A Place to Call Home

2017 Affordable Housing Implementation Plan

Federal Home Loan Bank
of Indianapolis

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

Implementation Plan 2017

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1: Purpose and Plan Adoption (§ 1291.3)

The Federal Home Loan Bank of Indianapolis (FHLBI), a member-owned, wholesale bank, is required by federal law to provide the greater of 10% of its annual net earnings or the FHLBI's pro rata share of an aggregate of $100 million in total by all the Federal Home Loan Banks (FHLBanks) to 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 2017 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 2017. 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
May 10, 2017	September 7, 2017

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:

1. 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" market value 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 which 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 quad-plexes.

- *Use of AHP subsidy for rehabilitation of existing owner-occupied housing*: 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, third-party contractor who has been certified in the installation of proposed universal design enhancements. Permitted rehabilitation/replacement items are restricted to those specified in the NIP and AMP programs. Because this is a rehabilitation effort, no homeowner match is required. If homeowners are going to be temporarily displaced from housing, provisions must be made for housing accommodation during the work. Temporary or permanent relocation expenses are not AHP eligible.

2. 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 project's development budget. The FHLBI excludes, in both sources and uses of funds, 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 the time of:

- Application review;
- Every disbursement; and
- 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 the section of this Plan dealing with 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 (such as 4 person household with income at <60% AMI). 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 and penalties related to subsidized advances
- Operating or replacement reserves
- Relocation expenses associated with rehabilitation of owner occupied or rental housing
- 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) and need for subsidy as required by § 1291.5(c)(2). 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)); and
- 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, independent third party market study (or an update to an existing study) of the housing needs of low-income individuals targeted in the area to be served by the development must be performed within 12 months of the application deadline 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 or renovated. Such study should be relevant in breadth and scope for 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. Supportive housing/shelter projects serving vulnerable populations may also complement the market demand materials with census history of an existing, operating shelter.

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 documentary evidence the subject property has been secured with an agreement. Agreements shall not expire earlier than 30 days following the anticipated award announcement date or else an accepted extension of the agreement shall be 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 remediated; 2) a plan that includes details of how such remediation will be financed.

Property substitutions after the submission of the application are not permitted. In situations where a change of property is necessary to advance the project and a subsidy has been awarded, the project must be withdrawn. Such withdrawal shall not preclude the applicant from submitting a subsequent application when the new site location is 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 and any co-sponsor have the ability, experience and financial capacity to complete and manage the property for the retention period and that they have 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 elect to contract with an experienced developer and/or development consultant to lead the project.

In all cases, the development team partners such as: accountant, attorney, architect, construction contractor, development consultant, green specialist, property manager, and owner representative should be thoroughly vetted and assessed by the sponsor/owner for a commensurate level of skill and experience to provide a specific service required to successfully complete the proposed development. A strong and experienced development team may offset inexperience of the sponsor owner and will be considered in the evaluation of overall sponsor capacity. The Sponsor/developer may consider an evaluation of multiple trade providers, including development consultants, to ensure the best level of service is engaged to complete the housing development initiative.

Applications that fail to indicate adequate sponsor/development team capacity and support, or are substantially incomplete, 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 supporting the application should consider implementing a customary underwriting/review process 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 shows 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 financing structure, and that interim, bridge and permanent financing can be secured in order to maintain the FHLBI timelines. Projects using Low Income Housing Tax Credits as a source of financing require a letter of intent by an equity provider at the time of 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, or judicial decree) that the project has acquired zoning, environmental, and other municipal, state or federal approvals or that such approvals are pending or likely to be granted in the very near future.
- Other 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, 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), the applicant must submit a letter with its application 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, and reserve requirements; and
- 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 but in any case not later than December 1, 2018. Extensions may be granted on a case-by-case basis and for good cause, at the FHLBI's discretion, if sufficient evidence is provided documenting the reason for delay or progress toward project completion and funding.

24 months - Rental Projects: AHP subsidies for approved projects should be completely disbursed within 24 months of the date of approval of the AHP application but in any case not later than December 1, 2019. 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 and for good cause, at the FHLBI's discretion, if sufficient evidence is provided.

Owner Occupied (Homeownership) – Because the AHP subsidy use benefits the homebuyer at home purchase closing or when rehabilitation has been completed, such projects do not have a two year full AHP subsidy disbursement deadline unless points are sought and awarded under the readiness to proceed initiative.

Note: Projects receiving points under the Readiness to Proceed initiative must achieve construction/rehabilitation completion of all units within 24 months (December 1, 2019) in addition to disbursement of all of the AHP subsidy or a modification of the Readiness to Proceed points will be required. If the project receives Readiness to Proceed Points and then fails to meet the prescribed *completion deadline a modification to remove these points is indicated and may jeopardize the AHP award. Commitments made in this point category should be thoroughly vetted and disclosed to all parties of the development team.*

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 (but in any case not later than December 1, 2020) 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 and for good cause, at the FHLBI's discretion, if sufficient evidence is provided. (i.e., by December 11, 2020)

Owner Occupied (Homeownership) projects are considered complete when the last home in the project has closed with the homebuyer or the rehabilitation of the last home in the project has been completed and all AHP subsidy for the project is fully disbursed. Rental projects are considered complete when the last unit of the project is certified for occupancy or the rehabilitation planned is fully completed and all of the AHP subsidy for the project is fully disbursed.

In general, to approve an extension of any of the above time limits, the FHLBI may 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. At the discretion of the FHLBI, if the causes of delay indicate a substantial amount of time is needed (6 months or more) to cure the progress delays, the award may be withdrawn and the sponsor may be advised to re-apply at a later time to ensure the respective 12, 24, and 36 month timelines are met.

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.

Subsidy per Unit

Projects in which the funding gap results in AHP subsidy per unit in excess of $74,999 are ineligible projects.

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 must 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. Projects which involve a long-term ground lease that extends in excess of the maximum retention obligation (15 years for AHP Rental/5 Years AHP Homeownership) AND where the annual lease fee is not greater than $100/year may be eligible for points under this criterion.

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/co-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 sponsor/co-sponsor 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/co-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 between a for-profit entity and not-for-profit partner 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/renovations 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. Such programs, through the convenience of being provided on site or with transportation provided, eliminate the common barriers preventing low and moderate income households from seeking out such programs and economic advancement opportunities. Conception of empowerment initiatives should be approached as part of the overall project concept in serving the needs of the targeted population of the project. 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. See detailed documentation requirements in Exhibit C – Stage Two Monitoring.

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 <u>not both</u>.

The supportive services plan may not be duplicative of empowerment initiatives*.*

OR

<u>Elderly Housing Promoting Aging in Community: (up to 6 points)</u>

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. Household qualification for income and age (for point consideration) shall be based upon individual household income and age as of the time of application.

   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

<u>Aging in Community – 2 pts</u>: (detailed, support plan is not required)

- 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.

<u>Member Financial Involvement: (up to 8 points)</u>

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 costs 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 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 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.	N/A

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.

Donation Amt	% to TDHC	Point Calculation	Points Awarded
$ 5,000	0.20%	5*20	1
$ 7,500	0.30%	5*30	1.5
$ 10,000	0.40%	5*40	2
$ 12,000	0.48%	5*48	1.4
$ 15,000	0.60%	5*60	3
$ 17,500	0.70%	5*70	3.5
$ 20,000	0.80%	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. Projects involving multiple/scattered sites shall require a separate map for each location which extends beyond a six block radius of more than one location. 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. A separate map should be prepared for each amenity category for which points are being sought. The map (Google or Walkscore or any other mapping software that includes a scale) 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 created for purposes of a comprehensive market study are not acceptable documentation for this point category. *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 or ***by December 1, 2019.*** 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: (up to 3 points)

2) Projects which involve the rehabilitation of existing housing – single or multi-family units - require a detailed Capital Needs Assessment/ detailed scope of work prepared by an independent third party estimating the remaining useful life of mechanicals and unit finishes to support the need for AHP subsidy.

Projects wherein rehabilitation costs:

a. Are in excess of $30,000 per unit in hard rehabilitation construction costs exclusive of builder's profit and contingencies AND involve 100% f replacement of all mechanicals, kitchen appliances, bath fixtures and unit finishes shall receive 3 points under this criterion.

OR

b. Are in excess of $20,000 per unit in hard rehabilitation construction costs exclusive of builder's profit and contingencies AND involve replacement of at least 75% of all mechanicals, kitchen appliances, bath and/or unit finishes shall receive 1.5 points 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. Additionally, obsolete finishes and/or design characteristics that are construed to be an impediment to the ongoing marketability of the project should be addressed in the scope. 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. Disclosure of existing reserve accounts and the availability of those funds to contribute, as a source of funds, to the overall development cost is required.

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; insulation; asphalt; drywall/interior sheathing; and 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. There must be good cause for the modification and the analysis and justification for the modification must be adequately documented for approval by the FHLBI. 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.

At the FHLBI's discretion, disbursements may be withheld or suspended when there is evidence of an unresolved compliance or reporting concern to the FHLBI, other FHLBanks or other funding sources involved in the project until such time evidence is provided curing the non-compliance or resolving the reporting concern. Sponsor and /or member is obligated to report such occurrences to the FHLBI as soon as the sponsor and/or member becomes aware of the occurrence.

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, interim financing loan statements, 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 or projects receiving points for member interim financing, 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%. Consultant fees are considered developer fees and therefore, when aggregated may not exceed 15% of the total development costs net of the developer fee. The final 20% may be requested when the construction phase of the development is certified complete. A maximum of 20% of the combined developer/consultant 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/consultant 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/consultant 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.

See Attachment D – Feasibility Guidelines for additional disbursement policies/guidance.

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 2017, 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 2017 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.

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.

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.