual and his or her spouse who has had no ownership in a principal residence during a three-year period ending on the date of the purchase of the property.
2) An individual who is a displaced homemaker and has only owned a principal residence with a spouse who has not worked full-time, full-year in the labor force for more than two years and during that period, worked primarily without remuneration to care for a home and family.

3) A single parent who has only owned a principal residence with a former spouse while married and has 1 or more minor children for whom the individual has physical custody or joint physical custody as evidenced by the state authority on child support, guardianship and/or custody or divorce decree. If custody cannot be established by a court order, the primary residence of the child must be documented by third-party verification.
4) An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
5) An individual who has only owned a principal residence that was not in compliance with state, local, or model building codes, or other applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

Foreclosure: "Foreclosure" means a legal proceeding by which mortgaged (or otherwise encumbered) property is sold, upon default, in order to satisfy the unpaid debt secured by the property. Foreclosures generally are governed by state law, and rules may vary between states.

General Requirements: See contractor cost limits.

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

Gross Rent: The maximum amount a tenant can pay for rent before deducting a utility allowance.

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

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

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

1) lacks a fixed, regular and adequate nighttime residence,
2) has a primary nighttime residence that is:
   a) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill);
   b) an institution that provides a temporary residence for individuals intended to be institutionalized; or
   c) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings;

OR

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

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

Housing Facility: housing facility or community means any dwelling or group of dwelling units governed by a common set of rules, regulations or restrictions. A portion or portions of a single building shall not constitute a housing facility or community. Examples of a housing facility or community include, but are not limited to:

(1) A condominium association;
(2) A cooperative;
(3) A property governed by a homeowners' or resident association;
(4) A municipally zoned area;
(5) A leased property under common private ownership;
(6) A mobile home park; and
(7) A manufactured housing community.

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

Homeownership Set-aside Program or Homeownership Initiatives Program: Defined at 12 CFR § 1291.6. Funds provided to a member by the FHLBI pursuant to the Homeownership Initiatives Programs, the Neighborhood Impact Program, the Homeownership Opportunities Program, Accessibility Modifications Program and the Disaster Relief Program. Also referred to by FHLBI as "Homeownership Initiatives Programs")

HUD: The Department of Housing and Urban Development.

Infrastructure: Costs associated with installation of roads, sewers, water and electric utilities to the project.

Infill Housing: Residential development on small parcels in previously established areas for replacement by brand new or refurbished housing that utilizes existing utilities and infrastructure.

Joint Venture: A combination of one or more independent entities that combine to form a new legal entity for the purpose of this development.

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

Low-income housing tax credit equity: The sale of low-income housing tax credits is expected to generate a minimum of $0.80 per Tax Credit Equity dollar in equity proceeds. No maximum has been established. Projects including a below-market price for tax credits may be required to provide justification of the estimates used in their budgets.

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

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

Owner-occupied projects:

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

Rental projects:

1) For purposes of a rental project, “low- or moderate-income household” means a household that, upon initial occupancy of a rental unit, has an income at or below 80% of the median income for the area.
2) Housing with current occupants: In the case of projects involving the purchase or rehabilitation of rental housing with current occupants, “low- or moderate-income household” means an occupying household with an income at or below 80% of the median income for the area at the time an application for AHP subsidy is submitted to the FHLBI.

Family size adjustment:

The income limit for “low- or moderate-income households” will be adjusted for family size in accordance with the methodology of the applicable median income standard.

Management Company: A firm authorized by the Owner to oversee the operation and management of the development and who accepts compliance responsibility.

Management Fees: Fees charged to the project usually as a per-unit cost or based on a percentage of actual rents or fees collected. This fee usually covers the company’s collection of monthly housing costs, the payment of bills when due, monthly meetings with the ownership entity, and preparation of the monthly income and expense reports. Asset management fees are considered a partnership expense and may not be included in management fee expenses reflected in the 15 year pro-forma

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

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

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

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

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

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

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

Net earnings of a Bank: The net earnings of a Bank for a calendar year before declaring or paying any dividend under section 16 of the Federal Home Loan Bank Act (12 U.S.C. 1436). For purposes of this definition, "dividend" includes any dividends on capital stock subject to a redemption request even if under GAAP those dividends are treated as an "interest expense."

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

Ownership - The independent right of a person to the exclusive control and enjoyment of a property including its disposition and recovery subject only to the restrictions established by law and rights of others. Interest in real property that affords the owner the greatest possible aggregation of: rights, privileges, and power.

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

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

Project Description: A description of the need for the development within the community and the development itself written by the applicant. This narrative should give an accurate depiction of how this development will benefit the particular community. Generally, the summary should include the following points:

1) Development and unit description
2) Amenities in and around the proposed development
3) Needs of the area identified and how the development will fill the need
4) Development location
5) Populations to be served by the development
6) Unique features
7) Services to be offered

Permanent Supportive Housing (PSH): Permanent supportive housing is affordable rental housing with support services for low-income or homeless people with severe mental illness, substance abuse, or HIV/AIDS. The services can be offered within the development site or off-site.

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

- *Rental Projects:* For retention purposes, the completion date is the date the certificate of occupancy is issued by the local jurisdiction, or in areas that do not issue such certificates, the date the last unit in the project is suitable for occupancy. For monitoring purposes, the completion date is the later of the above or the date of the last AHP disbursement.

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

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

RAD (Rental Assistance Demonstration): The Rental Assistance Demonstration (RAD) allows proven financing tools to be applied to at-risk public and assisted housing and has two components:

- 1st Component - Allows Public Housing and Moderate Rehabilitation (Mod Rehab) properties to convert, under a competition limited to 60,000 units, to long-term Section 8 rental assistance contracts; and
- 2nd Component - Allows Rent Supplement (Rent Supp), Rental Assistance Payment (RAP), and Mod Rehab properties to convert tenant-based vouchers issued upon contract expiration or termination to project-based assistance.

RAD is a central part of the HUD's rental housing preservation strategy, which works to preserve the nation's stock of deeply affordable rental housing, promote efficiency within and among HUD programs, and build strong, stable communities. RAD Conversion:

http://portal.hud.gov/hudportal/documents/huddoc?id=RADConverGuidePHA.pdf

Related Parties:

1) The brothers, sisters, spouse, ancestors, and direct descendants of a person;
2) A person and corporation where that person owns more than 50% in value of the outstanding stock of that corporation;
3) Two or more corporations, general partnership(s), limited partnership(s) or limited liability corporations connected through debt or equity ownership, in which
   a) Stock is held by the same persons or entities for at least 50% of the total combined voting power of all classes that can vote, or at least 50% of the total value of the shares of all classes of stock of at least one of the other corporations, excluding, in computing that voting power or value, stock owned directly by that other corporation;
   b) Concurrent ownership by a parent or related entity, regardless of the percentage of ownership, or separate entity from which income is derived;
   c) Concurrent ownership by a parent or related entity, regardless of the percentage of ownership, or a separate entity where a sale-leaseback transaction provides the parent or related entity with income from the property leased or that creates an undue influence on the separate entity as a result of a sale-leaseback transaction;
   d) Concurrent ownership by a parent or related entity, regardless of the percentage of ownership, of a separate entity where an interlocking directorate exists between the parent or related entity and the separate entity.

4) A grantor and fiduciary of any trust;
5) A fiduciary of one trust and a fiduciary of another trust, if the same person is a grantor of both trusts;
6) A fiduciary of a trust and a beneficiary of that trust; a fiduciary of a trust and a corporation where more than 50% in value of the outstanding stock is owned by or for the trust or by or for a person who is a grantor of the trust;
7) A person or organization and an organization that is tax-exempt under Subsection 501(c)(3) or (4) of the IRC and that is affiliated with or controlled by that person or the person's family members or by that organization;
8) A corporation and a partnership or joint venture if the same persons owns more than:
    a) 50% in value of the outstanding stock of the corporation; and
    b) 50% of the capital interest, or the profit's interest, in the partnership or joint venture;
9) One S corporation or limited liability corporation and another S corporation or limited liability corporation if the same persons own more than 50% in value of the outstanding stock of each corporation;
10) An S corporation or limited liability corporation and a C corporation, if the same persons own more than 50% in value of the outstanding stock in each corporation;
11) A partnership and a person or organization owning more than 50% of the capital interest, or the profits' interest, in that partnership; or
12) Two partnerships where the same person or organization owns more than 50% of the capital interests or profits' interests.

Rental project: Defined at 12 CFR § 1291.1. For purposes of the competitive application program, one or more dwelling units for occupancy by households that are not owner-occupants, including overnight and emergency shelters, transitional housing for homeless households, mutual housing, single-room occupancy housing, and manufactured housing.

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

Retention period: Defined at 12 CFR § 1291.1.

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

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

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

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

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

Site Control: Outright purchase of real property, an option to purchase real property subject to certain conditions, or a long-term lease of real property.

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

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

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

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

Student: Any individual who is, or will be, a full-time Student (as identified by the institution) at an educational institution with regular facilities and Students, other than correspondence school.

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

Tenant: Any person occupying the unit.

Universal design (often inclusive design) refers to broad-spectrum ideas meant to produce buildings, products and environments that are inherently accessible to older people, people without disabilities, and people with disabilities. Universal design features include curb cuts or sidewalk ramps, essential for people in wheelchairs but also used by all, are a common example. Cabinets with pull-out shelves, kitchen counters at several heights to accommodate different tasks and postures, low or no step showers, electrical outlet placement mid-wall, door handle versus knobs are other examples of universal design characteristics.

Utility Allowance: The amount of utilities, or a particular unit, set by a Utility Allowance schedule, which is published by HUD, Rural Development, or Public Housing Authority, or a letter from the utility company which states utility rates.

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

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

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

# Attachment B
# Feasibility Guidelines

Note: The FHLBI will generally use the feasibility guidelines established by the State Housing Finance Agency (HFAs) as the primary standard for projects utilizing HFA financing. The feasibility analysis for competitive AHP consists of the following parts:

1) Financial feasibility
2) FHLBI compliance experience with sponsor and member
3) Sponsor capacity and development team experience
4) Project readiness
5) Market demand for proposed project

## Financial feasibility

The financial feasibility assessment will include a review of sources, uses, project costs and operational feasibility, and need for the subsidy as outlined in §1291.5. The application will require the sponsor to provide information regarding loans, grants, equity contributions, the anticipated value received from syndicators, equity contributions or private funding sources for the tax credits and any other financing that is necessary for the financial feasibility of the project. FHLBI recognizes that all rental projects are different; for example, some have debt, and others are not able to support debt in order to serve very low-income households. The financial feasibility standards are not used to automatically “disqualify” projects that fall outside the boundaries. These are evaluated on a case-by-case basis and should be clearly explained in the application. The FHLBI uses the feasibility guidelines as measures of “reasonableness.” In addition, depending upon project location and type, the FHLBI may request additional information for items that do not fall within appropriate ranges. The analysis described above is undertaken to ensure the following:

- Estimated sources equal estimated uses – cash basis
- Project costs are reasonable and customary in light of industry standards for the location and the long-term financial needs of the project
- Operating pro-forma demonstrates reasonableness and the likelihood of operating as projected
- The AHP subsidy requested is necessary for the financial feasibility of the project

*Note: It is the responsibility of the member financial institution to independently underwrite the submitted projects for the AHP subsidy requested <u>in addition</u> to any proposed financing of interim or permanent debt obligation. Part of the Member’s review should include evaluation of the development for the readiness of the proposal to use AHP funds. Generally, this readiness threshold is demonstrated with the commitment of 70% of the sources of funds (excluding AHP) at the time of application. Additionally, review of all threshold benchmarks should be considered in assessing the overall readiness of the development to proceed as presented in the application. Member underwriting is required on all AHP applications. It is expected that senior management of the member will review and approve all applications. The FHLBI’s feasibility analysis is not meant to meet lending underwriting criteria. Therefore, the FHLBI’s acceptance of the project should not be relied upon for lending purposes.*

Homeownership project development budget and Homeownership Initiatives Households

| Criterion | Feasibility Guidelines (Targets are maximums) |
|---|---|
| Cost per unit – rehabilitation (competitive AHP only) | 75% of the floor FHA single-family mortgage limit for area |
| Cost per unit – new construction (excluding land costs and nonprofessional volunteer labor) (competitive AHP only) | 75% of the floor FHA single-family mortgage limit for area |
| Household's monthly housing expense, including principal, interest, taxes, insurance, and homeowner's dues as % of gross income at application | May not exceed 35% |
| Mortgage Loan rate (Homeownership Initiatives only) | Market rates for loans of similar maturity, terms and risk |
| Mortgage Loan term/amortization (Homeownership Initiatives only) | Minimum 5 year mortgage term / 15 year amortization |
| Developer fee (competitive AHP only)<br><br>Payment to the sponsor of developer fee is an eligible use of AHP; however, developer fee may be disbursed only at the conclusion of the development when all homes have been sold and total development costs have been validated. Developer fee may not exceed 15%. | New Construction and Rehab – 15% based on calculation:<br><br>Developer fee + consultant fee ÷ (Total development costs – developer fee – consultant fee –land and/or building acquisition |
| Construction contingency (competitive AHP only) | New construction: 10% of hard costs<br>Rehabilitation: 20% of hard costs |
| Construction – hard costs (% of total development costs) (competitive AHP only) | 70% minimum |

AHP Household Subsidy Guidelines (competitive AHP only):

AHP Household Subsidy Calculation – AHP subsidy per household may not exceed 20% of the purchase price of the proposed property. Subsidy awarded on a per household basis may be adjusted pursuant to the FHLBI's individual household subsidy need calculation.

Purchase price must be supported by an appraisal completed not more than 90 days in advance of closing.

Household maximum loan calculation uses the lower of: Loan to Value and Housing Debt to Income.

Homebuyer must have a cash down payment based on household income as follows:

<30% AMI – the lesser of 1% of the purchase price or $1,000
<31-50% AMI – 2% of purchase price
<51-60% AMI - 2.5% of purchase price
<61-80% AMI - 3% of purchase price

Subsidies from non-AHP sources and sweat equity are not eligible substitutes for buyer cash down payments. Sweat equity is valued at an average of $15/hour and is applied to reduce the purchase price from the appraised valuation. In cases where sweat equity is not applicable, the purchase price shall be the appraised value. Allowable sweat equity hours are those completed by the household members on the subject property only. Buyer's cash down payment and AHP subsidy must be reflected on the HUD-1 Settlement Statement/Closing Disclosure prepared for the transfer of ownership.

Rental project development budget

| Criterion | Feasibility Guidelines (Targets are maximums Except for LIHTC Equity) |
|---|---|
| Rental per unit development cost – new Construction<br><br>Any line item cost or total unit costs exceeding a range of reasonableness for the project scope may be disqualified at the sole discretion of FHLBI. Considerations will be made for scope and location of the development. Additional documentation and information, verified by the FHLBI, may be required to substantiate reasonableness of costs. Per unit development costs in excess of $250,000 require third party documentation support and justification for higher costs with the application. | Maximum established by state HFA in which the development is located if the development qualifies for any state-administered program.<br><br>Per unit total development costs in excess of $155,000/unit require explanation justifying a higher cost in the application financial workbook<br><br>Architect Fees, including design and supervision fees, must be limited to 4% of the total hard costs plus site work, general requirements/profit/overhead and hard construction contingency. |
| Rental per unit development--acquisition/rehabilitation<br><br>Any line item cost or total unit costs exceeding or lacking a range of reasonableness for the project scope may be disqualified at the sole discretion of FHLBI. Considerations will be made for scope and location of the development.<br><br>Developments that involve any rehabilitation costs require an independent Capital Needs Assessment dated within one year of the application submittal. Such assessment must detail the scope of work required to sustain the property without additional capital expenditure after the completion of the proposed project that is in excess of the projected replacement reserve balance. An independent itemization of trades breakdown by an individual qualified to make such estimates of repair is required. Per unit development costs in excess of $250,000 require third | Maximum established by state HFA in which the development is located if the development qualifies for state-administered program<br><br>Per unit total development costs in excess of $155,000/unit require explanation justifying a higher cost in the application financial workbook<br><br>Architect Fees, including design and supervision fees must be limited to 4% of the total hard costs plus site work, general requirements/profit/overhead and hard construction contingency. |

| | |
|---|---|
| party documentation support and justification for higher costs with the application. | |
| Developer fee<br><br>Only LIHTC financed developments may use deferred fee as a source of funds. Any deferred fee loan must be repaid from cash flow by year 15. (see additional notation below) | New construction and rehab – 15% based on calculation: (Developer fee + consultant fee) / (total development costs – developer fee – consultant fee-land acquisition costs-operating/supportive service reserves)<br><br>Total developer, guaranty, and consultant fees may not exceed $1,200,000 OR maximum established by state HFA in which the development is located if the development qualifies for state-administered program<br><br>Maximum of 50% of the developer fee can be deferred. |
| Contractor cost limits<br><br>See notation below regarding Construction Management | The combined total of contractor profit, overhead, and general requirements shall be limited to 14% of hard construction costs.<br><br>Calculation: Total Contractor Profit / (Total construction cost - contractor profit, overhead and general requirements) |
| Hard Cost Construction contingencies<br><br>Note: The FHLBI has no soft cost contingency allowance | New construction: 10% of hard construction costs<br>Rehabilitation: 20% of hard construction costs<br><br>*Or consistent with the state HFA, USDA or HUD guidelines in which the development is located.* |
| Tax credit proceeds | $0.85 minimum |
| Operating reserves (capitalized)<br>(Requires non-AHP funding sources)<br><br>Supportive Services Reserves(capitalized) | Up to 12 months' operating expense (excluding replacement reserves) plus 12 months of debt service or $1,500 per unit whichever is greater.<br><br>Recommended (but not required) for projects that provide 80% or more of the units with extensive supportive services to special needs consumers. (Note: AHP subsidy may not be used to fund project debt service, operating, replacement, or supportive services reserves.) |
| Construction – hard costs (% of total development costs)<br>Note: if project involves acquisition with little or no rehabilitation, acquisition costs may be considered hard costs. | 70% minimum |

### Related Parties:

The Applicant/Sponsor, Owner, Developer, and Consultant must disclose all Related Party Fees submitted within the initial application budget. Fees may include, but are not limited to, developer fee, consultant fee, architect fee, guaranty fee, owner's representative fee, broker fee, document review fee, supervision fee, contractor fee etc. See related party definition in Attachment A – Definitions.

### Developer fee:

Applicant/Sponsor must include a statement 1) disclosing each entity/individual receiving a portion of the Development Fee along with the percentage or amount of the total fee each entity/individual will receive and 2) describing the terms of the deferred repayment obligation to the development including the interest rate proposed and the source of repayment. Non-profit organizations shall include a resolution from the Board allowing such a deferred payment and interest obligation to the Development.

### Deferred Developer fee:

Only those projects funded with Low Income Housing Tax Credit (LIHTC) may defer developer fee as a source of funds. The amount of the deferred fee may not exceed the maximum amount detailed in the partnership agreement once executed. The AHP subsidy may be applied toward the reduction of the deferred fee, subject to the disbursement policies, in an amount not to exceed 50% of the maximum deferral amount specified; and at least 25% of the developer fee shall remain deferred. If new or additional sources are added to the project after financing has closed without a corresponding increase in costs, the new sources may be applied on a pro-rata basis to reduce the deferred fee (or other subordinate funding source such as owner equity) resulting in a reduction of the AHP award.

### Construction Management / Contractor Fees:

If a construction manager is not included in the construction contract, then any construction management consulting fee must be included in and paid from the developer's fee. If a construction management fee (paid to a related or unrelated third party) is included in the construction contract, it must be included in and subject to the above fee limits relating to General Requirements, Profit and Overhead. Excess fees will be deducted from total development cost when performing the need for subsidy analysis.

Sponsor Loans to Development: (LIHTC funded)

The FHLBI allows the AHP subsidy to be loaned by the sponsor to ownership entity. Terms of such loans are generally subject to available cash flow and in an equivalent amount of the AHP subsidy. The terms of such loans may not exceed the applicable AFR in effect at the time the note is executed (generally not in excess of 3%). Further, interest on the note shall accrue throughout the term, but may not be paid, in whole or part, prior to the fulfillment of the 15 year AHP retention period. Such loan does not supersede repayment requirements detailed in the AHP Agreement.

## Rental project operating pro-forma

| Criterion | Range (Targets are maximums for yrs. 1-15 of pro-forma) |
|---|---|
| First year rents must equal total rents from the Rental Project Worksheet (at application),rents may not exceed 30% of the targeted area median income | Must be equal |
| Property Management fees | Up to 10% of effective gross income *or consistent with the state HFA, USDA or HUD guidelines in which the development is located for projects receiving that funding* |
| Replacement reserves | Up to $350 per unit per year for rehabilitation or new construction<br><br>Up to $420 per unit per year for historic preservation or single family units<br><br>*OR consistent with State Housing Finance Agency, USDA or HUD guidelines where applicable* |
| Inflation factors | Income up to 0-2% annually<br>Expenses1-3%  annually<br>or 1-2% faster than income |
| Vacancy rate | Up to 8% of total gross rents<br>Up to 10% of effective gross income if supportive housing |
| Total annual operating expense per unit *Net of operating and replacement reserves and real estate taxes*<br><br>See additional comments below | At least $3,500 per unit/year and not more than:<br><br>Years 1-5:   $4,250 per unit/year<br>Years 6-10: $5,000 per unit/year<br>Years 11-15:$5,500 per unit/year<br>*OR consistent with the state HFA, USDA or HUD guidelines in which the development is located where applicable.* |
| Debt coverage ratio (DCR) | Projects with hard debt: Minimum 1.15 up to 1.40 maximum<br><br>Projects without hard debt will not have a DCR. This will be calculated by a ratio of Effective Gross Income to Total Annual Expenses (excluding reserve for replacement)<br><br>All projects require a minimum of 1.15 ratio every year (1-15) to be considered feasible by the FHLBI. |
| | Note:  Tax abatement may cause the debt coverage ratio to be higher than these guidelines.<br><br>Exceptions will be considered on a well-documented case by case basis. |

## Other Project Feasibility Issues

*Shelter-type projects/supportive housing*

Projects that rely on donations for the support of the operating pro-forma must be able to demonstrate they have a track record of raising funds necessary to support the project. It is vital that the owner is able to demonstrate the financial capacity to retain the project as affordable housing for the retention period. Financial capacity is demonstrated by both a track record of raising adequate funds as well as having a balance sheet that reflects good fiscal management. It will be difficult to fund projects in which the owner's financials demonstrate year-to-year shortfalls in raising adequate funds for operating. In these cases, the member or sponsor/owner should include information indicating it has raised similar amounts of monies in the past and can demonstrate fundraising capacity.

Projects charging little or no rent or operating as "shelters" must be able to provide verifications of tenant income. For "shelters" the income verifications may consist of intake forms, zero income affidavits or similar client certification as little or no third-party verifications can be obtained.

The evaluation of AHP subsidy requests for projects involving service-enriched housing, housing for persons with special needs, housing for the homeless, and other forms of non-traditional rental housing will be completed on a case-by-case basis. A 15 year supportive service proforma outlining the source of funds dedicated to program/support delivery and expenses associated with the delivery of these programs is required for projects serving homeless or special needs populations. The supportive service proforma should relate specifically to the proposed project and should not reflect broader organization or agency income/expenses. For projects serving an aging population wherein services are engaged on a pay for service basis by the consumer, a supportive service proforma may not be indicated. The FHLBI may request historical financial statements, fundraising information, historical data relative to special needs population served and other such information as needed to determine financial feasibility and application commitments. For projects that rely on fundraising or equity for development sources, evidence of banked activities held in a separate capital account is required. Generally, a minimum of 70% of funding should be demonstrated as committed at time of application and 100% funding achieved by completion of the project.

*Mixed Use developments*

For projects which involve the blending of commercial, office or retail space, a separate 15 year operating proforma is required to detail expected income and operating expenses associated with the operation of the non-housing spaces. Sources and uses for the development costs are reflected in the financial workbook so as to reflect the total scope of the project. Readiness to proceed may be measured by the funding committed to the non-housing portion of the project at the time of application. The method of cost allocation for development costs for common building areas and building mechanics is required as may be indicated by the project design. The ownership and operational structure of the non-housing areas of the project should be detailed. A project that depends on commercial income to meet the minimum feasibility guidelines will not be considered financially feasible.

*Debt coverage ratios*

FHLBI recognizes that all rental projects are different; for example, some have debt, and others are not able to support debt in order to serve very low-income households. Developments without hard debt are allowed but will be subject to additional scrutiny from the FHLBI. In general, projects with a debt coverage ratio (DCR) above 1.40 demonstrate adequate cash flow to seek additional financing from private resources. Conversely, projects with a debt coverage ratio (DCR) below 1.15 demonstrate inadequate cash flow to seek additional financing from private resources and may not be sustainable. Projects with debt coverage ratios exceeding 1.40 or less than 1.15 will need to provide reasonable justification and will be evaluated on a case by case basis. For example, exceptions may be made for projects that the FHLBI determines, in its sole discretion, will need higher DCR to be feasible or have such a small amount of cash flow that any significant amount of financing cannot be reasonably supported. The FHLBI recognizes that smaller or rural developments may have higher debt coverage at the beginning of the compliance period in order to remain feasible over the 15 years.

*Per unit operating costs*

FHLBI recognizes that per unit operating costs can vary based upon geography, number of units in a project, population being served, utility expenses and inflationary rate compounding. Projects with per unit operating expenses in excess of the feasibility guideline will be evaluated for reasonableness and considered on a case by case basis by the FHLBI. Operating expenses must be indicative of costs associated with the operation of the housing only and may not include costs associated with the delivery of services required to sustain a special needs population or empowerment initiatives. Supportive services income and expenses must be reflected in a separate pro-forma. Operating expenses are evaluated net of operating reserves and real estate taxes.

*Required Documentation:*

1) Documentation of estimated property taxes and insurance

AND

2) If per unit costs are outside the guidelines, written detailed explanation third-party documentation supporting the explanation may be required

*Cash Flow*

All developments will be required to have a positive cash flow without having an undue profit (unless operating reserves are adequate to offset negative cash flow). The FHLBI will evaluate the income and expense assumptions for reasonableness. The need for AHP subsidy analysis includes an analysis of the project cash flow and hard debt, if applicable. The FHLBI, in its sole discretion, may determine that additional hard debt may substitute some or the entire AHP subsidy requested.

FHLBI

# Attachment C
# Monitoring Procedures

These procedures set forth the process the FHLBI follows in monitoring its Affordable Housing Program (AHP) competitive application projects in accordance with Sections 1291.7 of the Affordable Housing Program Regulations (12 C.F.R. §1291) (the "Regulation").

- The FHLBI provides the project sponsor or project owner and member with a copy of the FHLBI's monitoring guidelines, which sets forth their respective monitoring obligations.
- The FHLBI notifies the project sponsor, project owner, or member prior to the due date of any certifications required to be submitted to the FHLBI as part of the project sponsor's, project owners, or member's monitoring obligations.

The AHP Monitoring Program will have as its primary focus three stages of review. The three stages are presented and discussed below:

- STAGE 1 Semi-annual Monitoring Review
- STAGE 2 Initial Monitoring Review
- STAGE 3 Long-term Monitoring Review

## Stage 1 – Semi-annual monitoring review

### Overview

A Stage 1 review is conducted during the project's incomplete or development stage. This review is conducted every six months and includes analysis of the Semi-annual Progress Report and supporting documentation. The Semi-annual Progress Report includes certifications made by the sponsor/owner and member institution.

### Procedures

A Semi-annual Progress Report (SA Report) must be filed by a member institution whose AHP project has received approval. The SA Report must be filed during the period of construction or rehabilitation of a project and will detail the progress and overall status of the project. The project sponsor/owner and member will sign the SA Report signifying that all parties are informed of the project's status with respect to its level of progress and the sponsor/owner has satisfied the reporting requirements of 12 C.F.R.§ 1291.7(a)(1)(A). The SA Report must be filed every six months until the project is identified as being complete.

SA Reports will be reviewed to determine the project's progress, estimated completion date, change in funding status, and compliance with the approved application. Updated financial information such as the sources and uses statement and pro-forma may be required with the SA report. A project that indicates progress has stalled or is not moving forward may be subject to de-commitment.

## Stage 2 – Initial Monitoring

### Overview

A Stage 2 review is defined as Initial Monitoring of the project and is conducted within one year after project completion. This encompasses a review of the project to determine the level of the project's compliance with the approved application, approved modifications(s), if any, law, regulation, policy, and procedures as required by 12 C.F.R. § 1291.7. This review may start earlier if there is sufficient indication of noncompliance.

### Homeownership project procedures

Homeownership projects will be scheduled for Initial Monitoring review within a reasonable time period of receiving from the member financial institution the certification required by 12 C.F.R. § 1291.7.

A member financial institution must, within six months after disbursement of all AHP funds to a project, certify to the FHLBI that the AHP funds were used in accordance with the approved application and that the AHP units are subject to deed restrictions or other legally enforceable Retention Agreements or mechanisms meeting the requirements of 12 C.F.R.§ 1291.9(a)(7).

When a homeownership project is subject to Initial Monitoring, the following will be determined by the FHLBI:

- Level of compliance with the approved application;
- Level of compliance with 12 C.F.R. §1291;
- Level of compliance with the FHLBI's AHP policies and procedures; and
- Whether the AHP subsidy was used for eligible purposes, the project's actual costs were reasonable and customary in accordance with the FHLBI's project feasibility guidelines, and the subsidy was necessary for the financial feasibility of the project.

Documentation to be analyzed for homeownership projects in Initial Monitoring, includes, but is not limited to, the following.

- Original/final comparative statement of sources and uses
- A list of unit resident names and addresses, annual household income at the date of qualification, household size, AMI percent and closing dates
- Income documentation for a sampling of units in effect at project completion time, in accordance with the FHLBI Sampling Plan
- Completion certification form which certifies that:
    - As committed in the application or as adjusted by an FHLBI-approved modification, all units of the project are complete as of the date of the last homeownership unit in the project closed or the last unit is rehabilitated.
    - All reports and documentation required by Regulation, the FHLBI, or the FHFA are current and complete.
    - The project complies with the applicable federal and state laws on fair housing, housing accessibility, and other local building codes, and the project has been affirmatively marketed under law. If certification cannot be made, a corrective action plan must be attached.
    - All approved AHP subsidies have been provided to income-eligible households, using the income ranges committed to in the AHP application (or as modified).

  - o The certification is supported by household income verification documentation kept on file for review by the FHLBI member or the FHLBI at the project sponsor's place of business.
- Services, Activities and Set-aside Questionnaire
- Cost validation, as required
- Validation of funding sources, as required
- Other information, as required
- The AHP-assisted units are subject to deed restrictions or other recorded, legally enforceable Retention Agreements or mechanisms meeting the requirements of § 1291.9(a)(7) and 1291.9(a)(8). Sample Real Estate Retention Agreements can be found in Attachment E of this document.

### Rental project procedures

Rental projects will be scheduled for Initial Monitoring review within a reasonable time period of receiving the certification required by 12 C.F.R. § 1291.7 from the member financial institution.

The Initial Monitoring Review will begin when the FHLBI receives project completion notification via the SA Report or other such information documenting the project is complete. Projects have one year from the date the project is certified for occupancy to submit certain documentation. Failure to provide such documentation may result in recapture of some or the entire AHP subsidy disbursed pursuant to remedial actions for noncompliance as required by 12 C.F.R. §1291.8.

When a rental project is subject to Initial Monitoring, the following will be determined by the FHLBI.

- Level of compliance with the approved application;
- Level of compliance with 12 C.F.R. §1291;
- Level of compliance with the FHLBI's AHP policies and procedures; and
- Whether the AHP subsidy was used for eligible purposes, the project's actual costs were reasonable and customary in accordance with the FHLBI's project feasibility guidelines, and the subsidy was necessary for the financial feasibility of the project.

Documentation of rental projects to be analyzed in Initial Monitoring includes, but is not limited to, the following.

- Final updated project financial workbook appropriate for the project type (contingencies must be zero at completion or funds may be de-committed or recaptured)
- A list of tenant names and addresses, annual household income at the date of move-in, household size, AMI percent, move-in date, current monthly rent, the amount of any utility allowances or rent subsidies, and number of bedrooms in the unit
- Income documentation for a sampling of units in accordance with the FHLBI Sampling Plan in effect at the time of project completion
- Completion certification form, completed by Sponsor and forwarded to Member for signature, which certifies that:
  - o As committed in the application or as adjusted by an FHLBI-approved modification, all units of this project are complete as of the date the last rental unit had certificate of occupancy or equivalent issued, or where such certificates are not issued, the date the last unit in the project is suitable for occupancy.

  - All reports and documentation required by Regulation, the FHLBI, or the FHFA are current and complete.
  - The project complies with the applicable federal and state laws on fair housing, housing accessibility, and other local building codes, and the project has been affirmatively marketed under law. If this certification cannot be made, please attach a corrective action plan.
  - Validation of building design features for which points were awarded or as modified by an architect or other third part evidence such as: photos, invoices, sworn statements.
  - Services and activities committed to in the AHP application have been provided in connection with the project [§ 1291.7(a)(5)].
  - The tenant rents and income provided in the list of actual tenant rents and incomes are accurate and in compliance with the rent and income targeting commitments made in the AHP application (or as modified) as supported by household income verification documentation maintained for review by the FHLBI member or the FHLBI.
- Services, Activities and Set-aside Questionnaire to determine whether services and activities committed to in the application have been provided
- Cost validation may be requested on all projects. Projects with low-income housing tax credits must submit an accountant's cost certification, final low-income housing tax credit application, IRS 8609, or other such documentation verifying costs
- Validation of funding sources, as required
- Other information, as required
- The AHP-assisted units are subject to deed restrictions or other recorded, legally enforceable Retention Agreements or mechanisms meeting the requirements of § 1291.9(a)(7) and § 1291.9(a)(8). Sample Real Estate Retention Agreements can be found in Attachment E of this document.

  Single projects or phased developments wherein the individual or cumulative subsidy is greater than $500,000 require an on-site review by FHLBI staff or other housing professionals familiar with the AHP compliance.

Homeless and special needs monitoring requirements:

The FHLBI will monitor, for compliance during the Initial Monitoring Review per the sampling plan outlined, all projects that committed in the approved AHP application to reserve at least 20% of the project's units for homeless households. When the request for AHP monitoring is made, documentation must be available demonstrating that at least 20% of the units are occupied by household qualified as homeless or are vacant awaiting occupancy by homeless or special needs households. For projects with existing tenants at the time of application, only those households who qualified and secured residency within one year prior to the AHP application submission may be considered in the number of homeless, special needs or elderly households required to meet the homeless and special needs commitment detailed in the application.

## Stage 3 – Long-term monitoring review Overview

A Stage 3 Long-term Monitoring Review is conducted solely for rental projects and in accordance with 12 C.F.R.§ 1291.7

### Homeownership projects

The FHLBI does not require submission of any information or documentation after initial monitoring except in connection with the sale or refinancing of a unit. The FHLBI requires that a project sponsor or member provide notice to the FHLBI in the event of a resale or refinance of a unit.

### Rental projects

Conducted solely for rental projects in compliance with 12 C.F.R.§ 1291.7, this review will be based on whether the project is eligible for monitoring by a federal, state or local government entity, the level of compliance, and the amount of subsidy received by the project.

All rental projects are required to submit a Project Annual Certification form that is completed by the Sponsor and signed by the Member and certifies:

- As committed in the application or as adjusted by an FHLBI-approved modification, the tenant rents and incomes are in compliance with the rent and income targeting commitments.
- The project is habitable.
- The project complies with the applicable federal and state laws on fair housing, housing accessibility, and other local building codes. If this certification cannot be made, please attach a corrective action plan.
- Documentation regarding tenant rents and incomes and project habitability are being maintained and available for review by the FHLBI.
- Dates of sale(s) of any of the units comprising the project.
- HUD-1 Settlement Statement/Closing Disclosure, or similar documents, must be provided with annual certification in the event of sale.

Generally, projects will be monitored in accordance with the schedule unless elevated at the FHLBI's discretion based upon material indicators that prompt a higher level of monitoring and oversight. The risk based monitoring and sampling schedule is based on any level of compliance by the sponsor, member, or by project performance, and is not limited to the amount of subsidy awarded to a single project.

1) Projects receiving $50,000 or less in AHP subsidy:
   a) No outstanding compliance issues.
   b) FHLBI reviews annual certification from project owner and member for 15 years.

2) Projects receiving $50,001 to $250,000 in AHP subsidy:
   a) No outstanding compliance issues.
   b) FHLBI reviews annual certification from project owner and member for 15 years.
   c) FHLBI requests a list showing tenant rents (the FHLBI's Rental Income Targeting Worksheet) and income from project sponsor and conducts a review of a sample of income documentation, in accordance with the FHLBI Sampling Plan below, of the project's units to verify compliance once every six years.

3) Projects receiving $250,001 to $500,000 in AHP subsidy:
   a) No outstanding compliance issues.
   b) FHLBI reviews annual certification from project owner and member for 15 years.
   c) FHLBI requests a list showing tenant rents (the FHLBI's Rental Income Targeting Worksheet) and income from project sponsor and conducts a review of a sample of income documentation, in accordance with the FHLBI Sampling Plan below, of the project's units to verify compliance once every four years.

4) Projects receiving more than $500,000 in AHP subsidy:
   a) FHLBI reviews annual certification from project owner and member for 15 years. FHLBI will perform an on-site review of project documentation, including tenant rent roll analysis (the FHLBI's Rental Income Targeting Worksheet) and income documentation in accordance with the FHLBI Sampling Plan below, at least every other year. The FHLBI in its sole discretion, may determine after two concurrent on-site reviews, the loss risk of the AHP subsidy is minor, and that the monitoring review schedule may be changed to the requirements of 1-3 above. On-site monitoring reviews may be reinitiated should risk indicators be present to justify a higher level of oversight as indicated in #5 below.

5) All projects with significant compliance issues:
   a) All projects with outstanding significant compliance issues or other operating performance concerns (as determined by FHLBI), regardless of amount of AHP subsidy received, will be monitored on-site by the FHLBI staff as deemed appropriate by the FHLBI. On-site reviews will continue until such time the non-compliance issue is resolved. Upon resolution, the applicable monitoring cycle may be resumed.

*Note: See "Monitoring by a federal, state, or local government entity" for a possible monitoring exception for rental projects that are allocated federal low-income housing tax credits.*

### On-Site Reviews

During the construction phase, a site visit may be performed by the FHLBI in its discretion and typically will be performed if significant changes in scope of the project, modification or other materially significant factors deviate from the approved application.

The initial monitoring and long term monitoring reviews are generally parallel in scope and approach. Factors considered during these reviews focus on evidence of fulfillment of scoring initiatives, targeting, income documentation reviews, capital needs including general property conditions, marketing and occupancy history, review of profit/loss statements, audited financial statements, insurance losses, code violations or other citations that would indicate habitability/occupancy standards are at risk.

During the course of project monitoring, the FHLBI typically must review back-up project documentation on household incomes and rents maintained by the project sponsor or owner; and (ii) maintenance and FHLBI review of other project documentation in the FHLBI's discretion. Further, consultants or professionals with knowledge of the affordable housing restrictions and requirements may be engaged on behalf of the FHLBI to conduct such reviews. The FHLBI may rely on monitoring reports conducted by other delegates or professionals engaged by other stakeholders pursuant to the Long Term Monitoring policy.

## FHLBI Sampling Plan

For projects completed January 1, 2016, through December 31, 2016, sampling of income documentation and retention mechanisms will be performed as follows.

### Homeownership projects §1291.7(a)(1)

Income documentation and retention mechanisms will be obtained per the chart below.

| Number of AHP Units in the Project | Percent of Income Documentation and Retention Mechanism to Sample |
|---|---|
| 1 to 10 | 100% |
| 11 to 80 | 20% |
| 81 to 100 | 15% |
| 101 and Higher | 10% |

*Note: See "Monitoring by a federal, state, or local government entity" for a possible monitoring exception for rental projects that are allocated federal low-income housing tax credits.*

### Rental projects § 1291.7(a)(4)

The retention mechanism will be obtained for each AHP rental project including the attachment of the corresponding legal description(s) of all real estate parcels making up the project. During the Stage 2 Initial Monitoring Review and Stage 3 Long-term Monitoring Review, income documentation will be sampled based on the schedule in the table below. For projects with a total of $50,000 or less in AHP subsidy in the Stage 3 long-term monitoring phase, only the annual certification will be reviewed. Sampling of income documentation is not required in the long-term monitoring phase if the AHP subsidy disbursed is less than $50,000, regardless of the number of AHP units involved.

For projects with more than $50,000 in AHP subsidy in the Stage 3 long-term monitoring phase, income documentation will be reviewed using the sampling plan in the chart below with the frequency based on the amount of subsidy as described above.

| Number of AHP Units in the Project | Percent of Income Documentation and Retention Mechanism to Sample |
|---|---|
| 1 to 10 | 100% |
| 11 to 80 | 20% |
| 81 to 100 | 15% |
| 101 and Higher | 10% |

*Note: If sampling appears to indicate that a project is out of compliance, the FHLBI reserves the right to review documentation for additional units or to perform an on-site project review.*

*Note: For annual adjustment of targeting commitments, the HUD area median income listings are updated annually and made available by the FHLBI. For purposes of determining compliance with the targeting commitments in an AHP application, such commitments shall be considered to adjust annually, according to the current applicable median income data. A rental unit occupied by a tenant who qualified under the income targeting restrictions of the project at the time the tenant moved into the unit may continue to count toward meeting the targeting commitment of an approved AHP application, despite increases in income, as long as the rent remains affordable for the targeted income level of the unit (i.e., the rent does not exceed 30% of the applicable 50, 60, 70, or 80% targeted median income level committed to in the AHP application, adjusted for bedroom size). In those cases where 100% of the units require sampling; and there has been little tenant turnover; and the household income has undergone a previous FHLBI sampling review, the sample size will be limited to those households that qualified and moved in since the last sampling occurred.*

### Monitoring by a federal, state, or local government entity

For rental projects receiving $500,000 or less in AHP subsidy that are allocated federal low-income housing tax credits, the FHLBI will rely on monitoring (including on-site reviews) by the state-designated housing credit agency administering the tax credits of the income targeting and rent requirements applicable under the Low-Income Housing Tax Credit Program. Under the Regulation, the FHLBI does not have to obtain and review reports from such agency or otherwise monitor the project's long-term AHP compliance provided the income targeting requirements, rent requirements and retention period monitored by the entity for purposes of its own program are substantively equivalent to the AHP commitments. The entity must have demonstrated ability to carry out the AHP monitoring requirements, and must agree to inform the FHLBI of all instances of noncompliance.

### Remedial actions for noncompliance

If an issue of noncompliance is noted due to a) material and outstanding compliance items, b) project type, size or location issues; or c) sponsor experience or capacity issues, the FHLBI in conjunction with the member and sponsor institutions, will develop an action plan to achieve a remedy for the noncompliance. This plan may include additional monitoring requirements as determined appropriate based on the nature of the noncompliance issue.

### Settlements

In cases for which a settlement is indicated as a cure option, approval by the Board is required, with the exception of projects for which the AHP subsidy is $50,000 or less and the remainder of the retention period is 3 years or less. In such cases management may approve a settlement amount less than the AHP subsidy without Board approval. Such settlements shall be reported to the Board at the next meeting. Projects with more than $50,000 in AHP subsidy or more than 3 years remaining on the retention period, any proposed settlement of an amount less than the AHP subsidy requires Board approval.

FHLBI

# Attachment D
# Income Guidelines

## Income Eligibility

Eligible households must have projected annualized incomes of less than or equal to 80% of Area Median Income (AMI) for the household size, county in which the property is or will be located and the year of qualification. To determine eligibility, the member must compare the household's annual income to the HUD median income guidelines for the specified year. (See FHLBI's public website for current charts.) The FHLBI member or sponsor must calculate the annual household income for each household member based on acceptable income documentation and the household disclosures. The FHLBI will review current and verifiable income source documents submitted by the member for the applicant household. In its discretion, FHLBI may conclude that a household's income is indeterminable due to inconsistent income or unstable work history.

The Income Calculation Guidelines (Guidelines) sets forth the documentation requirements and calculation methods for determining the household income for FHLBI's Affordable Housing Program (AHP) including the competitive AHP and Homeownership Initiatives Programs. The Guidelines are published on FHLBI's website:

- Competitive AHP - https://www.fhlbi.com/
- Homeownership Initiatives Programs - https://www.fhlbi.com/

The FHLBI reserves the right to amend these Guidelines from time to time in its discretion.

FHLBI

# Attachment E
# Retention Agreements

The following documents represent samples of the required Real Estate Retention Agreement. The current approved agreements are posted to the FHLBI public website and must be utilized for approved projects and recipients of AHP subsidies.

1) Real Estate Retention Agreement –AHP Direct Subsidy – Homeownership/Owner-occupied projects

2) Real Estate Retention Agreement –AHP Direct Subsidy – Rental projects

3) Real Estate Retention Agreement – AHP Direct Subsidy – Lease Purchase Projects

4) Real Estate Retention Agreement – Homeownership Initiatives

5) Real Estate Retention Agreement - Homeownership Initiatives – Projects on Tribal Lands (Available upon request)

6) Real Estate Retention Agreement- AHP Direct Subsidy – Projects on Tribal Lands (Available upon request)

7) Real Estate Retention Agreement – AHP Subsidized Advance – Rental Projects (Available upon request)

Real Estate Retention Agreement

Affordable Housing Program

Grant Award

**(Homeownership)**

AHP Project No.: _____

For purposes of this Agreement, the following terms shall have the meanings set forth below:

"FHLBI" shall refer to the Federal Home Loan Bank of Indianapolis.

"Member" shall refer to ,

(FHLBI's member institution),

located at .

"Borrower(s)" shall refer to .

For and in consideration of receiving direct subsidy funds (the "Subsidy") in an amount not to exceed $ under the Affordable Housing Program ("AHP") of the FHLBI through the Member, with respect to that certain real property located at , in the city/town of , County of , State of , which is more fully described as follows, **or as attached hereto as *Exhibit A* and made a part hereof:**

.

Borrower(s) hereby agree that they shall maintain ownership and reside in this property as their primary residence for a period of five (5) years ("Retention Period") from the date of closing and further agrees with the Member that:

(i.) The FHLBI, whose mailing address is 8250 Woodfield Crossing, Indianapolis, Indiana 46240, Attention: Community Investment Division, is to be given immediate written notice of any sale or refinancing of this property occurring prior to the end of the Retention Period;

(ii.) In the case of a sale prior to the end of the Retention Period, an amount calculated by FHLBI, equal to a pro rata share of the direct Subsidy that financed the purchase, construction, or rehabilitation of this property reduced for every year the Borrower/Seller occupied the unit, shall be repaid to the Member for reimbursement to the FHLBI from any net gain realized upon the sale of the property after deduction for sales expenses, unless the purchaser is a very low-, low- or moderate-income household which is defined as having not more than 80% of the area median income or the unit was assisted with a permanent mortgage loan funded by a AHP subsidized advance;

(iii.) In the case of a refinancing prior to the end of the Retention Period, an amount equal to a pro rata share of the direct Subsidy that financed the purchase, construction, or rehabilitation of the property, reduced for every year the Borrower occupied the unit, shall be repaid to the Member for reimbursement to the FHLBI from any net gain realized upon the refinancing, unless the property continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism, incorporating the requirements of clauses (i), (ii), (iii) and (iv) contained herein, or the unit was assisted with a permanent mortgage loan funded by a AHP subsidized advance; and

(iv.) In the case of a foreclosure, the obligation to repay the Subsidy to the Member (and the member to the FHLBI) shall terminate upon final settlement, once foreclosure action is completed. Otherwise, the covenants contained herein shall continue until release by the Member in writing or the expiration of the Retention Period, whichever should first occur.

# Real Estate Retention Agreement

## Affordable Housing Program

## Grant Award

## (Rental Project)

AHP Project No.: ______

For purposes of this Agreement, the following terms shall have the meanings set forth below:

"FHLBI" shall refer to the Federal Home Loan Bank of Indianapolis

"Member" shall refer to ,
(FHLBI's member institution)
located at .

"Sponsor" shall refer to ,
(The not-for-profit sponsor)
located at .

"Project Owner" shall refer to ,
(The entity which owns the property subject to this mortgage)
located at .

As a condition and in consideration of receipt of direct subsidy funds (the "Subsidy") under the Affordable Housing Program ("AHP") of the FHLBI through the Member, with respect to that certain real property located at , in the city/town of , County of , State of , which is more fully described as follows:

See "EXHIBIT A" attached hereto and made a part hereof the Project Owner/Sponsor, for itself and all successors to the property, agrees with the Member that:

(i) The rental units contained in ("Project"), or applicable portion thereof, must remain occupied by and affordable for households with incomes as committed to in the AHP Application, or as modified and approved by the FHLBI, for a period of fifteen (15) years ("Retention Period") from the date of the completion of the project (unless otherwise extended in a modification agreement due to unforeseen circumstances);

(ii) The FHLBI, whose mailing address is 8250 Woodfield Crossing, Indianapolis, Indiana 46240, Attention: Community Investment Division, is to be given immediate written notice of any sale or refinancing of this property occurring prior to the end of the Retention Period;

(iii) In the case of a sale or refinancing of the Project prior to the end of the Retention Period, an amount equal to the full amount of the direct Subsidy shall be repaid to the Member, for reimbursement to FHLBI, unless the Project continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the requirements of clauses (i), (ii), (iii) and (iv) contained herein or if authorized by the FHLBI, in its discretion, the households are relocated, due to the exercise of eminent domain, or for expansion of housing or services, to another property that is made subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the approved AHP application for the remainder of the retention period; and

(iv) The income-eligibility, affordability restrictions applicable to the project and obligation to repay the Subsidy to the Member terminate after foreclosure. Otherwise, the covenants contained herein shall continue until released by the Member in writing or the expiration of the Retention Period, whichever should first occur.

Real Estate Retention Agreement

Affordable Housing Program

Grant Award

(Lease/Purchase Project)

AHP Project No.: ______

For purposes of this Agreement, the following terms shall have the meanings set forth below:

"FHLBI" shall refer to the Federal Home Loan Bank of Indianapolis

"Member" shall refer to ,

(FHLBI's member institution)

located at .

"Sponsor" shall refer to ,

(The not-for-profit sponsor)

located at .

"Project Owner" shall refer to ,

(The entity which owns the property subject to this mortgage)

located at .

As a condition and in consideration of receipt of direct subsidy funds (the "Subsidy") under the Affordable Housing Program ("AHP") of the FHLBI through the Member, with respect to that certain real property located at , in the city/town of , County of , State of , which is more fully described as follows:

See “EXHIBIT A” attached hereto and made a part hereof

the Project Owner/Sponsor, for itself and all successors to the property, agrees with the Member that:

(i) The lease/purchase units contained in ("Project"), or applicable portion thereof, must remain occupied by and affordable for households with incomes as committed to in the AHP Application, or as modified and approved by the FHLBI, for a period of fifteen (15) years ("Lease Retention Period") from the date of completion of the project;

(ii) Once the lease obligation is terminated with respect to any one or more units, and the unit is purchased by an AHP-eligible homebuyer, the Retention Period under paragraph (i) reverts to five (5) years from the date of completion of the project ("Purchase Retention Period") with respect to such purchased units only, and the Lease Retention Period remains in effect for unsold units.

(iii) The FHLBI, whose mailing address is 8250 Woodfield Crossing, Indianapolis, Indiana 46240, Attention: Community Investment Division, is to be given immediate written notice of any sale or refinancing of any unit occurring prior to the end of the applicable Retention Period under Paragraphs (i) and (ii);

(iv) In the case of a sale or refinancing of any unit prior to the end of the Lease Retention Period under paragraph (i), an amount equal to the full amount of the direct Subsidy shall be repaid to the Member, for reimbursement to FHLBI, unless the Project continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the requirements of clauses (i), (ii), (iii), (iv), (v), (vi) and (vii) contained herein, or if authorized by the FHLBI, in its discretion, the households are relocated, due to the exercise of eminent domain, or for expansion of housing or services, to another property that is made subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the approved AHP application for the remainder of the retention period;

(v) In the case of a sale of a unit prior to the end of the Purchase Retention Period under Paragraph (ii), an amount equal to a pro rata share calculated by FHLBI on a per diem basis, of the direct Subsidy that financed the purchase, construction, or rehabilitation of such unit reduced for every year the unit owner owned the property, shall be repaid to the Member for reimbursement to the FHLBI from any net gain realized upon the sale of the property after deduction for sales expenses, unless the purchaser is a low- or moderate-income household which is defined as having not more than 80% of the area median income; or

(vi) In the case of a refinancing of a unit prior to the end of the Purchase Retention Period under Paragraph (ii), an amount equal to a pro rata share of the direct Subsidy that financed the purchase, construction, or rehabilitation of the unit, reduced for every year the unit owner occupied the unit, as calculated by FHLBI, shall be repaid to the Member for reimbursement to the FHLBI from any net gain realized upon the refinancing, unless the property continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism, incorporating the requirements of clauses (i), (ii), (iii), (iv), (v), (vi), and (vii) contained herein; and

(vii) The income-eligibility, affordability restrictions applicable to the project and obligation to repay the Subsidy to the Member terminate after foreclosure settlement, deed-in-lieu, or assignment of the first mortgage to the Secretary of HUD (assuming AHP funding is used in conjunction with FHA financing). Otherwise, the covenants contained herein shall continue until released by the Member in writing or the expiration of the Retention Period, whichever should first occur.

Real Estate Retention Agreement

Homeownership Initiatives – (Homeownership Opportunities Program,

Neighborhood Impact Program, Accessibility Modifications Program,

Disaster Relief Program)

Grant Award - (Homeownership)

Grant Type: ☐ HOP ☐ NIP ☐ AMP ☐DRP Project / ID#:

For purposes of this Agreement, the following terms shall have the meanings set forth below:

"FHLBI" shall refer to the Federal Home Loan Bank of Indianapolis.

"Member" shall refer to (FHLBI's Member institution), located at .

"Borrower(s)" shall refer to .

For and in consideration of receiving direct subsidy funds (the "Subsidy") in an amount not to exceed $ under the Affordable Housing Program ("AHP") of the FHLBI through the Member, with respect to that certain real property located at , in the city/town of , County of , State of , which is more fully described as follows, or as attached hereto as Exhibit A and made a part hereof:

Borrower(s) hereby agree that they shall maintain ownership and reside in this property as their primary residence for a period of five (5) years ("Retention Period") from the date of the closing and further agrees with the Member that:

(i.) The FHLBI, whose mailing address is 8250 Woodfield Crossing, Indianapolis, Indiana 46240, Attention: Community Investment Division, and the Member are to be given immediate written notice of any sale or refinancing of this property occurring prior to the end of the Retention Period;

(ii.) In the case of a sale prior to the end of the Retention Period (including transfer or assignment of the title or deed to another owner, subject to certain exceptions outlined herein), an amount calculated by the Member via an FHLBI prescribed calculation and verified by the FHLBI, equal to a pro rata share of the direct Subsidy that financed the purchase, construction, or rehabilitation of this property reduced for every year the Borrower/Seller occupied the unit, shall be repaid to the Member for reimbursement to the FHLBI from any net gain realized upon the sale of the property after deduction for sales expenses, unless the purchaser is a very low, low-, or moderate-income household which is defined as having not more than 80% of the area median income, or the household had obtained a permanent mortgage funded by an AHP subsidized advance and not a direct subsidy. Upon the sale of the home, the purchaser has no retention or AHP Subsidy repayment obligations, regardless of whether or not the purchaser is very low-, low- or moderate-income;

(iii.) In the case of any refinancing prior to the end of the Retention Period, an amount calculated by the Member via an FHLBI prescribed calculation and verified by the FHLBI, equal to a pro rata share of the direct Subsidy that financed the purchase, construction, or rehabilitation of the property, reduced for every year the Borrower occupied the unit, shall be repaid to the Member for reimbursement to the FHLBI from any net gain realized upon the refinancing, unless the property continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism, or the household had obtained a permanent mortgage funded by an AHP subsidized advance and not a direct subsidy, incorporating the requirements of clauses (i), (ii), (iii) and (iv) contained herein; and

(iv.) In the case of a foreclosure, deed-in-lieu, or assignment of the first mortgage to the Secretary of HUD (assuming AHP funding is used in conjunction with FHA financing), the obligation to repay the direct Subsidy to the Member shall terminate upon final settlement or disposition, once such action is completed. Otherwise, the covenants contained herein shall continue until release by the Member in writing or the expiration of the Retention Period, whichever should first occur.

(i.) Upon the death of the AHP-assisted sole owner, or owners in the case of multiple title holders, the AHP Retention Agreement terminates and there is no obligation to repay the AHP Subsidy.

FHLBI

Attachment F
Affordable Housing Program Agreement

Project # **«Project_»**

## Affordable Housing Program Agreement
For Direct Subsidies

The Federal Home Loan Bank of Indianapolis ("Bank"); the applying Member, «Member_Name» ("Member"); the person(s) or entity(ies) owning or supporting the project, «Sponsor_Name», «Cosponsor» (the "Project Sponsor(s)") as identified in the Application (as hereinafter defined) hereby enter into this Affordable Housing Agreement for an owner-occupied or rental housing project ("Agreement"), effective as of the date of the Affordable Housing Program ("AHP") application submitted by the Member ("Application"), if approved by the Bank. This Agreement sets forth the respective duties and obligations of the Bank, the Member and Project Sponsor regarding the approval and funding of the Member's Application submitted to the Bank. Other Application documents, exhibits or writings are incorporated into this Agreement.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Bank, the Member and Project Sponsor hereby agree as follows:

1. **<u>The Application</u>** - The Member and Project Sponsor shall be bound by the terms and conditions governing the approval and funding of the Application, including any and all representations in said Application and as the initial Application submission may have been modified during the Application review process. A summary of the terms and conditions governing the project and the Bank-accepted Application are set forth in the Schedule attached hereto (the "Schedule").

2. **<u>Regulation and Modifications</u>** - Member and Project Sponsor acknowledge notice of and agree to be bound by:

    A. The AHP regulations (12 C.F.R. Part 1291) and any other directives of the Federal Housing Finance Agency ("FHFA") (including Advisory Bulletins, Regulatory Interpretations, etc.) as may be amended and in effect from time to time, or the regulations in effect from time to time of any successor in interest to the FHFA; and

    B. The AHP guidelines and requirements of the Bank or any successor in interest to the Bank, as set forth in the Bank's AHP Implementation Plan as may be in effect and approved by the Board of Directors of the Bank from time to time. Member and Project Sponsor agree that no modifications will be made to the project's specifications, as set forth in the Application and Schedule, without the prior written approval of the Bank. Any modifications or changes to the project after the date of approval of the Application that would change the score that the Application originally received shall permit the Bank, at its discretion, to withdraw the subsidy, unless the Application is modified as permitted under the AHP regulations. To the extent the AHP regulations are inconsistent with any term or provision of this Agreement, said AHP regulations shall control and govern the conduct and obligations of the parties.

3. **Subsidy Necessity** - The use of the subsidy is set forth in the Schedule. In order to ensure that the approved level of subsidy from the Bank is still warranted at the actual funding date, in conformity with the requirements of the AHP regulations, the Bank will reevaluate the subsidy level and will only fund that portion of the subsidy deemed necessary by the Bank to fund the project, if any. In such reevaluation the Bank will principally consider pro-forma data, including, among other factors, the following:

   A. All sources of funds including estimates of funds from all other sources, whether actually committed or not;

   B. An estimate of the market value of in-kind donations and volunteer professional labor services, excluding the value of sweat equity; and

   C. Project costs, as reflected in the project's budget, including whether such costs are reasonable and customary in accordance with the Bank's project feasibility guidelines in light of industry standards for the location of the project and the long-term financial needs of the project.

4. **Financial Feasibility** - Before funding, the Bank shall also determine whether the project is and continues to be operationally feasible, in accordance with the Bank's project feasibility guidelines based on factors including but not limited to: applicable financial ratios, geographic location and other non-financial project characteristics. The approved subsidy must be necessary for the financial feasibility of the project and the rate of interest, points, fees and any other charges for all loans financing the project must not exceed a market rate of interest, points, fees and other charges for loans of similar maturity, terms and risk. The Bank is not required to fund the subsidy if it determines, in its discretion, that the project is or will not be financially feasible due to changing market or other conditions including those affecting the financial condition of the Project Sponsor, developer or other party providing significant support to the project.

5. **Bank's Decisions Entitled to Deference -** The Member, the Project Sponsor and the Bank agree that the Bank's actions under the AHP program shall be reviewed under an arbitrary and capricious standard. The parties further acknowledge that the Bank, as a government-sponsored enterprise, is entitled to a broad degree of discretion in administering the AHP program, and nothing in this Agreement shall be construed to limit such discretion.

6. **Subsidy Pass-Through Requirement** - The Member shall pass on the full amount of the subsidy to the project for which the subsidy was approved.

7. **Subsidy Use** - The Member and the Project Sponsor agree to use the subsidy in accordance with the terms of the Member's Application, the requirements of the AHP regulations and the Bank's policies and procedures and shall repay to the Bank any repayments of principal and interest received by the Member from the Project Sponsor.

8. **Subsidy Timing** - The subsidy must be drawn down and used by the project within the time periods set forth in the Bank's AHP Implementation Plan. Therefore, all sources of funding must be committed within a reasonable period of time from the Application's approval. If the subsidy approved is not drawn down and used by the project within the time periods specified, the Bank shall cancel its approval (unless the approved Application is modified by the Bank pursuant to paragraph 17), and the Member agrees to promptly return any funding subsidy to the Bank.

9. **Assignment of Member Enforcement Rights** - Member hereby agrees, if requested by the Bank, to assign to the Bank the right to file an enforcement action against the Project Sponsor and authorizes the Bank to engage in any action necessary to recover any funds granted by the Bank pursuant to the Application, including the subsidy, or applicable portion thereof, that, as a result of the Project Sponsor's actions or omissions, is not used in compliance with the terms of the Application or the requirements of the regulations, unless such non-compliance is cured by the Project Sponsor within a reasonable period of time, as determined by the Bank, or the circumstances of such non-compliance are eliminated through a modification of the Application, in accordance with the AHP regulations. Except as requested above, the Member acknowledges that it is primarily responsible for enforcing the Agreement against the Project Sponsor.

10. **Subsidy Repayment** - The Member shall repay to the Bank that portion of the subsidy (including interest at the Bank's fixed rate of interest for a comparable term measured from the date the subsidy was granted as determined by the Bank in its discretion) that as a result of the Member's actions or omissions, is not used in compliance with the terms of the Application or the requirements of the AHP regulations, unless such non-compliance is cured by the Member within a reasonable period of time as determined by the Bank or the circumstances of such non-compliance are eliminated through a modification of the Application, as approved in writing by the Bank, pursuant to the AHP regulations. If recapture of the subsidy or recovery of the subsidy is required pursuant to 12 C.F.R. Part 1291.12, the amount to be recaptured or to be recovered shall be immediately deemed to be an advance issued to the Member by the Bank, and will be subject to the terms and conditions of the Advances, Pledge and Security Agreement and the Bank's Collateral Policy and Credit Policy Manual, while the Bank determines which action permitted under Section 1291.12 will be taken.

11. **Member and Project Sponsor Repayment Responsibilities** - The Project Sponsor shall repay to the Member and the Member shall recover and repay to the Bank that portion of the subsidy( including interest at the Bank's fixed rate of interest for a comparable term measured from the date that the subsidy was granted as determined by the Bank in its discretion) that, as a result of the Project Sponsor's actions or omissions, is not used in compliance with the terms of the Application or the requirements of the AHP regulations, unless such non-compliance is cured by the Project Sponsor within a reasonable period of time as determined by the Bank or the circumstances of such non-compliance are eliminated through a modification of the

Application, pursuant to the AHP regulations. Alternatively, the Project Sponsor may repay the subsidy directly to the Bank.

THE MEMBER SHALL NOT BE LIABLE TO THE BANK FOR THE RETURN OF AMOUNTS THAT CANNOT BE RECOVERED FROM THE PROJECT SPONSOR THROUGH REASONABLE COLLECTION EFFORTS BY THE MEMBER UNLESS: (i) THE BANK DETERMINES THAT REASONABLE COLLECTION EFFORTS WERE NOT MADE BY THE MEMBER OR (ii) THE FHFA OR ITS STAFF DETERMINES, PURSUANT TO 12 C.F.R §1291.8(d), THAT THE BANK IS REQUIRED TO REIMBURSE THE AHP FUND OR TAKE OTHER ENFORCEMENT ACTION. THE MEMBER AND THE PROJECT SPONSOR AGREE TO BE PARTIES TO ANY ENFORCEMENT ACTION AND TO BE BOUND BY THE FHFA'S FINAL DETERMINATION ON REPAYMENT. IF A MEMBER CANNOT RECOVER AHP MONIES FROM THE PROJECT SPONSOR OR PROJECT, THE MEMBER SHALL, UPON REQUEST OF THE BANK, PROVIDE WRITTEN DOCUMENTATION TO THE BANK OF THE MEMBER'S COLLECTION EFFORTS. COLLECTION EFFORTS SHALL GENERALLY BE DETERMINED REASONABLE BY THE BANK IF THE MEMBER ENGAGES IN SUCH ACTIONS AS IT WOULD NORMALLY DO IN THE COLLECTION OF ITS NON-AHP COMMERCIAL AND CONSUMER LOANS AND IN ACCORDANCE WITH PRUDENT BANKING PRACTICES. PROJECT SPONSOR AGREES THAT ANY ENFORCEMENT ACTION AGAINST IT MAY BE BROUGHT BY THE MEMBER OR THE BANK AS THE MEMBER AND THE BANK SHALL AGREE.

11.2 **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 relation to 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. **Monitoring and Auditing** - Member and Project Sponsor both expressly authorize the Bank or its agents to inspect and audit the Member's AHP project(s), including, without limitation, loan documentation, retention agreements, accounting records and site visits to the Member, Project Sponsor and the project. The Project Sponsor and the Member agree to fully cooperate with the Bank in effectuating off-site and on-site reviews of the project and in providing to the Bank any project documentation periodically required under the AHP regulations and this Agreement.

12.1 **Monitoring of Owner-Occupied Projects** - For owner-occupied projects, during the period of construction or rehabilitation of the project, the Project Sponsor shall report to the Member semi-annually (or more frequently at Member's request) on whether reasonable progress is being made towards completion of the project. During such period, the Member shall take steps necessary to determine whether reasonable progress is being made towards completion of the project and shall report to the Bank semi-annually (or more frequently at Bank's request) on the status of the project. Within one year of the disbursement to the project of the entire subsidy, the Member shall review the project documentation and certify to the Bank that:

A. The subsidy has been used according to the commitments made in the Application and Schedule; and

B. The AHP-assisted units are subject to deed restrictions or other legally enforceable retention agreements or mechanisms as specified in paragraph 12.2 below.

Where the subsidy is used to finance the purchase of owner-occupied units, the Project Sponsor shall maintain household income verification documentation available for review by the Member or the Bank.

12. 2 **Retention Agreements for Owner-Occupied Units Funded by AHP Direct Subsidies** - For projects receiving AHP direct subsidy, the Member shall ensure that an owner-occupied unit financed by the proceeds of a direct subsidy is subject to a deed restriction or other legally enforceable retention agreement or mechanism requiring that:

A. The Bank is to be given notice of any sale or refinancing of the unit occurring prior to the end of the retention period. Such notice should reference this Agreement. and

B. In the case of a sale prior to the end of the retention period, an amount equal to a pro rata share of the direct subsidy, reduced for every month the seller owned the unit, shall be repaid to the Bank from any net gain realized upon the sale of the unit after deduction of sales expenses, unless the purchaser is a very low, low- or moderate-income household as defined in the AHP regulations, or the unit was assisted with a permanent mortgage loan funded by an AHP subsidized advance; or

C. In the case of a refinancing prior to the end of the retention period, an amount equal to a pro rata share of the direct subsidy, reduced for every month the occupying household has owned the unit, shall be repaid to the Bank from any net gain realized upon the refinancing, unless the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the requirements of clauses A, B and C. of this section.

D. In the case of a foreclosure, the obligation to repay the direct Subsidy to the Member shall terminate upon final settlement or disposition, once such action is completed.

12.3 **<u>Member Monitoring of Rental Projects</u>** - During the period of construction or rehabilitation of the rental project, the Member shall take the steps necessary to determine whether reasonable progress is being made towards completion of the project and shall report to the Bank semi-annually (or more frequently at Bank's request) on the status of the project.

12.4 **<u>Project Sponsor Monitoring of Rental Projects</u>** - During the period of construction or rehabilitation of the project, the Project Sponsor shall report to the Member semi-annually (or more frequently at Member's request) on whether reasonable progress is being made towards completion of the project.

Within the first year after project completion, the Project Sponsor shall:

A. Certify to the Bank that the services and activities committed to in the Application have been provided in connection with the project;

B. Provide a list of actual tenant rents and incomes to the Bank and certify that:

(1) The tenant rents and incomes are accurate and in compliance with the rent and income targeting commitments made in the Application and Schedule; and

(2) The project is habitable; and

C. Maintain documentation regarding tenant rents and incomes and project habitability available for review by the Member or the Bank, to support such certifications.

In the second year after completion of the project and annually thereafter until the end of the project's retention period, the Project Sponsor shall:

A. Certify to the Member and the Bank that:

(1) The tenant rents and incomes are in compliance with the rent and income targeting commitments made in the Application and Schedule; and

(2) The project is habitable; and

B. Maintain documentation regarding tenant rents and incomes and project habitability available for review by the Member or the Bank, to support such certifications.

12.5 **Member Retention Agreements Involving AHP Direct Subsidies for Rental Projects** - The Member shall ensure that the rental project financed by the proceeds of a direct AHP subsidy is subject to a deed restriction or other legally enforceable retention agreement or mechanism requiring that:

A. The project's rental units, or applicable portion thereof, must remain occupied by and affordable for households with incomes at or below the levels committed to be served in the Application for the duration of the retention period;

B. The Bank, whose mailing address is 8250 Woodfield Crossing Boulevard, Indianapolis Indiana 46240, Attention: Community Investment Division, is to be given immediate written notice of any sale or refinancing of this property occurring prior to the end of the retention period;

C. In the case of a sale or refinancing of the project prior to the end of the retention period, an amount equal to the full amount of the direct subsidy shall be repaid to the Bank, unless the project continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the Application for the duration of the retention period, or, in the Bank's discretion, the households are relocated, due to eminent domain, or the expansion of housing or services, to another property that is made subject to the same deed restrictions.

D. In the case of a foreclosure, the obligation to repay the direct Subsidy to the Member shall terminate upon final settlement or disposition, once such action is completed.

12.6 **Lending of Direct Subsidies** - If the Member or Project Sponsor lends a direct subsidy to the project, any repayments of principal and payments of interest received by the Member or the Project Sponsor during the retention period shall be promptly paid to the Bank.

13. **Reporting Material Changes** - The Member agrees to promptly report, in writing, to the Bank:

A. Any material change to the project, including significant property damage affecting habitability; and

B. Any material change in the financial structure or feasibility of the project, including, but not limited to, any new sources of funds, failure to receive other project-related funds and tax credit allocations, if any, or any other material changes in the project's scope and terms. The Project Sponsor agrees to provide Member timely information to ensure that Member meets this reporting obligation.

The Bank retains the right to reevaluate the need for the subsidy in light of any such material changes to the project, financial structure, or feasibility of the project, and may make such modifications thereto, including the withdrawal of or change in the amount of the subsidy, as it deems appropriate in its sole discretion.

14. **Project Sponsor Representatives and Warranties** - The Project Sponsor represents and warrants to the Bank and the Member, as of the effective date hereof, on each funding date of the subsidy, and as of the dates that the Project Sponsor provides monitoring information and certifications to the Member and the Bank as set forth in this Agreement, and the AHP regulations, the following:

A. Existence - The Project Sponsor is a sponsor as such term is defined in Section 1291.1 of the AHP regulations, and is in good standing in the state of its organization. The Project Sponsor is duly qualified to do business in each state in which the ownership of its respective property or the nature of its respective business makes such qualification necessary and where the failure to so qualify would reasonably be expected to have a materially adverse effect on the business and operations of the Project Sponsor. The Project Sponsor has all powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except for such matters, the failure of which to so maintain, would not reasonably be expected to have a material adverse effect on the operations or financial condition of the Project Sponsor.

B. Power and Authority - The execution, delivery and performance by the Project Sponsor of this Agreement and the related documents to which the Project Sponsor is a party is within the corporate or other powers of the Project Sponsor, has been duly authorized by all necessary action, does not contravene or constitute a default under any provision of applicable law or regulation or of any judgment, injunction, order or decree binding on the Project Sponsor or its property.

C. Enforceability - This Agreement and related documents to which the Project Sponsor is a party have been or will be duly executed and delivered and are, or upon execution will be, the valid and legally binding obligation of the Project Sponsor, enforceable against the Project Sponsor in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws or equitable principles relating to or limiting creditors' rights generally or the availability of equitable remedies.

D. No Breach - The consummation of the transactions contemplated hereby and the execution, delivery and performance of this Agreement and other related documents by the Project Sponsor will not violate or constitute or result in a material breach of or a default under any contract, mortgage, deed of trust, lease, loan or security agreement, corporate charter, articles or bylaws, as applicable, or any other instrument to which the Project Sponsor is a party or by which it may be bound or affected.

E. Statements - The information given by the Project Sponsor in the Application, as summarized in the Schedule, and other documents provided to the Bank, or in any oral statement made, in connection with the Application and the project, are complete and accurate in all material respects.

F. Eligibility Standards; Use of Funds - The project meets the applicable minimum eligibility standards set forth in Section 1291.5 of the AHP regulations. The subsidy will be used only as set forth in the Application (or any subsequent approved modification), and consistent with the requirements of the AHP regulations and the Bank's AHP Implementation Plan.

15. **Reporting of Fraud, Crimes and Misconduct** - The Bank is committed to protecting its revenue, property, reputation, and other assets. The Bank has an Anti-Fraud Policy (a copy of which is on the Bank's public website at https://www.fhlbi.com/) in place to support this commitment and to enhance its compliance efforts. This Policy addresses not only instances of possible fraud, crimes and other misconduct within the Bank, but also fraud, crimes and misconduct detected in our dealings with our members, AHP sponsors, and vendors. Federal regulations place an affirmative duty on the Bank to report suspected fraud, crimes and other misconduct if detected.

Member and Project Sponsor agree to report any instances of fraud, crimes or other misconduct involving the Bank, whether it occurs inside or outside of the Bank. Such reports should be made according to the Bank's then-current fraud reporting system, as disclosed at https://www.fhlbi.com/corporategovernance, or by emailing complianceofficer@fhlbi.com.

16. **Suspended Counterparty Program** - The FHFA prohibits the Bank from engaging, directly or indirectly, in certain transactions with individuals or entities on the FHFA's list of suspended counterparties (http://www.fhfa.gov/Default.aspx?Page=424). Accordingly, neither the Member nor the Project Sponsor shall employ, contract for, or otherwise use the services of any person or entity on the FHFA's list of suspended counterparties (a suspended party) such that the suspended party would directly or indirectly participate in any contractual relationship in the mortgage, securities or other lending product business with the Bank.

17. **Assignment** - Neither the Member nor the Project Sponsor may (voluntarily or involuntarily or by operation of law or otherwise) assign or transfer any of its rights or obligations hereunder without the express prior written consent of the Bank. The Project Sponsor agrees that the Member may assign and transfer any of its rights under this Agreement to the Bank at any time without the Project Sponsor's consent.

18. **Membership Termination** - The Member shall use its best efforts to transfer its obligations under the Application and this Agreement to another Bank member in the event of its loss of Membership in the Bank prior to the Bank's final disbursement of the subsidy. The Member shall promptly notify the Bank in the event that the

Member becomes obligated pursuant to this paragraph to use its best efforts to transfer the subsidy. Member or its legal successors shall be responsible for ongoing monitoring and reporting after final funding or if the obligations under the Application or this Agreement are not transferred. If the Member is acquired by or consolidated with a non-member, the non-member shall agree to assume all of the Member's obligations, if not transferred to another Member, until such obligations are repaid or liquidated.

19. **Modifications; Amendment; Waivers** - No modification, amendment or waiver of any provision of this Agreement or consent to any departure therefrom shall be effective unless executed by the parties to this Agreement, except that the Member may assign its rights to enforce certain provisions of this Agreement to the Bank, at the Bank's request. Modifications involving an increase in AHP subsidy shall be approved by the Bank's Board of Directors. Any forbearance, failure or delay by a party hereto, in exercising any right, power or remedy hereunder or under law or regulation shall not be deemed to be a waiver thereof and any single or partial exercise by a party of any right, power or remedy shall not preclude the further exercise thereof. Every right, power and remedy of a party shall continue in full force and effect until specifically waived by the party, in writing.

20. **Jurisdiction; Legal Fees** -

A. In any action or proceeding brought by the Bank, the Member or the Project Sponsor, in order to enforce any right or remedy under this Agreement, the parties hereby consent to, and agree that they will submit to, the jurisdiction of the United States District Court, Southern District of Indiana, Indianapolis Division.

B. The Member, the Project Sponsor and the Bank agree that in any action or proceeding brought by any party seeking to obtain any legal or equitable relief against another party under or arising out of this Agreement or any transaction contemplated hereby, the losing party, after any and all appeals, will pay all attorneys' fees and other costs incurred by the other party(ies) in connection therewith.

21. **Environmental Indemnity** - The Member and the Project Sponsor jointly and severally agree to indemnify and hold the Bank harmless from and against all liabilities, claims, actions, whether foreseeable or unforeseeable, consequential damages, costs and expenses (including sums paid in settlement of claims and all reasonable consultant, expert and legal fees and expenses of the Bank's counsel) or loss directly or indirectly arising out of or resulting from any Hazardous Substance (as such term is defined below) being present at any time, whether before, during or after construction or rehabilitation, in or around any part of the project, or in the soil, groundwater or soil vapor on or under the project, including those incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, or any resulting damages or injuries to the person or property of any third parties or to any natural resources. For the purposes of this paragraph, the term "Hazardous Substance" means any substance which is or becomes designated as "hazardous" or "toxic" under any federal, state or local law. This indemnity shall survive the expiration or termination of this Agreement.

22. **Applicable Law; Severability** - This Agreement shall be governed by the statutory and common law of the United States and to the extent federal law incorporates or defers to state law, the law of the State of Indiana (excluding, however, the conflict of laws rules of such State). In the event that any portion of this Agreement conflicts with applicable law, such conflict shall not affect other provisions of this Agreement that can be given effect without the conflicting provisions, and to this end, the provisions of this Agreement are declared to be severable.

23. **Successors and Assigns** - This Agreement shall be automatically binding upon and inure to the benefit of the successors, and permitted assigns of the Member, the Project Sponsor and the Bank, as authorized under paragraph 17 of this Agreement.

24. **Notices** - All notices and other communications shall be mailed, sent by facsimile transmission (with confirmation copy) or served personally on a party at the address indicated below, or at such other address as shall be designated by a party by future written notice to the other parties. Notice sent by facsimile transmission shall be effective on the date transmitted; notice sent by personal service shall be effective on the date of delivery; and notice sent by U.S. mail shall be effective three (3) days after such communication is deposited in the mail with first class postage prepaid, addressed as aforesaid.

    Notices to the Member and Project Sponsor shall be forwarded to the addresses set forth in the Schedule, unless a change of address is forwarded to the Bank. Notices to the Bank shall be sent to: Federal Home Loan Bank of Indianapolis, 8250 Woodfield Crossing Boulevard, Indianapolis, Indiana, 46240, Attention: Community Investment Department. Telephone: 317-465-0371, Fax: 317-465-0376.

25. **Counterparts** - This Agreement may be executed by the parties hereto on any number of separate counterparts, provided that the Project Number is contained on all signature pages, and all of said counterparts taken together shall be deemed to constitute one and the same Agreement.

26. **Headings** - Paragraph headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

27. **Entire Agreement** - The Member agrees that this Agreement is subject to the terms and conditions of the Advances, Pledge, and Security Agreement entered into between the Bank and the Member, the Bank's collateral policies and Credit Policy Manual as amended from time to time, and the regulations and directives of the FHFA. Except as referenced in the previous sentence, this Agreement embodies the entire agreement and understanding between the parties hereto relating to the subject matter hereof and supersedes all prior agreements between the parties hereto that relate to such subject matter, including all AHP agreements that may have been previously entered into by the Bank and the Member. In the event of any conflict between the Application and the Schedule, the Schedule shall control. The Member or the Project Sponsor, or both, may have entered into other agreements to

which the Bank is not a party concerning the project, and such other agreements are not subject to this Agreement.

28. **Effective Date** - Approval of this Agreement shall be effective only upon written notice from the Bank to the Member.

29. **No Cause of Action Created in Third Parties** - Nothing in this Agreement shall create a cause of action against the Bank, the Project Sponsor or the Member for any individual or entity not a party to this Agreement.

*Note: This Agreement must be signed by two officers who are authorized on the Member's "Certified Resolutions for Advances" to procure advances from the FHLBI. Please check with the FHLBI's Credit Department if you are uncertain of current authorizations.*

FHLBI

# Attachment G
# Homeownership Opportunities Program (HOP) Guidelines

Contents:

## 1: Program description

The Homeownership Opportunities Program (HOP) is part of the Homeownership Initiatives Programs allocation. HOP helps first-time homebuyers whereby the household is at or below 80% of area median income (AMI) with down payment and closing cost assistance and improves their eligibility for mortgage financing.

The maximum subsidy that can be requested per unit is as follows:

- $10,000, if an FHLBI member is originating the first mortgage loan (*NO match required)*
- $5,000, if a non-member is providing the first mortgage loan (*Match required*)

The financing terms must be consistent with market rate of interest, points, fees and other charges for loans of similar maturity, terms and risk charged by the lender for all transactions whether or not the loan is originated by an FHLBI member.

For transactions where a non-member is the first mortgage lender, matching funds are required at a 3:1 ratio. The HOP subsidy will only match funds for the purpose of providing down payment or closing cost assistance. HOP matches other funds to increase a homebuyer's total source of funds to purchase a home. See the *Match Requirements* section of this document for more information. Each member shall determine the ratio (not to exceed 3:1) of the FHLBI matching funds it will provide to recipients.

Up to $150 of the HOP subsidy may be used toward housing counseling for home purchases.

HOP may be amended at any time with input from the FHLBI Council and approval by the FHLBI Board. Funding announcements may be revoked by the Board without notice. FHLBI reserves the right to allocate funds among programs to meet program demand and to ensure utilization of all funds. All funds allocated to the set aside programs are available on a first-come, first-served basis.

## 2: Member participation requirements

Institutions that are current members of and eligible to borrow from the FHLBI may participate in HOP. The FHLBI does not accept applications from institutions with pending applications for membership in the FHLBI. A list of eligible members may be obtained from a directory at https://www.fhlbi.com/

A. Registration:
All members must sign and submit a Homeownership Initiatives Master Agreement and Registration and Certification Form, which allows participation in all FHLBI Homeownership Initiative Programs. Members will be responsible for all terms and conditions contained in the Homeownership Initiatives Master Agreement and Registration and Certification Form, including, but not limited to, the requirements outlined in this document.

B. Training:
All members will be required to participate in training that will provide information and instructions on program guidelines, disbursements, and documentation requirements. *At a minimum, either the member's Primary or Secondary contact is required to participate in the training*.

C. Submitting Disbursement Requests:
   Upon approval of the Homeownership Initiatives Master Agreement, Registration and Certification Form and completion of required training, members will receive a Starter Kit with all of the information and forms needed to start requesting disbursements.

## 3: Funding - Use, limits and availability

- Funding for HOP is part of the total Homeownership Initiatives Programs allocation. Throughout the program year, the remaining amount of funds available will be published on the FHLBI's website at least bi-weekly.
- HOP funding may towards down payment and closing costs As required by § 1291.2(a)(1), the FHLBI must make available at least one-third of the aggregate annual Homeownership Initiatives Programs allocation to programs that assist first-time homebuyers.
- Each participating member will be limited to $500,000 in HOP funds, unless such limitation is waived by the Board.
- Homeownership Initiatives Programs funding will be announced in the spring. At that time, approximately 70% of funds available will be released and will remain available until all funds are exhausted. Unless funds remain from the spring release, in late summer, the remaining 30% of available funds plus any recaptured or de-committed funds will be available until all funds are exhausted.
- As required by § 1291.6(c)(7), 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 subsidy shall not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms and risk.
- The purchase price of the property must be supported by an appraisal completed not more than 90 days in advance of closing.

## 4: Member requirements

- The member is responsible for structuring the purchase transaction in a manner that complies with all applicable laws, regulations and this Plan.
- Members must enroll each household in an FHLBI Homeownership Initiatives Program. The enrollment date is defined by the FHLBI as the date on which the member issues a qualification or other such loan commitment or enrolls the household in an FHLBI Homeownership Initiatives Program.
- Members must submit a disbursement request to FHLBI within 30 days after enrollment of the household into an FHLBI Homeownership Initiatives Program.
- Member may not request the HOP subsidy for transactions involving the member's real estate-owned (REO) properties.
- Members must provide subsidy only to homebuyers who meet the income guidelines as described in Attachment D of the current Affordable Housing Program Implementation Plan (Plan).
- Members must provide subsidy only to homebuyers that complete a housing counseling program as described in these guidelines.
- Members must ensure that HOP-assisted units are subject to a Retention Agreement provided by the FHLBI that meet requirements of §1291.9 of the Regulation. See Attachment E of the Plan for sample retention language. If a member desires to use its own retention agreement, it

must be substantially in the form of the retention agreement provided by the FHLBI and must be approved by the FHLBI ***prior*** to participating in the program.
- Members must comply with FHLBI requirements to provide copies of retention agreements, settlement statements and other documentation as described in this document.
- Members must maintain project files with all applicable information for all grant recipients. FHLBI may conduct on-site compliance reviews.
- Members may not charge fees to provide subsidy to any homebuyer.
- Member must certify that the recipient(s) and the proposed transaction meet all eligibility requirements for HOP funds.

## 5: Recipient requirements

- HOP funds may only be made available to a first-time homebuyer. The member must maintain a first-time homebuyer affidavit in the project file. In order to be considered a first-time homebuyer, a homebuyer must be in one or more of the following categories:
    - An individual and his or her spouse who has had no ownership in a principal residence during a three-year period ending on the date of the purchase of the property.
    - An individual who is a displaced homemaker and has only owned a home with a spouse, who has not worked full-time, full-year in the labor force for more than 2 years and during that period, worked primarily without remuneration to care for a home and family.
    - A single parent who has only owned a home with a former spouse while married and has 1 or more minor children for whom the individual has physical custody or joint physical custody as ordered by the state authority on child support, guardianship or custody order or divorce decree. If physical custody is not formally established, the primary residence of the child must be documented by third-party documentation.
    - An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
    - An individual who has only owned a property that was not in compliance with state, local or model building codes, or other applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.
- The homebuyer(s) must complete a counseling/education program prior to the loan closing. (see *Housing Counseling Program* section of this document).
- The homebuyer(s) must contribute a minimum of $1,000 in personal cash funds toward the purchase of the home.
- The homebuyer(s) has household income that is equal to or less than 80% of the area median income (AMI) adjusted for family size as published annually by HUD (see FHLBI's website for current charts)
- The primary household members with earned income should demonstrate at least 1 full year of employment with the current employer. The homebuyer(s) must be owner-occupants of the home to be purchased (must be primary residence). Transactions that require or involve non-occupying co-borrowers, co-owners, co-signers, or non-occupying loan guarantors are not eligible.
- Duplexes are eligible as long as the homebuyer will occupy one-half as the primary residence and 75% of the projected income generated from the other unit(s) is included in the HOP income calculation. Projected income must be included in household income whether or not homebuyer intends to rent the other unit(s).
- Lease/purchase arrangements and land contracts are not eligible ownership structures.

- All properties must be titled as real estate and be permanently affixed to a permanent foundation.
- All individuals in title to the property must occupy the property for which the subsidy is being provided and must sign retention documents as described below in section 8: *Real Estate Retention Period*..
- The homebuyer(s) must provide all documentation to the member institution as required for participation in the program.
- The homebuyer(s) may not receive more than $250 cash back at closing. Any funds in excess of the approved mortgage amount, closing costs and cash back to the homebuyer shall be used as a credit to reduce the principal of the mortgage or as a credit toward the household's monthly payments on the mortgage loan.
- The household's monthly housing expense, including principal, interest, taxes, insurance, and homeowner's dues may not exceed 35% of gross income at closing.
- The homebuyer's mortgage loan term and amortization period may not be less than 5 years and 15 years, respectively. The homebuyer may not utilize a construction to permanent loan product to finance the purchase of the property. The property must be an existing dwelling.
- The homebuyer may not acquire the property under the terms of a cash purchase. An amortizing mortgage must be transacted to purchase the property.
- The homebuyer may not purchase the property under a non-arm's length transaction whereby the transaction's parties are related by blood or marriage.
- Purchase transactions requiring funds to be escrowed for property rehabilitation or repairs are not eligible unless the rehabilitation/repair escrow is paid outside of closing or by a third party at closing as evidenced by either the HUD-1 Settlement Statement/Closing Disclosure or other documentation.
- The homebuyer(s) may not be students with part-time or no income while in school who ordinarily would have a reasonable prospect for a substantial increase in income exceeding the AHP income eligibility limit upon entering the workforce full-time. In determining an applicant's eligibility, the FHLBI will consider factors including but not limited to the applicant's current student status, number of hours currently enrolled, anticipated date of graduation and field of study. Supporting documentation will be required.
- The homebuyer cannot receive for the same property more than one FHLBI grant of any kind, or more than one grant from any Federal Home Loan Bank, unless prior grants have been repaid or retention period has expired.

## 6: Match requirements (Non-member First Mortgage Lender)

The HOP subsidy will only match funds for the purpose of providing down payment or closing cost assistance for home purchases (existing or new construction) for first-time homebuyers.

- Each member shall determine the ratio of the FHLBI matching funds it will provide to recipients not to exceed 3:1. For example, if a homebuyer has $1,500 in matching funds, the member may request up to $4,500 in HOP subsidy, giving the homebuyer a total of $6,000 for qualified uses.
- HOP subsidy per household shall be no less than $1,000.
- As stated in the *Recipient Requirements* section, a minimum of $1,000 must be from the homebuyer's own cash funds.
- The remaining matched funds may come from grants (i.e., CDBG, HOME or USDA funds), gifts, forgivable loans, expenses paid outside closing by the homebuyer or sweat equity.

Allowable sweat equity hours are those completed by the household members on the subject property only, valued at the current rate as published on www.independentsector.org. Sweat equity hours worked by other parties or extended family are not eligible as match.

- Seller contributions or paid closing costs are not an eligible source of match.

## 7: Settlement/closing statement

The HOP subsidy must be used for down payment or closing cost assistance and must be reflected as a line item on the current HUD approved HUD-1 Settlement Statement/Closing Disclosure. Please see the definition of Closing Costs in the definitions section of the Implementation Plan. The appropriate grant amount received from the FHLBI must be clearly identified. Other guidelines are as follows:

- Previously closed loans must have closed within 60 days of FHLBI's receipt of the disbursement request.
- The contribution from the homebuyer in the amount of at least $1,000 should be clearly reflected on HUD-1 Settlement Statement/Closing Disclosure. Part or all of the $1,000 can be met through deposit or earnest money, cash brought to closing and/or expenses paid outside of closing (such as insurance, appraisals, etc.). The FHLBI, in its sole discretion, will determine the eligibility of items paid outside of closing.
- If matching funds are required and are received from other sources such as additional grants or gifts, they should be clearly reflected on the HUD-1 Settlement Statement/Closing Disclosure.
- Homebuyers may not receive more than $250 in cash back at closing. Any funds in excess of the approved mortgage amount, closing costs and cash back to the homebuyer shall be used as a credit to reduce the principal of the mortgage or as a credit toward the household's monthly payments on the mortgage loan.

## 8: Real Estate Retention Period

All subsidies to be repaid or returned must be calculated using the Retention Agreement Guide and Subsidy Repayment Worksheet (Worksheet), which can be found on FHLBI's website. The Worksheet outlines the specific repayment provisions and calculations for repayment or return of subsidy in accordance with the Real Estate Retention Agreement or in the event the subsidy is unused.

A household must repay a pro-rated amount of the funds if it sells or refinances the unit during the five-year retention period ***unless*** one of the following exceptions applies:

- In the case of a sale, the purchaser is very low-, low- or moderate-income;
- In the case of a refinancing, the household agrees to continue to be subject to a Retention Agreement, deed restriction or other legally enforceable retention mechanism as described in §1291.9(a)(7) after the refinancing for the balance of the original retention period; or
- The household had obtained a permanent mortgage funded by an AHP subsidized advance and not a direct subsidy.

The household only repays the subsidy from the net gain from either a sale or a refinancing. If there is no net gain, the household does not repay any subsidy. If the net gain is greater than the pro-rated amount of the subsidy, the household must repay the pro-rated amount of the subsidy. If the net gain is less than the pro-rated amount of the subsidy, then the household must repay only the net gain amount.

These terms also apply to any future, subsequent refinancing(s) during the retention period unless the Retention Agreement has otherwise terminated.

The net gain is defined as the sales price of the home, or the amount of the new first mortgage after the refinancing of the home, minus the original purchase price, purchase-related closing costs and the costs associated with the sale (including seller concessions) or refinancing of the home. If the household made substantive improvements to the property, which add to the property's basis, then the costs of those improvements must also be deducted. This information is included in the Worksheet.

In the event the subsidy has been provided to the member, is unused and is not provided to the household, FHLBI does not consider the subsidy disbursed to the household and the subsidy must be returned.

Once the Worksheet has been completed, it should be printed and returned along with the HUD-1 Settlement Statement/Closing Disclosure for the current sale of the property, to the FHLBI with instructions to FHLBI to withdraw the funds from the member's FHLBI CMS account, assuming funds are owed or unused.

The lien securing the subsidy must be released.

### 9: Disbursement process

To request funds, members must submit the following for each household:

1) FHLBI Disbursement Authorization form (in Excel workbook). The Disbursement Authorization Form must be signed by an FHLBI authorized signatory and must accompany each disbursement. If members require assistance identifying an authorized signatory, please call 1-800-688-6697. Because original signatures are required, we cannot accept requests via facsimile.
2) FHLBI Household Qualification Form (in Excel workbook)
3) FHLBI Fund Manager (in Excel workbook)
4) FHLBI Income Calculation Worksheet and corresponding income documentation as outlined in *Attachment D, the Income Guidelines*
5) Zero Income Affidavit, if applicable

During times of normal volume, disbursement requests should be reviewed and/or approved within ten business days. Upon approval, the funds will be credited to the member's FHLBI CMS account.

The member must pass the entire amount of the AHP subsidy to the household.

### 10. Post Disbursement documentation requirements

All loans must be closed within 30 days of the disbursement. Immediately following the loan closing, the following documents must be submitted to FHLBI:

a) Final Executed HUD-1/Closing Disclosure with all transactional funds identified and
b) FHLBI Household Qualification Form completed with the post-closing mortgage information

Extensions will be reviewed on a case-by-case basis. No substitutions of households will be allowed.

## 11: Monitoring, reporting, documentation

Semi-annually, the FHLBI will request documentation for a selected sample of households. The documentation requested may include any of the documents that members are required to maintain in their files. Members have 30 days to submit the requested documentation. If documentation is not received within 30 days, the FHLBI reserves the right to deem the member to have violated the terms of the award and debit the member's CMS account for the appropriate amount. The member will then need to reapply for funding for the particular household, subject to funding availability.

At a minimum, members should maintain (in their files) the documents described below for every HOP recipient.

a) A copy of the final HUD-1 Settlement Statement/Closing Disclosure executed by homebuyer
b) A copy of the disbursement request and all documentation obtained and used to qualify the household at enrollment
c) A copy of the fully executed *and* recorded retention document
d) Evidence of completion of housing counseling prior to the loan closing
e) First-time Homebuyer affidavit
f) Evidence of required recipient's $1,000 cash contribution
g) Evidence of other required matched funds

### Onsite Monitoring

At the discretion of FHLBI, participating members may be selected for an onsite monitoring review. During reviews, which are held at the member's place of business, the FHLBI reviews the member's policies and procedures for administering HOP and a sampling of the grant recipient files. The FHLBI reserves the right to review all files if sampling indicates compliance issues.

## 12: Housing counseling requirements

Members may only provide HOP funds to households that complete an approved homebuyer counseling program.

### Approved Counseling Programs

Housing counseling must be provided by an organization certified and recognized as experienced in housing counseling by HUD or a state Housing Finance Agency delivered by face-to-face tutorial, classroom or workshop session.

Online Counseling: In the event a face-to-face counseling program is unavailable, an FHLBI-approved online housing counseling program may be completed, *along with* a follow-up one-on-one session with a member representative via face to face or telephone. The member and homebuyer must certify to completing the one-on-one review session.

All other FHLBI-approved counseling programs can be found in a Counseling Resource Guide on FHLBI's website.

- HOP funds may be used to pay up to $150 for housing counseling and the fee must be clearly documented on the HUD-1 Settlement Statement/Closing Disclosure.
- Counseling must take place before closing and generally not more than one year earlier than the enrollment date.
- To help prevent grant recipients from later becoming targets of predatory lending, the FHLBI recommends that financial literacy and predatory lending be given emphasis as part of the training.

### 13: Income Guidelines (see Attachment D)

All members must use the Income Guidelines as outlined in Attachment D of the current Plan. Households must have incomes at or below 80% of the median income for the area at the time the household is accepted for enrollment by the member.

FHLBI

# Attachment H
# Neighborhood Impact Program (NIP) Guidelines

Contents:

## 1: Program description

The Neighborhood Impact Program (NIP) is part of the Homeownership Initiatives Programs. NIP provides rehabilitation assistance to homeowners with household incomes at or below 80% of the area median income. The maximum subsidy that can be requested per household is as follows:

- $10,000, if ***either*** of the following requirements are met:
  - The FHLBI member is the current first-lien holder or mortgage servicer, or the homeowner was previously a mortgage customer of the FHLBI member who has subsequently fully satisfied the mortgage debt as evidenced by a discharge of the mortgage or instrument securing debt; or

  - The homeowner is receiving 3:1 in matching funds from government entity (i.e., CDBG, HOME or USDA funds) or a forgivable or deferred loan from an eligible state or local home improvement loan program. Matching funds must be documented. See the Match Requirements section of this document for more information. Each member shall determine the ratio (not to exceed 3:1) of the FHLBI matching funds it will provide to recipients

- $7,500, if homeowner is not receiving matching funds from one of the above-listed eligible sources or if the homeowner is not a current or previous mortgage customer of the FHLBI member.

The NIP subsidy request per household shall be no less than $1,000.

NIP may be amended at any time with input from the FHLBI Council and approval by the FHLBI Board. Funding announcements may be revoked by the Board without notice. FHLBI also reserves the right to reallocate funds among programs to meet program demand and to ensure utilization of all funds but is not making an allocation at this time.

## 2: Member participation requirements

Institutions that are current members of and eligible to borrow from the FHLBI may participate in NIP. The FHLBI does not accept applications from institutions with pending applications for membership in the FHLBI. A list of eligible members may be obtained from a directory at https://www.fhlbi.com/

- Registration:
  All members must sign and submit a Homeownership Initiatives Master Agreement and Registration and Certification Form, which allows it to participate in all FHLBI Homeownership Initiative Programs. Members will be responsible for all terms and conditions contained in the Homeownership Initiatives Master Agreement and Registration and Certification Form, including, but not limited to, the requirements outlined in this document.

- Training:
  All members will be required to participate in training that will provide information and instructions on program guidelines, disbursements, and documentation requirements. *At a minimum, either the member's Primary or Secondary contact is required to participate in the training*.

- Submitting Disbursement Requests:
  Upon approval of the Homeownership Initiatives Master Agreement, Registration and Certification Form and completion of required training, members will receive a Starter Kit with all of the information and forms needed to start requesting disbursements.

## 3: Funding - Use, limits, and availability

- NIP funds may only be used to pay for approved eligible rehabilitation/repair costs unless otherwise noted.
- NIP funds cannot be used to pay for fees charged by members or sponsors for providing the subsidy to a homeowner.
- NIP subsidy may be used to pay for the real estate Retention Agreement recording fee up to a maximum of $20. In the event the full amount of disbursed subsidy is returned, subsidy used for the recording fee must also be returned.
- 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.
- Each participating member will be limited to $300,000 in annual NIP funds, unless such limit is waived by the Board.
- Funding for the first round of Homeownership Initiatives Programs funding will be in the spring. At that time, approximately 70% of the funds available will be released and will remain available until all funds are exhausted. Unless funds remain from the spring release, in late summer, the remaining 30% of available funds plus any recaptured funds will be available until all funds are used.
- Throughout the program year, the remaining amount of funds available will be published on the FHLBI's website at least bi-weekly.

## 4: Member requirements

Members must provide funds only to homeowners who meet the income guidelines as described in Attachment D of the current Affordable Housing Program Implementation Plan (Plan).

- The Member is responsible for compliance with all applicable laws, regulations, and with this Plan.
- Members must enroll each household in an FHLBI Homeownership Initiatives Program. The enrollment date is defined by the FHLBI as the date on which the member issues a qualification or other such loan commitment or enrolls the household in an FHLBI Homeownership Initiatives Program.
- Members must submit a disbursement request to FHLBI within 30 days after enrollment of the household into an FHLBI Homeownership Initiatives Program.
- Members must ensure that all units are occupied by all individuals with a present possessory interest (other than a leasehold interest) in the property.
- Members must confirm that the recipient owners have owned the property in fee-simple for at least 18 months prior to enrollment. Individuals who during this period took title to the property in whole or in part due to the death of a spouse may also include the period of time the property was owned by the deceased spouse. No additional persons may have been in title to the property during the 18 month period other than deceased spouses.

- Members must provide subsidy only to homebuyers who meet the income guidelines as described in Attachment D of the current Affordable Housing Program Implementation Plan (Plan).
- Members must ensure that proposed costs are reasonable based on the local market.
- Members must ensure that rehabilitation work performed meets the requirements outlined in the *Rehabilitation Requirements* section of this document.
- For properties that include a home-based business, members must certify that the grant funds will not be used to cover costs to rehabilitate areas of the home exclusively designated for business use.
- Members must ensure that NIP-assisted units are subject to a Retention Agreement provided by the FHLBI that meet requirements of §1291.9 of the Regulation. See Attachment E of the Plan for sample retention language. If a member desires to use its own retention agreement, it must be substantially in the form of the retention agreement provided by the FHLBI and must be approved by the FHLBI prior to participating in the program.
- Members must comply with FHLBI requirements to provide copies of retention agreements, rehabilitation closing statements and other documentation as described in this document.
- Members must maintain project files with all applicable information for all grant recipients.
- Members must ensure that NIP funds are not used to pay for fees charged by members or sponsors for providing the subsidy to a homeowner.
- Members are advised to exercise due diligence in qualifying NIP transactions and obtain the following items for review *prior* to approving a NIP grant to ensure that the funds will be provided to households stable in their financial affairs.
    - Verification that legal title is vested in applicant(s) only
    - A title search that will provide information on outstanding liens and property tax information to ensure the homeowner is not in default on obligations which could affect home retention
    - Credit reports to provide information on credit obligations that could affect home retention
    - Homeowner's insurance verification to ensure that the home is properly insured
    - Pictures of home or areas to be repaired / replaced prior to commencement of work
- Members must certify that the recipient(s) and the proposed transaction meet all eligibility requirements for NIP funds.
- FHLBI may conduct on-site compliance reviews.

### 5: Recipient requirements

Recipients of NIP funds must meet all of the following requirements.

- Recipients must have household income that is equal to or less than 80% of the area median income (AMI) adjusted for family size as published annually by HUD (see FHLBI's website for current AMI charts).
- Recipients' existing mortgage obligation for the subject property must be current and paid as agreed.
- Recipients must be owner-occupants of the home to be rehabilitated (must be primary residence) and have resided in the home, as a primary residence, for at least 18 months prior to application with the member institution. Individuals who during this period took title to the property in whole or in part due to the death of a spouse may also include the period the time the property was owned by the deceased spouse, except as otherwise described herein. No additional persons may have been in title to the property during the 18 month period other than deceased spouses.

- Duplexes are eligible as long as the homeowner occupies one-half as the primary residence and 75% of the projected income generated from the other unit(s) is included in the NIP income qualification process. Projected income must be included in household income whether or not homeowner intends to rent the other unit(s).
- NIP funds may only be used to provide assistance to rehabilitate an owner-occupied residence. Home-based business rehabilitation is not an eligible stand-alone use under the NIP. For eligible households whose home-based business is also located in the housing unit or on the property, NIP funds may be used if the primary purpose of the proposed rehabilitation is to rehabilitate and provide general benefit to the residence. Proposed rehabilitation that will only benefit the area of the home exclusively designated for business use is not an eligible use under the NIP. This policy applies whether or not the income generated from the business activity is the primary or secondary source of income to the household.
- Lease/purchase arrangements and land contracts are not eligible ownership structures.
- All properties must be titled as real estate and be permanently affixed to a permanent foundation.
- All persons in title to the property must sign retention documents described below in the section 8: *Real Estate Retention Period*. Transactions that require or involve non-occupying co-borrowers, co-owners, co-signers, guarantors are not eligible for NIP.
- Recipients must provide all documentation to the member as required for participation in the program.
- Recipients cannot receive, for the same property, more than one FHLBI grant of any kind, or more than one grant from any Federal Home Loan Bank, unless prior grants have been repaid or retention period has expired.
- Applicants may not be students with part-time or no income while in school who ordinarily would have a reasonable prospect for a substantial increase in income exceeding the AHP income eligibility limit upon entering the workforce fulltime. In determining an applicant's eligibility, the FHLBI will consider factors including, but not limited to, the applicant's current student status, number of hours currently enrolled, anticipated date of graduation and field of study. Supporting documentation will be required.

## 6: Rehabilitation/Repair requirements

Eligible repairs must address deferred maintenance needs of the home. Funds may only be used for repairs to the livable space of the home. Rehabilitation and repair of systems materials must be of similar quality, like and style. FHLBI may exercise discretion in determining if repairs are eligible for funding. Members must execute a certification of cost reasonableness and maintain copies of all bids obtained to support the proposed work.

Rehabilitation/repair work completed prior to enrollment may not be paid for with NIP funds.

### Eligible Rehabilitation/Repair

The following types of repairs are eligible for funding under NIP:

- Repair/replacement of existing heating, ventilation, air conditioning
- Repair/replacement of existing well/septic system or underground property sewer system*
- Repair/replacement of existing water heater
- Energy conservation improvements - includes repair/replacement of existing:

- Windows
- Soffit and Fascia
- Siding
- Roofing
- Gutters
- Downspouts
- Caulking
- Exterior doors
- Weather stripping, attic and wall insulation
- Installation/repair of existing basement waterproofing system*

*Additional documentation may be required.

If the homeowner is a licensed contractor and requests to perform the NIP-eligible repairs on his/her own home, the following guidelines must be followed:

1) The homeowner must be licensed in the same field of the proposed repairs, i.e., if the proposed work is roofing, the homeowner must be a licensed roofer. A copy of the contractor's license must be submitted with the disbursement request.
2) The cost of labor is not an eligible NIP expense.
3) A minimum of 2 bids for the proposed work must be obtained from independent third parties. The bids must itemize the costs for both labor and material separately.
4) The household will need to provide receipts to correspond with the necessary supplies for the proposed work.
5) The member needs to order an independent third-party inspection to verify the repairs were completed as indicated.
6) Before and after pictures are required.

### Ineligible Rehabilitation/Repair

In general, improvements in functionality/modernization, changes for elimination of obsolescence, luxury items, improvements that do not become a permanent part of the property, and installation or repair of items listed below are not eligible improvements. The list is not all-inclusive and the FHLBI suggests that members use prudent decision-making when approving requested improvements. Any exceptions should be pre-approved by the FHLBI.

- Additions or alterations for commercial use
- Porches, detached garages, etc.
- The finishing of attics, basements, etc.
- Furniture and appliances
- Landscaping or tree work
- Fences
- Room additions
- Driveways and sidewalks
- Awnings and shutters

## 7: Match requirements

NIP subsidy will only match funds for the purpose of providing rehabilitation assistance for homeowners. Each member shall determine the ratio of the FHLBI matching funds it will provide to homeowner. The matching rate shall not exceed three times the eligible match (3:1). For example, if a homebuyer has $3,350 in matching funds, the member may request up to $10,000 in NIP subsidy.

As stated above, households must receive matching funds in the form of CDBG, HOME, USDA or similar funding for home rehabilitation assistance from a government entity or a forgivable or deferred loan from an eligible state or local home improvement loan program. The member must obtain and retain documentation to evidence approval or receipt of the matching funds. This documentation may be an award letter, commitment letter or executed grant or loan documents.

FHLBI requires all repairs, those to be completed with NIP funds as well as any match monies, be incorporated into the same scope of work or – at a minimum – the bids be obtained in a similar timeframe thus demonstrating the intention of utilizing the additional funding source.

## 8: Real Estate Retention Period

All funds to be repaid or returned must be calculated using the Retention Agreement Guide and Subsidy Repayment Worksheet (Worksheet), which can be found on FHLBI's website. The Worksheet outlines specific repayment provisions and calculations for repayment or return of subsidy in accordance with the Real Estate Retention Agreement or in the event the subsidy is unused.

A household must repay a pro-rated amount of the funds if it sells or refinances the unit during the five-year retention period ***unless*** one of the following exceptions applies:

- In the case of a sale, the purchaser is very low-, low- or moderate-income;
- In the case of a refinancing, the household agrees to continue to be subject to a Retention Agreement, deed restriction or other legally enforceable retention mechanism as described in §1291.9(a)(7) after the refinancing for the balance of the original retention period; or
- The household had obtained a permanent mortgage funded by an AHP subsidized advance and not a direct subsidy.

The household only repays the subsidy from the net gain from either a sale or a refinancing. If there is no net gain, the household does not repay any subsidy. If the net gain is greater than the pro-rated amount of the subsidy, the household must repay the pro-rated amount of the subsidy. If the net gain is less than the pro-rated amount of the subsidy, then the household must repay only the net gain amount. For NIP households, the original purchase price may be an estimate, supported by reasonable third-party documentation, if the property was not purchased recently.

These terms also apply to any future, subsequent refinancing(s) during the retention period unless the Retention Agreement has otherwise terminated.

The net gain is defined as the sales price of the home, or the amount of the new first mortgage after the refinancing of the home, minus the original purchase price, purchase-related closing costs and the costs associated with the sale (including seller concessions) or refinancing of the home. If the household made substantive improvements to the property, which add to the property's basis, then the costs of those improvements must also be deducted. This information is included in the Worksheet.

In the event the subsidy has been provided to the member, is unused and is not provided to the household, FHLBI does not consider the subsidy disbursed to the household and the subsidy must be returned.

Once the Worksheet has been completed, it should be printed and returned along with the HUD-1 Settlement Statement/Closing Disclosure for the current sale of the property, to the FHLBI with instructions to FHLBI to withdraw the funds from the member's FHLBI CMS account, assuming funds are owed or unused.

The lien securing the subsidy must be released.

## 9: Disbursement process

Disbursements should be submitted following the steps and guidelines below:

1) FHLBI Disbursement Authorization Form (in Excel workbook). The Disbursement Authorization Form must be signed by an FHLBI authorized signatory and must accompany each disbursement. If members require assistance identifying an authorized signatory, please call 1-800-688-6697. Because original signatures are required, we cannot accept requests via facsimile.
2) FHLBI Household Qualification Form (in Excel workbook)
3) FHLBI Fund Manager
4) FHLBI Income calculation worksheet and corresponding income documentation as outlined in Attachment D, the Income Guidelines
5) Zero Income Affidavit, if applicable
6) FHLBI Certification of Cost Reasonableness executed by the member. Please note: The certification must be supported by a minimum of two independent, third-party bids/estimates for each proposed repair which must be maintained in the member's file.
7) Other supporting documentation such as, photos, may be required and must be available for review by the FHLBI upon request.

Funds should not be requested earlier than 60 days prior to the estimated closing date, which is the date the Retention Agreement is recorded. During times of normal volume, disbursement requests should be reviewed and/or approved within ten business days. Upon approval, the funds will be credited to the member's FHLBI CMS account.

No substitutions of households will be allowed. The member must pass the entire amount of the AHP subsidy to the household.

## Disbursement recommendations

a) Consider establishing an escrow account to disburse funds as the work is completed.
b) Request that the homeowner provide you with invoices and make checks jointly payable to the contractor or other service provider and the homeowner.
c) Take before and after photos.
d) If time permits, consider doing property inspections.
e) Require all work completed by a licensed/bonded contractor

f) Consider requiring the homeowner to certify that work has been completed satisfactorily prior to issuing payment. A form that can be used for this purpose is available on FHLBI' Grant Tools web page.
g) Have the homeowner sign the Retention Agreement prior to the start of the rehabilitation work.

## 10: Post disbursement requirements and documentation

### Real Estate Retention Agreement Recording

The real estate Retention Agreement must be recorded within 30 days of disbursement. The recordation date must be submitted for *every* unit to the FHLBI via the Fund Manager (Excel spreadsheet from Starter Kit). If the recorded Retention Agreement has not yet been received, at a minimum, a receipt of recording may be used to determine the recording date. Extension requests will be reviewed on a case-by-case basis.

### Rehabilitation Closing

Within 6 months of the FHLBI's disbursement, all repairs should be complete, and the member should have paid all invoices for services performed. The member is responsible for managing the progress and completion of the repair project. The FHLBI requires that the Rehabilitation Closing Statement (RCS) be completed upon completion of all repairs. The form is available on FHLBI's website. Members must ensure that the appropriate subsidy amount received from the FHLBI is clearly identified. Members are required to sign the RCS. Other items that should be clearly reflected on the statement are as follows.

- All sources of matching funds
- The total cost of the repair including an itemized description of and amounts associated with each home repair

## 11: Monitoring, reporting, documentation

Semi-annually, the FHLBI will request documentation for a randomly selected sample of households. The documentation requested may include any of the documents that members are required to maintain in their files. Members have 30 days to submit the requested documentation. If documentation is not received within 30 days, the FHLBI reserves the right to deem the member to have violated the terms of the award and debit the member's CMS account for the appropriate amount. The member will then need to reapply for funding for the particular household, subject to funding availability. At a minimum, members should maintain the following documentation in their files for every NIP recipient:

1) *A copy of the disbursement request and all documentation obtained and used to qualify the household at enrollment*
2) *Final, fully-executed* Rehabilitation Closing Statement, executed by both the homeowner and the member
3) Executed *and* recorded retention document executed by all owners in the legal title
4) Original bids to support the executed Certification of Cost Reasonableness
5) Final cost verification for rehabilitation work performed evidenced by copies of final invoices, receipts and cancelled checks or similar forms of payments to the contractor(s)
6) Evidence of matched funds in the form of copies of final invoices, receipts or cancelled checks

## Onsite Monitoring

At the discretion of FHLBI, participating members may be selected for monitoring review. During reviews, which are held at the member's place of business, the FHLBI reviews the member's policies and procedures for administering NIP and a sampling of the grant recipient files. The FHLBI reserves the right to review all files if sampling indicates compliance issues.

## 12: Income Guidelines (see Attachment D)

All members must use the income guidelines as outlined in Attachment D of the current Plan. Households must have incomes at or below 80% of the median income for the area at the time the household is accepted for enrollment by the member.

# Attachment I
# Accessibility Modifications Program (AMP) Guidelines

Contents:

## 1: Program description

The Accessibility Modifications Program (AMP) is part of the Homeownership Initiatives Programs offering. AMP provides funding for accessibility modifications and minor home rehabilitation for eligible senior homeowners or owner-occupied households with a person(s) with a permanent disability. Eligible households must have household incomes at or below 80% of the area median income. The maximum subsidy that can be requested per household is $15,000. The AMP subsidy request per household shall be no less than $1,000.

AMP may be amended at any time with input from the FHLBI Council and approval by the FHLBI Board. Funding announcements may be revoked by the Board without notice. FHLBI also reserves the right to reallocate funds among programs to meet program demand and to ensure utilization of all funds but is not making an allocation at this time. All funds allocated to the Homeownership Initiatives Programs are available on a first-come, first-served basis.

## 2: Member participation requirements

FHLBI member financial institutions (member) that are current members of and eligible to borrow from the FHLBI may participate in AMP. The FHLBI does not accept applications from institutions with pending applications for membership in the FHLBI. A list of eligible members may be obtained from a directory at https://www.fhlbi.com/

- Registration:
  All members must sign and submit a Homeownership Initiatives Master Agreement and Registration and Certification Form, which allows it to participate in all FHLBI Homeownership Initiative Programs. Members will be responsible for all terms and conditions contained in the Homeownership Initiatives Master Agreement and Registration and Certification Form, including, but not limited to, the requirements outlined in this document.

- Training:
  All members will be required to participate in training that will provide information and instructions on program guidelines, disbursements, and documentation requirements. *At a minimum, either the Primary or Secondary contact is required to participate in the training*.

- Submitting Disbursement Requests:
  Upon approval of the Homeownership Initiatives Master Agreement, and Registration and Certification Form and completion of required training, members will receive a Starter Kit with all of the information and forms needed to start requesting disbursements.

## 3: Funding - use, limits, and availability

- AMP funds may only be used to pay for approved eligible modification/repair costs unless otherwise noted.
- AMP funds cannot be used to pay for fees charged by members or sponsors for providing the subsidy to a homeowner.
- AMP subsidy may be used to pay for the real estate Retention Agreement recording fee up to a maximum of $20. In the event the full amount of disbursed subsidy is returned, subsidy used for the recording fee must also be returned.

- 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.
- Each participating member will be limited to $300,000 in annual AMP funds, unless such limit is waived by the Board.
- Funding for the first round of Homeownership Initiatives Programs funding will be in the spring. At that time, approximately 70% of the funds available will be released and will remain available until all funds are exhausted. Unless funds remain from the spring release, in late summer, the remaining 30% of available funds plus any recaptured funds will be available until all funds are used.
- Throughout the program year, the remaining amount of funds available will be published on the FHLBI's website at least bi-weekly.

## 4: Member requirements

Members must provide funds only to homeowners who meet the income guidelines as described in Attachment D of the current Affordable Housing Program Implementation Plan (Plan).

- The Member is responsible for compliance with all applicable laws, regulations and with this Plan.
- Members must enroll each household in an FHLBI Homeownership Initiatives Program. The enrollment date is defined by the FHLBI as the date on which the member issues a qualification or other such loan commitment or enrolls the household in an FHLBI Homeownership Initiatives Program.
- Members must confirm that the recipient owners have owned the property in fee-simple for at least 18 months prior to enrollment. Individuals who during this period took title to the property in whole or in part due to the death of a spouse may also include the period of time the property was owned by the deceased spouse. No additional persons may have been in title to the property during the 18 month period other than deceased spouses. A household being qualified under the disabled household type, as defined below, may be granted an exception to this requirement.
- Members must ensure that title to the property is vested only in the owner-occupants and all units are owner-occupied by all owners in title.
- Members must ensure that proposed costs are reasonable based on the local market.
- Members must ensure that rehabilitation/modification work performed meets the requirements outlined in the *Accessibility Modifications Requirements* section of this document.
- For properties that include a home-based business, members must certify that the grant funds will not be used to cover costs to rehabilitate areas of the home exclusively designated for business use.
- Members must ensure that 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.
- Members must submit a disbursement request to FHLBI within 30 days after enrollment of the household into an FHLBI Homeownership Initiatives Program.
- Members are advised to exercise due diligence in qualifying AMP households and obtain the following items for review *prior* to submitting a request to FHLBI to ensure that the funds will be provided to households stable in their financial affairs.

  - Verification that legal title is vested in applicant(s) only
  - A title search, which will provide information on outstanding liens and property tax information to ensure the homeowner is not in default on obligations that could affect home retention
  - Credit reports to provide information on credit obligations that could affect home retention
  - Homeowner's insurance verification to ensure that the home is properly insured
  - Pictures of home or areas to be repaired / replaced prior to commencement of work
- Members must ensure that AMP-assisted units are subject to a Retention Agreement provided by the FHLBI that meet requirements of §1291.9 of the Regulation. See Attachment E of the Plan for sample retention language. If a member desires to use its own retention agreement, it must be substantially in the form of the retention agreement provided by the FHLBI and must be approved by the FHLBI prior to participating in the program.
- Members must comply with FHLBI requirements to provide copies of retention agreements, rehabilitation closing statements, evidence of costs and other documentation as described in this document.
- Members must maintain project files with all applicable information for all grant recipients.
- Member must certify that the homebuyer(s) and the proposed transaction meet all eligibility requirements for AMP funds.

### 5: Recipient requirements

Recipients of AMP funds must meet all of the following requirements:

- Is a household meeting one or more of the following types:

  Type A –a household whereby all members are age 62 years or older or,

  Type B –a household whereby all members are age 62 years or older, or age 17 or younger whereby the household members age 62 or older is the documented guardian(s) of a household member(s) age 17 or younger; or

  Type C –a household with a member(s) of any age with a permanent disability and currently receives Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) benefits or reasonably equivalent state or federal funded permanent disability benefits. Documentation should support payment of benefits for at least 60 days.

  *The age requirement(s) must be met and documented at the time of enrollment.*

- Households must reside in Michigan or Indiana.
- Resident has a household income that is equal to or less than 80% of the area median income (AMI) adjusted for family size as published annually by HUD (see FHLBI's website for current AMI charts).
- Recipients must be owner-occupants of the home to be rehabilitated (must be primary residence) and have resided in and owned the home, as a primary residence, for at least 18 months prior to enrollment with the member. Individuals who during this period took title to the property in whole or in part due to the death of a spouse may also include the period the time the property was owned by the deceased spouse, except as otherwise described herein. No additional persons may have been in title to the property during the 18 month period other

than deceased spouses. A household being qualified under the disabled household type, as defined below, may be granted an exception to this requirement.

- Recipients must demonstrate that existing mortgage obligation(s) for the subject property must be current and paid as agreed.
- Duplexes are eligible as long as the homeowner occupies one-half as the primary residence and 75% of the projected income generated from the other unit(s) is included in the AMP income qualification process. Projected income must be included in household income whether or not homeowner intends to rent the other unit(s).
- AMP funds may only be used to provide assistance to rehabilitate an owner-occupied residence. Home-based business rehabilitation is not an eligible stand-alone use under the AMP. For eligible households whose home-based business is also located in the housing unit or on the property, AMP funds may be used if the primary purpose of the proposed rehabilitation is to rehabilitate and provide general benefit to the residence. Proposed rehabilitation that will only benefit the area of the home exclusively designated for business use is not an eligible use under the AMP. This policy applies whether or not the income generated from the business activity is the primary or secondary source of income to the household.
- Lease/purchase arrangements and land contracts are not eligible ownership structures.
- All properties must be titled as real estate and be permanently affixed to a permanent foundation.
- All individuals in title to the property must occupy the property for which subsidy is being provided and must sign retention documents described below in the section 7: *Real Estate Retention Period*..
- Transactions that require or involve non-occupying co-borrowers, co-owners, co-signers or guarantors are not eligible.
- Recipients must provide all documentation to the member as required for participation in the program.
- Applicants may not be students with part-time or no income while in school who ordinarily would have a reasonable prospect for a substantial increase in income exceeding the AHP income eligibility limit upon entering the workforce full-time. In determining an applicant's eligibility, the FHLBI will consider factors including, but not limited to, the applicant's current student status, number of hours currently enrolled, anticipated date of graduation and field of study. Supporting documentation will be required.
- Recipients cannot receive, for the same property, more than one FHLBI grant of any kind, or more than one grant from any Federal Home Loan Bank, unless prior grants have been repaid or retention period has expired.

## 6: Accessibility Modifications requirements

Eligible repairs must address accessibility needs of the home to assist with aging in place and independent living. Subsidy may only be used for repairs to the livable space of the home, unless otherwise noted. Where applicable, rehabilitation and repair of systems and materials must be of similar quality, like and style. FHLBI may exercise discretion in determining if repairs are eligible for funding. When possible, modifications should comply with Americans with Disabilities Act (ADA) or Universal Design specifications. Members must execute a certification of cost reasonableness and maintain copies of all bids obtained to support the proposed work.

Any exceptions to the following list of eligible modifications and/or repairs must be pre-approved by the FHLBI. Work performed or completed prior to enrollment may not be paid for with AMP funds. The homeowner may not complete any of the approved rehabilitation funded by AMP.

### Eligible Accessibility Modifications

The following modifications are eligible for funding under AMP:

- Ramps/zero step entries
- Handrails
- Levered door handles
- Self-closing hinges (internal/external doors)
- Pocket doors or swing hinges
- Bathroom modifications
  - walk/roll-in showers
  - grab bars
  - rebath - easy entry bath
  - ADA-approved toilets/drop down grab bar
  - Roll-under vanity
  - Lower level ½ bath conversions
- Kitchen modifications
  - Lowering existing cabinets or replacing with ADA-approved cabinets
  - Lowered and/or roll under ADA-approved counters
- Internal chair and wheelchair lifts
- Widened door-ways
- Installation of smoke detectors or carbon monoxide detectors
- Universal Design floor coverings
- Exclusion may apply

### Other Repairs:

- Up to 25% of AMP funds may be used for the following deferred maintenance items:
  - Roofing
  - Soffit and Fascia
  - Siding
  - Windows
  - External doors
  - Water-heaters
  - HVAC
  - Gutters

### Ineligible improvements:

In general, improvements in functionality/modernization, changes for elimination of obsolescence, luxury items, improvements that do not become a permanent part of the property, and installation or repair of items listed below are not eligible improvements. The list is not all-inclusive and the FHLBI suggests that members use prudent decision-making when approving requested improvements.

- Additions or alterations for commercial use
- Porches, detached garages, etc.
- The finishing of attics, basements, etc.
- Furniture and appliances
- Landscaping or tree work
- Fences
- Room additions
- Driveways and sidewalks
- Awnings and shutters

## 7: Real Estate Retention Period

All funds to be repaid or returned must be calculated using the Retention Agreement Guide and Subsidy Repayment Worksheet (Worksheet), which can be found on FHLBI's website. The Worksheet outlines the specific repayment provisions and calculations for repayment or return of subsidy in accordance with the Real Estate Retention Agreement or in the event the subsidy is unused.

A household must repay a pro-rated amount of the funds if it sells or refinances the unit during the five-year retention period ***unless*** one of the following exceptions applies:

- In the case of a sale, the purchaser is very low-, low- or moderate-income;
- In the case of a refinancing, the household agrees to continue to be subject to a Retention Agreement, deed restriction or other legally enforceable retention mechanism as described in §1291.9(a)(7) after the refinancing for the balance of the original retention period; or
- The household had obtained a permanent mortgage funded by an AHP subsidized advance and not a direct subsidy.

The household only repays the subsidy from the net gain from either a sale or a refinancing. If there is no net gain, the household does not repay any subsidy. If the net gain is greater than the pro-rated amount of the subsidy, the household must repay the pro-rated amount of the subsidy. If the net gain is less than the pro-rated amount of the subsidy, then the household must repay only the net gain amount. For AMP households, the original purchase price may be an estimate supported by reasonable third-party documentation, if the property was not purchased recently.

These terms also apply to any future, subsequent refinancing(s) during the retention period unless the Retention Agreement has otherwise terminated.

The net gain is defined as the sales price of the home, or the amount of the new first mortgage after the refinancing of the home, minus the original purchase price, purchase-related closing costs and the costs associated with the sale (including seller concessions) or refinancing of the home. If the household made substantive improvements to the property, which add to the property's basis, then the costs of those improvements must also be deducted. This information is included in the Worksheet.

In the event the subsidy has been provided to the member, is unused and is not provided to the household, FHLBI does not consider the subsidy disbursed to the household and the subsidy must be returned.

Once the Worksheet has been completed, it should be printed and returned along with the HUD-1 Settlement Statement/Closing Disclosure for the current sale of the property, to the FHLBI with instructions to FHLBI to withdraw the funds from the member's FHLBI CMS account, assuming funds are owed or unused.

The lien securing the subsidy must be released.

## 8: Disbursement process

Disbursement requests must include the following required documents:

1) FHLBI Disbursement Authorization Form (in Excel workbook). The Disbursement Authorization Form must be signed by an FHLBI authorized signatory and must accompany each disbursement. If members require assistance identifying an authorized signatory, please call 1-800-688-6697. Because original signatures are required, we cannot accept requests via facsimile.
2) FHLBI Household Qualification Form (in Excel workbook)
3) FHLBI Fund Manager
4) FHLBI Income calculation worksheet and corresponding income documentation as outlined in *Attachment D, the Income Guidelines*
5) Zero Income Affidavit, if applicable
6) FHLBI Certification of Cost Reasonableness executed by the member. Please note: The certification must be supported by a minimum of two independent, third-party bids/estimates for each proposed modification/repair which must be maintained in the member's file.
7) Other supporting documentation such as, photos, may be required and must be available for review by the FHLBI upon request

Funds should not be requested earlier than 60 days prior to the estimated closing date, which is the date the Retention Agreement is recorded. During times of normal volume, disbursement requests should be reviewed and/or approved within ten business days. Upon approval, the funds will be credited to the member's FHLBI CMS account.

No substitutions of households will be allowed.

The member must pass the entire amount of the subsidy to the household.

### Disbursement recommendations

a) Consider establishing an escrow account to disburse funds as the work is completed.
b) Request that the homeowner provide you with invoices and make checks jointly payable to the contractor or other service provider and the homeowner.
c) Take before and after photos.
d) If time permits, consider doing property inspections.
e) Require all work completed by a licensed/bonded contractor
f) Consider requiring the homeowner to certify that work has been completed satisfactorily prior to issuing payment. A form that can be used for this purpose is available on FHLBI's Grant Tools web page.
g) Have the homeowner sign the Retention Agreement prior to the start of the rehabilitation work.

## 9: Post disbursement requirements and documentation

### Real Estate Retention Agreement Recording

The real estate Retention Agreement must be recorded within 30 days of disbursement. The recordation date must be submitted for *every* unit to the FHLBI via the Fund Manager (Excel spreadsheet from Starter Kit). If the recorded Retention Agreement has not yet been received, at a minimum, a receipt of recording may be used to determine the recording date. Extension requests will be reviewed on a case-by-case basis.

### Rehabilitation Closing

All home modifications should be completed within 6 months of the FHLBI disbursement of funds along with all funds disbursed for services performed. The member is responsible for managing the progress and completion of the repair project. The FHLBI requires that the Rehabilitation Closing Statement (RCS) be completed upon completion of all modifications. The form is available on FHLBI's website. All costs associated with each modification must be documented. Members must ensure that the appropriate subsidy amount received from the FHLBI is clearly identified. The total cost of the repair including an itemized description of and costs associated with the home modifications or repairs must be documented. Members are required to sign the RCS.

## 10: Monitoring, reporting, documentation

Semi-annually, the FHLBI will request documentation for a randomly selected sample of households. The documentation requested can include any of the documents that members are required to maintain in their files. Members have 30 days to submit the requested documentation. If documentation is not received within 30 days, the FHLBI reserves the right to deem the member to have violated the terms of the award and debit the member's CMS account for the appropriate amount. The member will then need to reapply for funding for the particular household, subject to funding availability.

At a minimum, members should maintain the following documentation in their files for every AMP recipient:

1) A copy of the disbursement request and all documentation obtained and used to qualify the household at enrollment
2) *Final, fully-executed* Rehabilitation Closing Statement, executed by both the homeowner and the member
3) Executed *and* recorded retention document executed by all owners in the legal title
4) Original bids to support the executed Certification of Cost Reasonableness
5) Final cost verification for rehabilitation work performed evidenced by copies of final invoices, receipts and cancelled checks or similar forms of payments to the contractor(s)

### Onsite Monitoring

At the discretion of FHLBI, participating members may be selected for monitoring review. During reviews, which are held at the member's place of business, the FHLBI reviews the member's policies and procedures for administering AMP and a sampling of the grant recipient files. The FHLBI reserves the right to review all files if sampling indicates compliance issues.

## 11: Income Guidelines (see Attachment D)

All members must use the income guidelines as outlined in Attachment D of the current Plan. Households must have incomes at or below 80% of the median income for the area at the time the household is accepted for enrollment by the member.

# Attachment J
# Disaster Relief Program (DRP) Guidelines

This section provides a template to be used in the event there is a declaration of a state or federal disaster in the sixth district. *Note: Amounts to be identified per event, as approved by the FHLBI Board, are noted with XX. Other sections such as recipient requirements and rehabilitation requirements may be modified according to the specific circumstances of the declared disaster.*

## Contents:

## 1: Program description

The Disaster Relief Program (DRP) provides rehabilitation or down payment assistance to low- or moderate-income homeowners. DRP matches other funds to increase a homeowner's total source of funds to rehabilitate a home damaged by, or purchase a home when displaced by, a state or federally declared disaster up to a total of $XX per household based on demonstrated need. See the *Match Requirements* section of this document for more information. Each member shall determine the ratio (not to exceed XX:XX) of the FHLBI matching funds it will provide to recipients.

DRP may be instituted at any time following the declaration of a state or federal disaster in the sixth district with input from the FHLBI Council and approval by the FHLBI Board. Funding announcements may be revoked by the Board without notice. FHLBI also reserves the right to reallocate funds between Homeownership Initiatives Programs to meet program demand and to ensure utilization of all funds. The FHLBI may allot to its current year's Program from its annual required AHP contribution for the subsequent year, an amount up to the greater of $2 million or 20% of its annual required AHP contribution for the current year.

Funds used in conjunction with a DRP will not be counted toward the total per member limit as specified in the current Implementation Plan. Funds will be available for use until XX/XX/XXXX.

## 2: Member participation and registration

Institutions that are current members of and eligible to borrow from the FHLBI may participate in DRP. Institutions with pending applications for membership in the FHLBI are not eligible to participate in DRP. A list of eligible members may be obtained from a directory at https://www.fhlbi.com/

A. Registration:
   All members must sign and submit a Homeownership Initiatives Master Agreement and Registration and Certification Form, which allows it to participate in all FHLBI Homeownership Initiative Programs. Members will be responsible for all terms and conditions contained in the Homeownership Initiatives Master Agreement and Registration and Certification Form, including, but not limited to, the requirements outlined in this document.

B. Training:
   All members will be required to participate in training that will provide information and instructions on program guidelines, disbursements, and documentation requirements. *At a minimum, either the primary or secondary contact is required to participate in the training*.

C. Submitting Disbursement Requests:
   Upon approval of the Homeownership Initiatives Master Agreement, Registration and Certification Form and completion of required training, members will receive a Starter Kit with all of the information and forms needed to start requesting disbursements.

## 3: Funding - use, limits, and availability

In order to participate in DRP, recipients must be located within the disaster area and have applied for and received notification of all other available recovery funds.

- DRP funds may not be used to pay for fees charged by members or sponsors for providing the subsidy to a homeowner.
- The specific amount of funds available will be determined by the FHLBI in conjunction with the Council and approval by the FHLBI Board.
- 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.

## 4: Member requirements

Members must provide funds only to homeowners who meet the income guidelines as described in Attachment D of the current Affordable Housing Program Implementation Plan (Plan).

- The Member is responsible for compliance with all applicable laws, regulations and with this Plan.
- Members must enroll each household in an FHLBI Homeownership set Homeownership Initiatives Program. The enrollment date is defined by the FHLBI as the date on which the member issues a qualification or other such loan commitment or enrolls the household in an FHLBI Homeownership Initiatives Program.
- Members must submit a disbursement request to FHLBI within 30 days after enrollment of the household into an FHLBI set Homeownership Initiatives Program.
- Members must ensure that all units are or will be owner-occupied.
- Members are advised to exercise due diligence in qualifying DRP households and obtain the following items for review *prior* to submitting a request to FHLBI to ensure that the funds will be provided to households stable in their financial affairs.
  - Verification that legal title is vested in applicant(s) only
  - A title search, which will provide information on outstanding liens and property tax information to ensure the homeowner is not in default on obligations that could affect home retention
  - Credit reports to provide information on credit obligations that could affect home retention
  - Homeowner's insurance verification to ensure that the home is properly insured
  - Pictures of home or areas to be repaired / replaced prior to commencement of work
- Members must confirm that the recipient owners have owned the property in fee-simple for at least 18 months prior to enrollment. Individuals who during this period took title to the property in whole or in part due to the death of a spouse may also include the period of time the property was owned by the deceased spouse. No additional persons may have been in title to the property during the 18 month period other than deceased spouses. Members must ensure that rehabilitation work performed meets the requirements outlined in the *Rehabilitation Requirements* section of this document.
- Members must ensure that DRP-assisted units are subject to retention documents provided by the FHLBI that meet requirements of §1291.9 of the Regulation. See Attachment E of the Plan for sample retention language. If a member desires to use its own retention agreement, it must be substantially in the form of the retention agreement provided by the FHLBI and must be approved by the FHLBI prior to use.
- Members must comply with FHLBI requirements to provide copies of retention agreements, rehabilitation closing statements, settlement statements and other documentation as described in this document.

- Members must maintain project files with all applicable information for all grant recipients. FHLBI may conduct on-site compliance reviews.
- Additional due diligence as indicated below.
- Member must certify that the homebuyer(s) and the proposed transaction meet all eligibility requirements for DRP funds.

## 5: Recipient requirements

Recipients of DRP funds must meet all of the following requirements:

- Recipients must have household income that is equal to or less than 80% of the area median income (AMI) adjusted for family size as published annually by HUD (see FHLBI's website for current AMI charts).
- Homeowner(s) must be owner-occupants of the home to be rehabilitated or purchased (must be primary residence).
- Recipients must be owner-occupants of the home to be rehabilitated (must be primary residence) and have resided in the home, as a primary residence, for at least 18 months prior to enrollment with the member. Members must confirm that the recipient owners have owned the property in fee-simple for at least the prior 18 months, provided, however, that individuals who during this period took title to the property in whole or in part due to the death of a spouse may also include the period of time the property was owned by the deceased spouse, except as otherwise described herein. No additional persons may have been in title to the property during the 18 month period other than deceased spouses.
- Recipient's existing mortgage obligation for the subject property must be current and paid as agreed.
- Use of DRP funds for properties that include home-based business is restricted.
- Transactions that require or involve non-occupying co-borrowers, co-owners, co-signers, guarantors are not eligible for DRP.
- Applicants may not be students with part-time or no income while in school who ordinarily would have a reasonable prospect for a substantial increase in income exceeding the AHP income eligibility limit upon entering the workforce full-time. In determining an applicant's eligibility, the FHLBI will consider factors including but not limited to the applicant's current student status, number of hours currently enrolled, anticipated date of graduation and field of study. Supporting documentation will be required.
- Duplexes are eligible as long as the homeowner occupies one-half as the primary residence and 75% of the projected income generated from the other unit(s) is included in the DRP income qualification process.
- Household's monthly housing expense, including principal, interest, taxes, insurance, and homeowner's dues may not exceed 35% of gross income at closing.
- All properties must be titled as real estate and be permanently affixed to a permanent foundation.
- Lease/purchase arrangements and land contracts are not eligible ownership structures.
- All individuals in title to the property for which subsidy is being provided must sign retention documents described below in the section 10: *Real Estate Retention Period*..
- Homebuyers may not acquire the property under the terms of a cash purchase. An amortizing mortgage must be transacted to acquire the property and meet the feasibility requirements outlined in *Attachment B, the Feasibility Guidelines*.

- The homebuyer may not purchase the property under a non-arm's length transaction whereby the transaction's parties are related by blood or marriage.
- Recipients must provide all documentation to the member as required for participation in the program

## 6: Rehabilitation requirements

Eligible improvements are intended to restore the pre-disaster conditions. Only the following types of repairs are permitted.

- Changes for aesthetic appeal - includes such items as new exterior siding or doors. These changes must be in conjunction with disaster related damage. When considering whether or not to allow other aesthetic changes, the member should use reasonable business judgment. *Please consult FHLBI prior to approving anything considered to be aesthetic*.
- The following improvements may be done in conjunction with disaster related repairs:
    - Easier accessibility for the handicapped - includes remodeling kitchens and bathrooms for wheelchair access, lowering kitchen cabinets, installing wider doors and exterior ramps, etc.
    - Energy conservation improvements – such as installation of double-pane windows, caulking, insulated exterior doors and weather stripping, attic and wall insulation, etc.
- Recondition or replacement of heating, ventilation, air conditioning, electrical or plumbing - includes connection to public water/sewer systems and installation of new plumbing fixtures for disaster related damage
- Eligible disaster related rehabilitation includes the repair or replacement of the following:
    - Roof
    - Gutters
    - Siding
    - HVAC (heater, air conditioner, water heater)
    - Exterior paint
    - Insulation
    - Drywall and interior paint necessary because of other repairs
    - Windows
    - Exterior doors
    - Plumbing and electrical work needed for habitability or code compliance

## 7: Down payment assistance requirements

- Homebuyers must be displaced due to disaster-related circumstances
- Duplexes are eligible as long as the homeowner will occupy one-half as the primary residence and 75% of the projected income generated from the other unit(s) is included in the income qualification process. Projected income must be included in household income whether or not homeowner intends to rent the other unit(s). Lease/purchase arrangements and land contracts are not allowed.
- Homebuyers may not receive more than $250 cash back at closing. Any funds in excess of the approved mortgage amount, closing costs and cash back to the homebuyer shall be used as a credit to reduce the principal of the mortgage or as a credit toward the household's monthly payments on the mortgage loan.

- Housing counseling is required (exceptions may be considered for existing displaced homeowners). For more details and resources on housing counseling see Attachment G of the current Implementation Plan - Homeownership Opportunities Program (HOP) Guidelines.

### 8: Match requirements

If matching funds are required, DRP funds will only match funds for the purpose of providing rehabilitation assistance or down payment/closing cost assistance for homeowners/homebuyers affected by the disaster. Each member shall determine the ratio of the FHLBI matching funds it will provide to recipients. The minimum match is $XX and shall not exceed XX times the recipient's contribution (X:1).

Matched funds can come from grants (i.e., CDBG, HOME or USDA funds), insurance proceeds, expended cash from the homebuyer, gifts, forgivable or deferred loans at 0% interest loans in conjunction with a state or local home improvement loan program.

FHLBI requires all repairs, those to be completed with DRP funds as well as any match monies, be incorporated into the same scope of work or – at a minimum – the bids be obtained in a similar timeframe thus demonstrating the intention of utilizing the additional funding source.

*Note: Amounts to be identified per event, as approved by the FHLBI Board, are noted with XX.*

### 9: Settlement/closing statement

The FHLBI requires that its Rehabilitation Closing Statement be used in lieu of a settlement statement when utilizing DRP subsidy for rehabilitation purposes. The form is available on FHLBI's website. Members must ensure that the appropriate grant amount received from the FHLBI is clearly identified. Other items that should be clearly reflected on the statement are as follows.

- All sources of matching funds
- The total cost of the repair including an itemized description of the home improvements *and* amounts associated with each improvement.

Down payment or closing cost assistance received from the FHLBI should be reflected as a line item on a HUD-1 Settlement Statement/Closing Disclosure. Please make sure that the appropriate grant amount received from the FHLBI is clearly identified. Matching funds from other sources, such as additional grants, should be clearly reflected on the statement.

### 10: Real Estate Retention Period

All funds to be repaid or returned must be calculated using the Retention Agreement Guide and Repayment Worksheet (Worksheet), which can be found on FHLBI's website. The Worksheet outlines specific repayment provisions and calculations for repayment or return of subsidy in accordance with the Real Estate Retention Agreement or in the event the subsidy is unused.

A household must repay a pro-rated amount of the funds if it sells or refinances the unit during the five-year retention period ***unless*** one of the following exceptions applies:

- In the case of a sale, the purchaser is low- or moderate-income;

- In the case of a refinancing, the household agrees to continue a Retention Agreement after the refinancing for the balance of the original retention period; or
- The household only repays the subsidy from the net gain from either a sale or a refinancing. If there is no net gain, the household does not repay any subsidy. If the net gain is greater than the pro-rated amount of the subsidy, the household must repay the pro-rated amount of the subsidy. If the net gain is less than the pro-rated amount of the subsidy, then the household must repay only the net gain amount.

These terms also apply to any future, subsequent refinancing(s) during the retention period unless the Retention Agreement has otherwise terminated.

The net gain is defined as the sales price of the home, or the amount of the new first mortgage after the refinancing of the home, minus the original purchase price, purchase-related closing costs and the costs associated with the sale (including seller concessions) or refinancing of the home. If the household made substantive improvements to the property, which add to the property's basis, then the costs of those improvements must also be deducted. This information is included in the Worksheet.

In the event the subsidy has been provided to the member, is unused and is not provided to the household, FHLBI does not consider the subsidy disbursed to the household and the subsidy must be returned.

Once the Worksheet has been completed, it should be printed and returned along with the HUD-1 Settlement Statement/Closing Disclosure for the current sale of the property, to the FHLBI with instructions to FHLBI to withdraw the funds from the member's FHLBI CMS account, assuming funds are owed or unused.

The lien securing the subsidy must be released.

### 11: Disbursement process

Disbursements should be submitted following the steps and guidelines below:

1) FHLBI Disbursement Authorization Form (in Excel workbook). The Disbursement Authorization Form must be signed by an FHLBI authorized signatory and must accompany each disbursement. If members require assistance identifying an authorized signatory, please call 1-800-688-6697. Because original signatures are required, we cannot accept requests via facsimile.
2) FHLBI Household Qualification Form (in Excel workbook)
3) FHLBI Fund Manager
4) FHLBI Income calculation worksheet and corresponding income documentation as outlined in Attachment D, the Income Guidelines
5) Zero Income Affidavit, if applicable
6) FHLBI certification of cost reasonableness executed by the member. Please note: The certification must be supported by a minimum of two independent, third-party bids/estimates for proposed repairs which must be maintained in the member's file.
7) Other supporting documentation such as, photos, may be required and must be available for review by the FHLBI upon request.

Funds should not be requested earlier than 60 days prior to the estimated closing date, which is the date the Retention Agreement will be signed and recorded for rehabilitation grants. During times of normal volume, disbursement requests should be reviewed and/or approved within ten business days. Upon approval, the funds will be credited to the member's FHLBI CMS account.

The member must pass the entire amount of the AHP subsidy to the household.

### Disbursement recommendations for rehabilitation

a) Consider establishing an escrow account to disburse funds as the work is completed.
b) Request that the homeowner provide invoices and make checks jointly payable to the contractor or other service provider and the homeowner.
c) If time permits, consider doing property inspections.
d) Require all work completed by a licensed/bonded contractor
e) Consider requiring the homeowner to certify that work has been completed satisfactorily prior to issuing payment.
   A form that can be used for this purpose is available on our Grant Tools web page.
f) Have the homeowner sign the Retention Agreement prior to the start of the rehab work.

### 12: Post disbursement documentation requirements

- For rehabilitation transactions, upon closing the transaction, the Fund Manager must be updated with the closing date and submitted to FHLBI. The closing date is the date the Retention Agreement is recorded.
- For purchase transactions, immediately following the closing, submit the Final Executed HUD-1 Settlement Statement/Closing Disclosure with all transactional funds identified *and* Household Qualification Form completed with the post-closing mortgage information. Extensions will be reviewed on a case-by-case basis. No substitutions of households will be allowed.

### 13: Monitoring, reporting, documentation

At the discretion of FHLBI, participating members may be selected for monitoring review. At a minimum, members should maintain in their files the documents described below for every *DRP* recipient.

1) A copy of the disbursement request and all documentation obtained and used to qualify the household at enrollment
2) *Final, fully-executed* Rehabilitation Closing Statement executed by all owners in the legal title
3) A copy of the final HUD-1 Settlement Statement/Closing Disclosure executed by all owners in the legal title
4) A copy of the Household Qualification form
5) A copy of the executed *and* recorded retention document executed by all owners in legal title
6) Cost verification and documentation for rehabilitation work performed on the property using DRP funds as well as the required match funds
7) Evidence of other matched funds
8) First-time Homebuyer affidavit
9) Evidence of due diligence to assess adequate legal title, existing liens and adequate property insurance
10) Income calculation worksheet and corresponding income documentation

## Onsite Monitoring

During reviews, which are held at the member's place of business, the FHLBI reviews the member's policies and procedures for administering DRP and a sampling of the grant recipient files. The FHLBI reserves the right to review all files if sampling indicates compliance issues.

While the previously described items should be maintained in the member's files, not all require submission to the FHLBI.

## 14: Guidelines for determining income eligibility (see Attachment D)

All members must use the income guidelines as outlined in Attachment D of the current Affordable Housing Program Implementation Plan. Households must have incomes at or below 80% of the median income for the area at the time the household is accepted for enrollment by the member.