

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

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

Affordable: Defined at 12 CFR § 1291.1.

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

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

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

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

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

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

As is Market Value: The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal's effective date.

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

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

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

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

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

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

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

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

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

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

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

Deed Restriction: A provision written into the deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 1) An individual and his or her spouse who has had no ownership in a principal residence during a three-year period ending on the date of the purchase of the property.
- 2) An individual who is a displaced homemaker and has only owned a principal residence with a spouse who has not worked full-time, full-year in the labor force for more than two years and during that period, worked primarily without remuneration to care for a home and family.
- 3) A single parent who has only owned a principal residence with a former spouse while married and has 1 or more minor children for whom the individual has physical custody or joint physical custody as evidenced by the state authority on child support, guardianship and/or custody or divorce decree. If custody cannot be established by a court order, the primary residence of the child must be documented by third-party verification.
- 4) An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
- 5) An individual who has only owned a principal residence that was not in compliance with state, local, or model building codes, or other applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

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

General Requirements: See contractor cost limits.

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

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

Ground Lease: A lease that grants the right to use and occupy land. Improvements made by the ground lessor typically revert to the ground lessee at the end of the lease term.

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

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

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

- 1) lacks a fixed, regular and adequate nighttime residence,
- 2) has a primary nighttime residence that is:

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

OR

- 3) is an individual at imminent risk of homelessness or where a family or unaccompanied youth is living unstably. Imminent risk includes situations where a person must leave his or her current housing within the next 14 days with no other place to go and no resources or support networks to obtain housing. Instability includes families with children and unaccompanied youth who:
 - a) are defined as homeless under other federal programs (such as the Department of Education's Education for Homeless Children and Youth program);
 - b) have lived for a long period without living independently in permanent housing;
 - c) have moved frequently, and;
 - d) will continue to experience instability because of disability, history of domestic violence or abuse, or multiple barriers to employment.

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

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

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

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

HUD: The Department of Housing and Urban Development.

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

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

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

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

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

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

Low- or Moderate-Income Household: Defined at 12 CFR § 1291.1.

Owner-occupied projects:

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

Rental projects:

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

Family size adjustment:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Project Description: A description of the need for the development within the community and the development itself written by the applicant. This narrative should give an accurate depiction of how this

development will benefit the particular community. Generally, the summary should include the following points:

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

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

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

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

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

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

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

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

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

Related Parties:

- 1) The brothers, sisters, spouse, ancestors, and direct descendants of a person;
- 2) A person and corporation where that person owns more than 50% in value of the outstanding stock of that corporation;
- 3) Two or more corporations, general partnership(s), limited partnership(s) or limited liability corporations connected through debt or equity ownership, in which
 - a) Stock is held by the same persons or entities for at least 50% of the total combined voting power of all classes that can vote, or at least 50% of the total value of the shares of all classes of stock of at least one of the other corporations, excluding, in computing that voting power or value, stock owned directly by that other corporation;
 - b) Concurrent ownership by a parent or related entity, regardless of the percentage of ownership, or separate entity from which income is derived;
 - c) Concurrent ownership by a parent or related entity, regardless of the percentage of ownership, or a separate entity where a sale-leaseback transaction provides the parent or related entity with income from the property leased or that creates an undue influence on the separate entity as a result of a sale-leaseback transaction;
 - d) Concurrent ownership by a parent or related entity, regardless of the percentage of ownership, of a separate entity where an interlocking directorate exists between the parent or related entity and the separate entity.
- 4) A grantor and fiduciary of any trust;
- 5) A fiduciary of one trust and a fiduciary of another trust, if the same person is a grantor of both trusts;
- 6) A fiduciary of a trust and a beneficiary of that trust; a fiduciary of a trust and a corporation where more than 50% in value of the outstanding stock is owned by or for the trust or by or for a person who is a grantor of the trust;
- 7) A person or organization and an organization that is tax-exempt under Subsection 501(c)(3) or (4) of the IRC and that is affiliated with or controlled by that person or the person's family members or by that organization;
- 8) A corporation and a partnership or joint venture if the same persons owns more than:
 - a) 50% in value of the outstanding stock of the corporation; and
 - b) 50% of the capital interest, or the profit's interest, in the partnership or joint venture;
- 9) One S corporation or limited liability corporation and another S corporation or limited liability corporation if the same persons own more than 50% in value of the outstanding stock of each corporation;
- 10) An S corporation or limited liability corporation and a C corporation, if the same persons own more than 50% in value of the outstanding stock in each corporation;
- 11) A partnership and a person or organization owning more than 50% of the capital interest, or the profits' interest, in that partnership; or
- 12) Two partnerships where the same person or organization owns more than 50% of the capital interests or profits' interests.

Rental Project: Defined at 12 CFR § 1291.1. For purposes of the competitive application program, one or more dwelling units for occupancy by households that are not owner-occupants, including overnight

and emergency shelters, transitional housing for homeless households, mutual housing, single-room occupancy housing, and manufactured housing.

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

Retention Period: Defined at 12 CFR § 1291.1.

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

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

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

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

Single-Family Building: A structure with one to four dwelling units.

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

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

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

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

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

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

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

Tenant: Any person occupying the unit.

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

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

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

Very Low-Income Household (VLI): Defined at 12 CFR § 1291.1.

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

- 3) Family-size adjustment: The income limit for low- to moderate-income households will be adjusted for family size in accordance with the methodology of the applicable median income standard.