Expanding Opportunity in Indiana and Michigan

2020 Affordable Housing Program Implementation Plan

FHLBank INDIANAPOLIS

Federal Home Loan Bank of Indianapolis

2020 Affordable Housing Program (AHP) Implementation Plan

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1: Purpose and Plan Adoption (§ 1291.13)

The Federal Home Loan Bank of Indianapolis (also referred to as "FHLBI," "FHLBank Indianapolis," or the "Bank"), a member-owned, wholesale bank, is required by federal law to provide the greater of 10% of its annual net earnings or the Bank'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 ("AHP"). The Affordable Housing Program is governed by regulations of the Federal Housing Finance Agency ("Finance Agency") at 12 CFR §1291 ("Regulation"). The most recent general amendments to the Regulation were adopted by the Finance Agency on November 28, 2018, and made effective on December 28, 2018, subject to the following regarding delayed implementation dates.

According to 12 CFR §1291.2 as amended, the Bank may elect to comply with either former Part 1291 of the Regulation (in effect prior to the adoption of the 2018 amendments), or the current Part 1291, from December 28, 2018 through December 31, 2020. In addition, the Finance Agency has permitted each FHLBank to elect to comply with certain portions of current Part 1291 early without adopting the entire revised regulation, as long as an FHLBank which elects to adopt specific parts of the new regulation also adopts all related portions of the same regulation which cover the subject matter of their election. The Bank is required to comply with current Part 1291 in its entirety on and after January 1, 2021. However, the Bank has elected to comply with current Part 1291 in its entirety beginning in the 2020 Plan year, effective as of the date that this Plan is formally approved by the Bank's Board of Directors in January 2020.

In accordance with the Regulation, the FHLBank Indianapolis 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 under the General Fund and any approved Targeted Funds;
- Requirements for its homeownership set-aside programs herein to be referred to as the Homeownership Initiatives;
- Requirements for monitoring under its competitive application and Homeownership Initiatives;
- Time limits for use of AHP subsidies; and
- The Retention Agreement requirements for projects and households under the competitive and Homeownership Initiatives.

This Plan is not intended to be a comprehensive statement of all the Bank's policies and procedures applicable to the AHP. The Plan may be amended by the Bank 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 Bank shall notify the Finance Agency of any amendments to its Plan within 30 days after the date of their adoption by the Board. The Bank shall publish any amendments to the Plan on its public 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 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 post-2018 amendments to the Regulation shall apply. Other definitions are set forth in *Attachment A*.

3: Required Annual AHP Contributions; Allocation of Contributions (§ 1291.12)

Homeownership Initiatives

The FHLBank Indianapolis shall determine annually whether to offer the Homeownership Initiatives for the following year pursuant to the Regulation. The Bank will contribute up to the greater of $4.5 million or 35% of the 2020 AHP contribution to the Homeownership Initiatives. At least one-third of the Bank's aggregate annual allocation to the Homeownership Initiatives will be allocated to assist first-time homebuyers or households for owner-occupied rehabilitation, or a combination of both. These programs are more fully described in *Attachments G, H, and I* of this document.

Competitive AHP

All other funds accrued annually will be provided to projects funded through the AHP competitive program under the General Fund or any approved Targeted Funds.

Disaster Relief Program

The Bank shall address serious disaster issues in the sixth district through funding from the Homeownership Initiatives pursuant to § 1291.12(b) of the Regulation. The Bank may allocate up to the greater of $5 million or 20% 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. The Bank may credit the amount of the accelerated contribution against required AHP contributions under Part 1291 over one or more of the subsequent five (5) years. Detailed requirements and guidelines for the Disaster Relief Program (DRP) will be 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) (§ 1291.14)

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 Bank'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 § 1291.14 of the Regulation is to meet with representatives of the Board at least quarterly to provide advice to the Bank on ways in which the Bank 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, Bank advances, and other Bank credit products for these purposes. The Council's advice shall include recommendations on:

- the amount of AHP subsidies to be allocated to the Bank's competitive and Homeownership Initiatives;
- the Plan and any subsequent amendments;
- the scoring criteria, related definitions, and any additional, optional District eligibility requirements for the competitive application program; and
- the eligibility requirements and any priority criteria for any Homeownership Initiatives.

The Board shall consult with the Council before nominating any individual for any independent directorship.

Scheduling and Notice of Meetings (§ 1291.14(d)(1))

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

Note: Additional information regarding the Bank's Affordable Housing Advisory Council can be obtained by reviewing the Council Operating Charter at www.fhlbi.com.

5: Competitive AHP Applications (§ 1291 Subpart C)

Application Funding Round (§ 1291.22) – General Fund

The Bank will conduct one competitive application funding round in 2020. For this funding round, the Bank will allocate 100% of the annual funds available for the competitive application based on applicable net income from the prior year, plus the addition of funds from the cancellation, recapture, return or reduction of subsidy from previously approved projects or deduction of funds due to the authorized increase of subsidy to previously approved projects.

The tentative schedule of this competition will be as follows:

Application Deadline: July 31, 2020

Approved by Board: November 20, 2020

The Bank will require interested parties to complete an AHP Pre-Application form to indicate the intention to apply for the 2020 AHP funding by **June 12, 2020**.

The Bank is not designating any Targeted Funds in the 2020 AHP Plan.

Member Eligibility (§ 1291.21)

The Bank accepts applications only from institutions that are current Members of the Bank. The Bank does not accept applications from institutions with pending applications for membership in the Bank, 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 Bank will still score the application and allow the sponsor time to locate a current Member at least three 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/Sponsor Qualifications

In order to submit applications in the current round, at the time of the round announcement each Member of the Bank 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 Bank reserves the right to restrict participation in the program for any entity as set forth in the remedial action for non-compliance and recaptures (see Section 11 of this document).

6: Minimum Eligibility Requirements (§ 1291.23 and 1291.24) – for the General Fund and any approved Targeted Funds

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.

AHP Subsidy

AHP subsidy may be used exclusively for OWNER-OCCUPIED HOUSING and RENTAL HOUSING.

Owner–Occupied Housing: The down payment and closing costs of an owner-occupied project by or for very low-, low- or moderate-income households.

Conditions and Requirements:

i. An AHP eligible 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.

ii. 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.

iii. The AHP subsidy must be noted on the Closing Disclosure and buyer cash down payment must be in place by the time closing occurs.

iv. 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.

v. The purchase price of the home may not exceed the appraised value.

vi. An "As Is" market value appraisal must be completed no more than three months prior to closing by an independent certified real estate appraiser.

vii. Properties whereby a Habitat for Humanity affiliate originates the home mortgage, valuation of the property is the appraised value as noted above.

viii. Homebuyer down payment requirement is adjusted net of the value of the owner's sweat equity.

ix. 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.

x. 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:*

Conditions and Requirements:

i. 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.

ii. Permitted rehabilitation/replacement items are restricted to those specified in the NIP and AMP programs.

iii. Because this is a rehabilitation effort, no homeowner match is required.

iv. If homeowners are going to be temporarily displaced from housing, provisions must be made for housing accommodation during the work.

v. Temporary or permanent relocation expenses are not AHP eligible.

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.

Conditions and Requirements:

i. An occupying household in an AHP assisted unit 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 Bank for approval.

ii. Rental properties include any housing with units for rent or lease or units for lease-purchase.

iii. 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 Bank 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 § 1291.24(a)(3)(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 requested at application, 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. (Refer also to 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 a 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 three 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 Closing Disclosure at the time closing occurs or else the funds may be de-committed.

Prohibited/Restricted Uses of AHP Subsidy

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 (§§ 1291.24(a) and 1291.23(b))

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

In addition, the Bank evaluates the developmental and operational (rental projects) feasibility of a project as required by § 1291.23(b) and need for subsidy as required by § 1291.24(a)(3). The feasibility guidelines include a set of development costs, financing criteria and related benchmark ranges designed to guide the Bank in assessing project feasibility and need for subsidy. The Bank evaluates project feasibility and need for subsidy in the course of reviewing a project at the following stages:

- At the time of application (§ 1291.24(a)(3));
- Prior to the disbursement of any approved AHP subsidies (§ 1291.30(c));
- Within the first year of project completion (§ 1291.50(a)); and
- During modification processing, including the transfer to another Member or sponsor/owner §1291.29(a)(2))

Based on the evaluation of feasibility and need for AHP subsidy described in this section, the Bank will determine whether a project meets the minimum standards for the application to be scored. This determination is made solely at the Bank'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 and AHP awards received from other FHLBanks, etc.

The guidelines are more fully described in *Attachment B* of this document.

Design Standards

All AHP projects must be constructed or renovated in compliance with applicable health, fire prevention, building, and housing codes and standards.

For projects funded with programs administered by a State or Local Housing Finance Authority ("HFA") including the Low-Income Housing Tax Credit, HOME, CDBG, Development/Trust Fund, etc., that project will be subject to the design standards required by the respective HFA.

For projects funded with programs administered by the Federal Housing Administration, USDA RD, and other Federal programs not administered by a State or Local HFA, that project will be subject to the design standards required by the respective Federal financing source.

In addition, all AHP projects are encouraged to incorporate the following green design elements:

- All interior paints and primers, adhesives, and sealants should contain no or low VOC;
- Installation of carpet in basements, entryways, laundry rooms, bathrooms, or kitchens is not recommended;
- It is recommended to use Energy Star or high-efficiency commercial grade light fixtures AND bulbs in all common areas and, in multi-family properties, to install occupancy sensors in all common areas throughout the project such as conference and meeting rooms, laundry room, offices, and all areas where permitted by local building code;
- When installing or replacing plumbing fixtures, Water Sense labeled high-efficiency toilets, showerheads, kitchen faucets, and bathroom faucets should be used;
- If providing or replacing appliances including washer, dryer, refrigerator, dishwasher, furnace, air conditioning unit, or water heater, high-efficiency Energy Star rated appliances should be used;
- When installing or replacing exterior finishing materials, durable, low-maintenance building finishes such as brick, stone, fiber cement siding, or vinyl siding (of at least .044" thickness residential grade) should be used;
- If installing or replacing roofing materials, Energy Star certified roofing products should be used;
- Gaps around doors and window frames should be filled with crack-resistant caulk and spray foam. Install door sweeps on all exterior doors. Install foam behind exterior wall outlets, switches and panels as well as wall floor and attic penetrations;
- All buildings should have wall insulation of R-13 or better;
- All buildings should have attic insulation of R-38 or better; and
- Thermal insulated windows and entry doors should have a minimum U value of 0.35 or below.

The submission of the completion certification and certificate of occupancy or equivalent at the completion of the project will be the prevailing evidence that all required building codes and design standards and features were met.

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 at the time of application.

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; and 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.

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, must 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.

FHLBank Indianapolis 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 Bank provides training and detailed instruction on reporting and documentation requirements to award recipients in addition to the monitoring specifics detailed in *Attachment C, Monitoring Procedures*. The Bank will review past projects as an indication of performance on new applications. If a sponsor has multiple, ongoing AHP awards in stage one or two monitoring phases, consideration of the proposed application will examine compliance as well as development status of the active AHP awards. Scoring of a pending application may be suspended until the active project(s) are cleared by the Bank to the next monitoring state.

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, repeated violations of the program, the application may be excluded from the scoring process. See the Suspension/Disbarment section of this plan for additional detail of sanctions and curative measures post-project award. The Bank 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 Bank 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 and any loan and/or donation request is commensurate with Member's lending policies and practices with respect to similar loan types and risks.

Project Readiness to Proceed Threshold

The Bank requires that funding of AHP subsidies commence within 12 months of approval. The 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 Bank 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 Bank 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 Bank, in its sole discretion, reserves the right to disqualify a project when it determines that the project does not meet the readiness test.

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 31, 2021. Extensions may be granted on a case-by-case basis and for good cause, at the Bank'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 31, 2022. 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 Bank'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 31, 2022) in addition to disbursement of all 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.

Refer also to 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 31, 2023) may be required to return all subsidies received, unless a modification addressing the failure to complete all units has been approved by the Bank. Extensions may be granted on a case-by-case basis and for good cause, at the Bank's discretion, if sufficient evidence is provided. (i.e., by December 31, 2023)

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 Bank 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, provided that any extension granted as a result of such disaster or condition 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 Bank, if the causes of delay indicate a substantial amount of time is needed (six months or more) to cure the progress delays, the award may be withdrawn and the sponsor may be advised to reapply at a later time to ensure the respective 12-month, 24-month, and 36-month timelines are met.

Financing Costs

The rate of interest, points, fees, and any other charges for <u>all loans</u> 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 that 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.

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 by an independent appraisal of the property that is acceptable to the Bank and that is performed within six months prior to the date the Bank disburses the subsidy to the project.

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 (Preservation)

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 or for other reasons.

Developments that involve any rehabilitation costs (including housing properties that are not subject to any affordability restriction) require an independent Capital Needs Assessment dated within one year of the application submittal. Such assessment must detail the scope of work required to sustain the property without additional capital expenditure after the completion of the proposed project that is in excess of the projected replacement reserve balance. An independent itemization of trades breakdown by an individual qualified to make such estimates of repair is required.

Such recapitalization activities may include dissolution, change of a previous ownership structure, and/or retirement of prior project financing. The Bank 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 Finance Agency 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
- Any other factors the Bank 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.

Relocation of Occupants

- For projects with a rehabilitation strategy that requires displacement (either temporary or permanent) of the existing occupants, a relocation plan is required. Such relocation plan may be any plan that is approved by any federal, state, or local government funder(s) involved in the financing of the project. If such a government funder approved plan is not a requirement, then a relocation plan that takes reasonable steps to minimize displacement is required with the application. At a minimum, the relocation plan should articulate a resident notification plan of the displacement with appropriate lead time commensurate with the extent of the relocation;
- Accommodation (monetary, labor assistance, or both) measures to be implemented. Monetary accommodation should consider reimbursement for extra-ordinary expenses such as: movers, food, utilities, advisory or support services, storage of personal belonging, transportation, and security;
- Temporary displacement planning such as: moving within the property to a fully renovated unit (permanently or temporarily), storage of personal property on-site, moving to a hotel for a designated period of time, or some other alternative;
- If an occupant elects permanent relocation, detail what accommodations, if any, are planned for such occurrences.
- A relocation budget categorizing the line item relocation costs in total and an anticipated average cost per household. General assumptions articulating how the relocation cost estimates were determined should be narrated within the relocation plan.

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 Bank-approved Real Estate Retention Agreement requiring that the Member and the Bank 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.

Note: Please contact the Bank for prior approval of any changes to the Retention Agreements.

7: District Eligibility Requirements (§ 1291.24(c)) – General Fund

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 $50,000 are ineligible projects.

Per Unit Total Development Costs

The development budget presented in the application should reflect the most current, up to date forecast (nearest to the application submittal date) of costs based upon estimates provided by an architect or qualified contractor. If the development construction/rehabilitation is underway at the time of application submittal, the executed contracts for architect, general construction contractor, consultant and developer fee agreements, executed partnership agreements, and other such contracts/agreements that relate to an identified line item in uses of funds and contribute to the total development costs should be presented with the application. 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 as determined by the most recent contractor's application for payment.

Projects with total per unit development costs exceeding $249,999 must include documentation in the application from a qualified third-party (who is not engaged as a development team member) such as: architect, engineer, accountant or other knowledgeable party, which details the specific line item costs impacting the total development budget and provide a justification for the extraordinary costs. Generalized statements regarding increasing material and labor costs are not adequate justifications for higher costs. The Bank, in its sole discretion, will evaluate the documentation and explanation presented for the proposed project and may disqualify or reduce the amount of subsidy as deemed applicable and appropriate.

AHP Funds Availability

The Bank expressly reserves the right to change AHP competitive program funding availability requirements at any time subject to Finance Agency requirements.

8: AHP Scoring Criteria for Competitive Applications (§§ 1291.25 and 1291.26)

The Bank will score only those applications that, in its judgment, meet the minimum eligibility standards set forth in §§ 1291.23 and 1291.24 of the Regulation. Only applications received at the Bank 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 Bank, 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. Beginning with the highest scoring application, projects will be awarded on a declining score basis until the available funds are exhausted.

The Bank 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. The Bank 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 Bank 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 that 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.

Material changes or omissions in the project concept, funding sources, costs or scope as presented in the AHP application that result in a material deviation from the project as defined and detailed to other project stakeholders and is not articulated in detail in the AHP application submission may render the project ineligible as determined by the Bank in its sole discretion.

SCORING CRITERIA

Use of Donated, Government-Owned or Other Properties: *(up to 5 points)*

Points shall be awarded as follows:

> **1 point -** Projects that have 100% of the properties conveyed to the project by the federal government or any agency or instrumentality thereof; or
>
> **Up to 5 points -** Projects that have a minimum of 50% of the total units or land area wherein ownership is obtained through a charitable donation within the preceding 10 years or conveyed at a nominal price (such as $1.00 plus minimal conveyance fees). Projects with 100% of the total units or land area donated receive

5 points. Projects with less than 100% but 50% or more of the total units or land area donated receive points as a calculated interpolation. Projects with less than 50% of the total units or land area donated shall receive no points. The donation must be arms-length; a donation to yourself or from a related party or a below market value/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. No points will be awarded if any one of these core requirements (1-5 below) is NOT met.

Core Not-for-Profit Requirements:

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 Bank 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, no part of the net earnings of the not-for-profit entity should inure to the benefit of any member, founder, or contributor to or of such potential participant.
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. According to relevant Internal Revenue Code provisions, 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.”

   Point eligibility for this criterion is determined as follows:

   1 point – Projects for which the not-for-profit sponsor/co-sponsor has at least 25% and less than 49% general partnership or ownership interest and has at least a 25% interest in the developer fee.

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.

7 points – Projects for which the not-for-profit sponsor/co-sponsor has 100% general partnership or ownership interest with the proposed project and has 100% interest in the developer fee.

Projects for which the not-for-profit sponsor/co-sponsor has a general partnership or ownership interest that is greater than the percentage of interest in developer fee, the percentage of developer fee determines the points.

Example: ABC not-for-profit has a 100% general partnership interest; however, pursuant to an agreement with the for-profit developer partner, ABC will receive 35% of the developer fee. In this scenario, the project would receive one point.

Note: The Bank may, at its discretion, disqualify commitments or participation by a non-profit organization in cases where it appears that a partnership between a for-profit entity and not-for-profit partner is 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:

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

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

Underserved Communities and Populations: *(up to 17 points)*

Housing for the Homeless: (up to 5 points)

Points shall be awarded for projects meeting the following criteria:

- Rental housing projects, excluding overnight shelters, that reserve at least 20% of the total units for homeless households, or,
- Transitional housing projects permitting a minimum of six months' occupancy, or,
- Permanent owner-occupied housing reserving at least 20% of the units for homeless households.

Projects reserving at least 80% or more of the total units receive 5 points. Projects reserving less than 80% of the total units, but 20% or more of the total units receive points as a calculated interpolation. Projects reserving less than 20% will receive no points. Projects receiving points in this criterion may be eligible for the 4 Opportunity Targeting points, however the homeless units may not be the same units as the <30% AMI households. Projects with 80% or more of the units/beds reserved for homeless populations AND which are eligible to receive points in this criterion are NOT eligible for the <30% AMI Opportunity Targeting points.

An illustrative list of eligible households in this criterion includes, but is not limited to: persons who are survivors of domestic violence including dating violence, sexual assault or human trafficking or stalking; unaccompanied youth; formerly incarcerated persons; persons recovering from alcohol or drug addiction; or youth aging out of the foster care system.

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

Homeless units / Total units = HU%
HU% * - 5 points = Homeless Points

Sample:

8 homeless units / 39 total units = 20.51%
20.51% * 5 points = 1.025 homeless points

OR

31 homeless units / 39 total units = 79.5%
79.5% x 5 points = 3.97 points

Projects reserving ≥ 80% of the total units for homeless housing up to 100% receive 5 points.

The Bank's underserved communities and populations initiative supports a wrap-around service rich model furthering the creation of community-based housing that targets the most vulnerable populations including the extremely low income (less than 30% AMI) with intensive service programs.

A wrap-around service rich model adopts an approach to quickly and successfully connect individuals and families experiencing homelessness to housing. This approach engages individuals who are homeless and places them into supportive housing while providing intensive and flexible services to stabilize and support housing tenure. Identifying the individual's or family's barriers to self-sufficiency and targeting the most appropriate housing solution lowers the number of individuals who may experience homelessness and lessens the demand on resources.

Best Practices of a Wrap-Around Service Rich Model are:

- **Tenant engagement.** 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. Tenants are asked about their choices and can choose from a range of services, and different tenants receive different types of services based on their needs and preferences.
- **Tenant choice on accepting clinical service.** Services need to be readily available with staff continually working to engage and build relationships with the tenants. As needs change over time, tenants can receive more intensive or less intensive support services without losing their homes. 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 living activities and responsibilities in apartments or homes are essential for long-term tenancy.
- **Eviction is a last resort.** Service-rich interventions are attempted 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 a community. The provision of housing and the provision of support services are distinct and separate.
- **Tenant Selection Plan is specific to housing supports**. Property management must adopt a screening process that ensures supportive housing is accessible to the target population. The tenant selection plan may not screen out individuals based on credit history or previous landlord history and must implement background screening procedures that reduce barriers to obtain housing. Property Management must utilize the Homeless Management Information System (HMIS) for reporting.

Note: Rental projects reserving at least 20% of the units for homeless households requires completion of a Supportive Services Plan with the AHP Application that includes the role of supportive service coordinator or organization, written referral agreements and communication, type and scale of services measurement of outcomes, referral and screening processes including income verification, and property management coordination. Homeownership projects must include documentation of a supportive service plan indicating that appropriate services will be provided. The Bank reserves the right to reduce the number of homeless units committed if duplication of emergency beds and longer *stay beds is noted. Emergency and/or overnight shelters/beds are AHP-eligible projects; however, they cannot receive points under this criterion for beds/units.*

Rural Housing: (*3 points*)

Projects located in a designated rural area, as identified by the 2010 Rural-Urban Commuting Area (RUCA) (or an update thereto), or a rural community located within the boundary of a metropolitan statistical area (MSA) shall receive up to 3 points. Points in this criterion will be awarded based upon the following definitions of a rural area:

- A census tract outside of a metropolitan statistical area (MSA) as designated by the Census Bureau and has a RUCA code of 4-10. To determine the RUCA code visit the data sets page at: https://www.ers.usda.gov/data-products/rural-urban-commuting-area-codes/; or
- A city or town located within a MSA that has a population of 15,000 or less based on 2018 Census Bureau population estimates found at https://www.census.gov/data/tables/time-series/demo/popest/2010s-total-cities-and-towns.html.

For scattered site developments where properties are located in more than one census tract or county, to be eligible for points, each parcel must meet the definition of a rural community, or the RUCA code for each parcel must fall within the 4-10 rating but does not have to be the same rating for each parcel.

Opportunity/Income Integrated Targeting: *(up to 9 points total – up to 4 OT points, 3 IIT and 2 Rent Subsidy points)*

<30% AMI (Extremely Low Income) - Opportunity Targeting: (up to 4 points)

Up to 4 opportunity targeting points (OT) shall be awarded to projects reserving at least 10% of the total units up to 25% of the total units in the project for households whose total income at time of approval for occupancy does not exceed the greater of 30% of the area median income or the most current Federal Poverty Guideline (FPG) published annually in the Federal Register by Health and Human Services.

Note: The opportunity targeting initiative requires both income and rent restriction to <30% AMI for the duration of the retention period as determined by the project type (rental, lease purchase, homeownership).

Point calculation for projects committing ≥ 10% of total units and ≤ 25% of total units:

≤ 30% AMI OT Units / Total units = OT%

OT% * 4 points = OT Points

Sample:

4 ≤ 30% AMI OT units / 39 total units = 10.25%
4 pts x 10.25% = 41% of 4 points
4 pts x 41% = 1.64 pts

OR

8 ≤ 30% AMI OT units/39 total units = 20.51%
4 pts x 20.51% = 82.04% of 4 points
4 pts x 82.04% = 3.2816 points

Projects reserving ≥ 25% of the total units for ≤ 30% AMI households shall receive the maximum of 4 points.

Integrated Income Targeting >80% AMI (3 points)

Integrated Income Targeting (IIT) points shall be awarded to projects reserving at least 20% of the total units in the project for households whose total income at time of approval for occupancy is greater than 80% of the area median income.

Integrated-income targeting in the development strategy ends the isolation of very low-income households through the creation of economically diverse housing. Integrated-income targeting may be defined as: Projects in which 20% or more of the units are targeted to households earning more than 80% of the AMI.

Project seeking points must demonstrate a history of reaching out and serving households in the greater than 80% AMI level. Further, the need for the greater than 80% AMI units must be supported in an independent market study and be consistent with targeting obligations as presented to other stakeholders in the project. 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. The units reserved for households with combined total income that is greater than 80% AMI shall be non-AHP assisted units and are excluded from the subsidy per unit calculation. It is important that the applicant take into account the various income 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.

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 Bank 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 limits, including opportunity/integrated income targeting shall apply. The AHP units require both income and rent restriction commitments, therefore the AHP targeting 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 Bank may, in its sole discretion, align the targeting for the AHP application with the commitments represented to the primary stakeholder.

Rent Subsidy: (2 points)

A project committing to the establishment, governance, and maintenance of a project-based rent subsidy, sinking fund or rent subsidy reserve program shall receive points under this criterion if the project:

1) Provides a project unit-based rent subsidy. Eligibility for rent-based subsidy provided by HUD, USDA and administered by the statewide (or local jurisdiction) Continuum of Care or other public source must be demonstrated at the time of application. Evidence in the form of a Housing Assistance Program (HAP) contract may be required at the completion of the project. For projects with existing HAP or Rural Development (RD) rent subsidy contracts that are

ongoing at the time of application, a copy of the contract or other similar evidence of rent subsidy is required for consideration of points under this criterion.

OR

2) Provides a privately sourced tenant rent subsidy funded from developer fee, LIHTC Equity or some other eligible source

   Privately funded rent subsidy reserves must provide a framework by which the subsidy will be managed and administered at time of application accompanied by a Board resolution issued by the Board of Directors or governance committee of the sponsor/owner detailing:

   - The source funding the reserve
   - Where the funds will be held
   - Requirements to release funds
   - Terms, conditions and expectations required of the recipient such as a recipient agreement.

Subsidy Reserve Fund statements will be required at the completion of the project as evidence of fulfillment of privately funded accounts. Medicare and Medicaid entitlements are not considered eligible rent subsidy.

Creating Economic Opportunity: *(up to 8 points)*

Promotion of Empowerment: (up to 8 points)

Projects providing housing in combination with a program offering one or more of the following activities that assist residents in moving toward improved economic opportunity will receive points as indicated for each activity offered, up to a maximum of 8 points. Such programs, through the convenience of being provided on site or with coordinated transportation provided, eliminate the common barriers preventing low- and moderate-income households from seeking out such programs and the economic advancement opportunities such programs offer. The design of empowerment initiatives should be approached as part of the overall project concept in serving the needs of the targeted population of the project. It is not enough to just refer residents to services and basic referral services will not qualify for points.

Projects qualifying in this category must submit a comprehensive empowerment plan that outlines options explored in designing empowerment offerings, relevancy to the resident population served, and experience of the sponsor and/or service provider in delivering the initiatives. Empowerment initiatives should be available to project residents on an ongoing basis and there must be a clear, defined economic benefit to the entire resident population to be housed at the proposed project. The empowerment plan should articulate, for each point initiative sought after, the following minimum requirements:

1) Description of the empowerment services to be offered and how they will be carried out;
2) Goals of the empowerment offerings including the expected outcome and benefit to the resident population;
3) Qualifications and experience of the sponsor and/or service provider in delivering the services;
4) Description of how the services being provided are unique to the project and differ from what is already available to the general public;
5) Explanation of the frequency of delivery, location of the services to be provided, transportation options if services are not provided on-site, how the services will be funded, and cost of the services to residents.

6) Detail how fulfillment of the initiatives will be verified following the completion of the project (at completion monitoring); AND
7) The plan should be signed by the sponsor and each service provider as an indication of the commitment to offer and deliver the services specified.

Points will be awarded as indicated for the following distinct activities or services, documented as outlined above.

- Employment Initiatives (1 point)
    - Vocational/technical training
    - Resume building/interview techniques
    - Business etiquette
    - Job placement programs
- Educational Initiatives (1 point)
    - GED/HSE preparation and testing
    - ESL or other reading literacy programs
    - Computer classes
    - Entrepreneurship programs
    - Scholarship programs
- Daycare Services or After School Programs (1 point)
    - Licensed childcare facilities
    - After-school, weekend, evening and summer youth programs
    - Adult daycare services
    - Age appropriate child enrichment programs such as: organized learning structured play groups, scouting programs, 4-H activities
- Homebuyer Pre-Purchase Counseling, OR Tenant Counseling with Financial Literacy Training (1 point)
    - Member-provided financial classes
    - Credit repair/counseling
    - Budgeting/money management
    - Provision of matched savings programs
    - FAFSA student loan education and training
    - Assistance accessing benefits such as social security, disability, etc.
- Sweat equity (Homeownership only) (1 point)
- Residents' Council affecting the operation of the project, OR Homeowners' Association (1 point)
- Other services that assist residents to move toward better economic opportunities (1 point each for up to 2 points)
    - Health, Nutrition, & Wellness Initiatives
        - Partnership with local food access, on-site food distribution, food pantry
        - Healthy food education and training
        - Community gardens
        - Mental and behavior health programs
        - Physical fitness/exercise programs
        - On-site health clinic

- Life Quality Initiatives
    - Adult and child mentoring programs
    - Life coach/resident advocate
    - Life skills training to include cooking, home maintenance, housekeeping, parenting skills, vehicle maintenance, etc.
    - Legal services
    - Transportation sharing (exclusive of Uber, Lyft or other similar services)

FHLBank Indianapolis reserves the right to disqualify empowerment initiatives that appear to be structured or proposed for the purpose of "gaining points."

Monitoring/Evidence of Fulfillment – Empowerment

Evidence of how each initiative was carried out, including the promotion, attendance, and outcomes, 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, a combination of the following:

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

Simply providing a flyer or 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 Bank reserves the sole discretion to award points based upon the empowerment plan and other supporting documentation. Points will not be awarded if the Bank determines there is an overlap or duplication between empowerment categories or supportive services (if seeking homeless points) or if the empowerment programming is void of a measurable metric to establish fulfilment at the completion of a project.

If inadequate documentation is provided during the Stage Two monitoring that fails to provide reasonable evidence the initiative was executed as detailed in the Empowerment Plan; and the Bank has provided a reasonable time period to plan, prepare and execute such initiatives within a designated cure period, the Bank may at its discretion, require a modification to remove point(s) not demonstrated. If such modification results in the project no longer being eligible for funding, the Bank may consider, on a case-by-case basis, a cure option, or allow substitution of programs to retain eligibility. In such considerations, the Bank will rely on a proven track record of delivering such programs, commitments extended to other stakeholders, memorandums of understanding with other providers and sponsor/owner's experience in resolving similar matters of non-compliance.

See detailed documentation requirements in *Attachment C* under Stage Two Monitoring information.

Community Stability: *(7 points)*

Applications that promote community stability will receive points as follows:

1) **Preservation Initiative**: Eligibility for points under the preservation initiative requires the hard construction costs (exclusive of builder's overhead, profit, general requirements and construction contingency) to be in excess of $15,000 per unit.

All preservation developments (whether point eligibility criterion is met or not) require:

- A thorough Capital Needs Assessment (CNA) conducted by a qualified independent and unrelated third party dated within one year of the application date; and
- Disclosure of existing reserve accounts and the availability of those funds to contribute, as a source of funds, to the overall development cost; and
- For occupied properties, resident displacement of low- and moderate-income households is minimized by a comprehensive relocation plan that assures such households will be assisted to minimize the impact of such displacement,

Developments may qualify for preservation points by either of these two approaches:

a) Projects that involve the acquisition and/or rehabilitation of existing affordable housing or existing market rate housing that will become affordable, income restricted units. Existing affordable projects that can provide evidence of an expiring AHP grant that has either expired in the last three years or will expire during this 2021 calendar year are eligible preservation projects; or

b) Projects that have USDA Rural Development Section 515, HUD 202 or HUD 811 financing or replacement/re-development of public housing (including RAD conversion) properties may include the cost of construction for community buildings and common area amenities in per unit costs.

The Capital Needs Assessment must detail the scope of work required to sustain property without additional significant capital expenditure after the completion of the proposed project that is in excess of the projected replacement reserve balance.

In addition, the following elements must be included in the CNA:

(i) 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 required.

(ii) 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.

c) 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.

2) **Stabilization:** Projects involving the creation of new housing on infill lots where a physical structure has been or will be razed as part of the project scope – infill new construction units must comprise at least 50% of the total units.

3) **Blight Elimination:** Projects rehabilitating vacant and abandoned properties– requires at least 50% of the total units demonstrated by conveyance via a land bank or similar entity, and statement from the local jurisdiction documenting the abandonment of the premise(s).

4) **Main Street Revitalization:** Projects seeking to restore main street assets to the tax roll through façade and store front revitalization AND include the creation of new housing units or the restoration of housing units that may be currently occupied or vacant and/or are currently repurposed for non-housing uses.

5) **Investment Area:** An area that has had recent and/or ongoing significant investments evidenced by signed letter from the local unit of government within 60 days that identifies, supports and outlines significant proposals with a detailed map of proposed project in proximity to proposed investment, documentation to evidence major investment and narrative description OR projects that are located within the boundary of a designated Opportunity Zone, Rising Tide or Stellar Community.

Criteria 2, 3, and 4 require an independent third-party report for each property location detailing the structural integrity and overall condition of the current structure(s); the presence of hazardous materials and measures, including costs, necessary to abate the environmental hazard; detail of extent of debris removal and description of any demolition (interior or exterior); addition of or restoration of sidewalks, alleyways, parking, exterior lighting, façade enhancements, landscaping and other such improvements as required by the local jurisdiction or authority.

Refer to Attachment A for definitions.
Note: All property locations in the project must be defined in one of the five classifications in the criteria to be eligible.

DISTRICT PRIORITY: *(up to 36 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.

Member Financial Involvement: *(up to 8 points)*

Projects demonstrating Member financial involvement (by the AHP sponsoring Member) in a project by the provision of permanent financing, construction/bridge loan, construction line of credit for 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 may receive up to 8 points. A general "letter of interest," financing proposals or borrower term sheets are not adequate to demonstrate Member involvement. To be considered, the borrower-accepted commitment must detail the following:

- Loan terms,
- Interest rate,
- Collateral and other conditions,
- Signed by an authorized representative of the Member institution, and
- Must state that the commitment is "firm" and preliminary credit approval has been established.

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 three years or upon project completion, whichever is first. Projects must demonstrate need for the proposed financing structure by providing adequate explanation of need 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

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. Financing structures where the Bank 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: Where multiple loans are approved, the loan with the longest term will be used for point allocations. The submission of a loan commitment 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 Bank 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.

Table 1. Points Calculation Based on Type of Financing and Percentage of THDC

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 0.2% of the THDC. Therefore, the Member donation fraction is the equivalent of 20% of the maximum 5 points or 1 point.

Table 2. Points Calculation Based on Donation Amount as Percentage of TDHC

Donation Amount	% to TDHC	Point Calculation	Points Awarded
$ 5,000	0.20%	5*0.20	1
$ 7,500	0.30%	5*0.30	1.5
$ 10,000	0.40%	5*0.40	2
$ 12,000	0.48%	5*0.48	2.4
$ 15,000	0.60%	5*0.60	3
$ 17,500	0.70%	5*0.70	3.5
$ 20,000	0.80%	5*0.80	4
$ 25,000	1.00%	5*1.00	5 (Max Pts)

Desirable Sites Initiative: *(up to 8 points)*

Up to 8 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: (3 points)

Applicants that can demonstrate the project is located within ½ mile from a public transportation stop (i.e., bus stop, train stop) OR have access to no-cost or low-cost, door-to-door transportation services (exclusive of taxi, Uber, Lyft or similar services) available to all residents may be considered for points.

To receive points for the project being located within ½ mile from 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. To receive points, the transit must be in place at the time of application. Points will not be given if the distance to a transit stop crosses a significant physical barrier. Such barriers include highways, railroad tracks, regional parks, golf courses, woods, or any other features that significantly disrupts the pedestrian walking pattern between the development site and the transit site.

Required documentation:

- A printout from websites such as Google, MapQuest, or other mapping software that clearly shows the transit stop and the project's distance relative to the transit stop. The printed maps must be legible and have a clear scale and legend.
- Transit authority maps are acceptable. The project site and stop must be identified on the map, along with a scale.
- Comprehensive market study maps are not acceptable documentation for this point category.
- Applications with non-contiguous scattered-site addresses will need to include multiple maps showing the distance from each property address to each relevant transit stop. It is at the sole discretion of the Bank to determine the relevance of the transit service and the suitability of the documentation in awarding points in this category.

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

Site Amenities: (5 points)

Projects located within one mile of any five of the amenity categories listed below in Table 3 may be eligible for points (from a minimum of five different categories).

To receive points, the amenity must be in place at the time of application. 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 must be legible, and distances must be measured using a standardized distance path (in miles) from the development site to the amenity. Points will not be awarded for distances calculated "as the crow flies."

Required documentation for EACH amenity category:

- A printout of a map from websites such as Google, MapQuest, or other mapping software that is legible, displays or calculates the distance from the housing to the location of the amenities, and must include a scale. An indication of major roads/intersections must be included on the map.
- Comprehensive Market Study maps are not acceptable documentation for this point category.
- Applications with non-contiguous scattered-site addresses will need to include multiple maps showing the distance from each property address to each relevant community amenity. In such cases, the same amenities apply for each location.

- *Note:* Empowerment initiatives and supportive service plans may overlap in desirable sites with offices of social service agencies, education institutions and government offices with an empowerment program(s) that is provided by representatives of the organization either on site or at the providers office location. In such instances, for points to be awarded under the desirable site amenity category, an alternate organization in that category (or a different category) must be identified. *For example:* A point can be awarded in empowerment if representatives from Work One are providing job preparedness programs either on site or at their office location; and the Work One office is less than 1 mile from the proposed project site.

For desirable site points, an alternate employment service provider/center would be required to count toward the five (5) amenities required for points.

Table 3. List of Site Amenities

Public library	**Cultural Arts** (Museums, performing arts or theater)
Medical facilities (including hospitals, doctor office, dentist office, clinic, other)	**Government office** that serves public onsite
Community centers or similar facilities that promote cultural, educational, recreational, or supportive services for the community.	**Employment Centers** – hiring agencies, employment agencies. Proximate to major employer(s) in the community as defined as: 200+ employees for Urban counties and 50+ employees for rural counties. (Requires validation of major employers in the community.)
Public park or areas of land open to the public and managed by federal, state, or municipal governments, or private organizations. Parks may be of any size or configuration but share a common purpose of specific or civic benefit for the users Examples: a public playground, public recreation center or area, and other public areas created, established, designated, maintained, provided and set aside for the purposes of public rest, play, recreation, enjoyment or assembly.	**Social services center** refers to a federal, state, or local government or privately-owned social service organizations that is mission directed to reducing poverty, improving opportunities for low-income adults or children, self-sufficiency, that is open to the public. Social Services could include: adult or protective services, foster care, or adoption, including programs relating to domestic violence, food or meal preparation or delivery services relating to soup kitchens or food banks, crime prevention services and assistance to the victims and family members of criminal offenders, and services for housing assistance as provided under the local, state, and federal law.
Access to Healthy/Nutritional Foods - Facilities must be a store with fresh produce, such as a supermarket, grocery store, or other food stores with fresh produce that must be currently established at the time of application, have a physical location, and have regular business hours.	**Education institutions** (including K-12, trade schools, college or university, adult education, vocational school, or community college that are accredited. Non-accredited specialized schools are excluded.)
Retail (including pharmacy, department store, hardware store, bank, general store or discount store, clothing store, other)	
Note: *It is at the sole discretion of the Bank to determine the relevance of the amenities and the suitability of the documentation in awarding points.*	

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 40% 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, binding 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 Bank. 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 31, 2021.** 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 Bank 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)*

Up to 15 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:

$$\text{Points} = (22{,}500 - \text{Subsidy per unit}) / 1500$$

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 $50,000 are ineligible projects.

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 may also approve the reallocation of unused Homeownership Initiatives funds to ensure utilization of all AHP funds. The Board may not delegate to Bank officers or other Bank employees the responsibility to approve or disapprove the AHP subsidy applications, as well as alternates under the Bank's General Fund.

Tie-Breaking Methodology – General Fund

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 Opportunity Targeting criterion in the Second District Priority category. The application with the highest score is approved for funding.

If an application does not prevail in breaking the tie or is tied with another application but requested more subsidy than the amount of AHP funds that remain to be awarded under the General Fund, shall be approved as an alternate. The Bank shall document in writing its analysis and results for each use of the scoring tie-breaker methodology.

Awarding and Funding of Alternates

Concurrent with the approval of applications, the Board shall also approve at least the next four highest scoring applications in the funding round as alternates and may identify additional alternates as indicated in its discretion. Within one year of approval, the Bank shall fund such alternates if any previously committed AHP subsidies become available.

The Bank will contact the Member and Sponsor, beginning with the first alternate identified, within 30 days of funds availability. The Bank will assess the project status and funding condition prior to a formal award notification. Such alternate vetting assessment shall determine:

- The Member's and Sponsor's independent desire to move forward with the AHP award as presented in the application based upon the amount of funds available.
- The project's readiness and ability to conform to the applicable deadlines concurrent with the funding year including securing all other funding sources.
- The impact of any adjustments to the project design, targeting, and underwriting by other stakeholders such that the project is determined to be the same project approved or whether the project is substantively changed such that modification and rescoring may be indicated.
- The impact of any changes in the financial or organizational capacity of the sponsor or development team that could impact financial feasibility and project sustainability.

The score tie-breaking methodology for awarding projects shall also apply to alternates. If the tiebreaker does not prevail, the alternates tied in rank shall be determined first by the outcome of the alternate vetting assessment and finally by the amount of subsidy requested.

MODIFICATIONS

Through the application, disbursement and monitoring process, the Bank 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 Bank requires that project sponsors/owners and Members report to the Bank 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 Bank. 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 Bank and its Member; therefore, transfer requests or conveyance of an ownership interest to another party by the sponsor is generally discouraged. The Bank 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 Bank processes project modifications in accordance with the requirements of the Regulation and the Bank'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 Bank. 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. In such instances, the Bank, in its discretion, may develop a formal cure plan with specific actions to be taken within a specified timeframe as a possible resolution to avoid de-obligation and/or recapture of the AHP subsidy.

The Bank, 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 Bank's Board. The authority to approve or disapprove such requests will not be delegated to Bank officers or other Bank employees.

Section § 1291.29 of the Regulation addresses modifications, prior to project completion or/and after project completion.

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 Bank 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 Bank 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 Bank may, in its sole determination, reduce the subsidy amount accordingly.

For projects using Low-Income Housing Tax Credits (LIHTC), the Bank 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 Bank recognizes rate fluctuations and equity pricing can significantly increase or decrease the amount of development gap. The Bank 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 Bank 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 Bank 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.

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 § 1291.30(a)(1).

If a Member loses membership in the Bank, § 1291.30(a)(2) provides that the Bank may disburse subsidies to another Bank Member to which the Member has transferred its obligations under the approved application, or that the Bank may disburse subsidies through another Federal Home Loan Bank ("FHLBank") as long as a Member of that FHLBank has assumed the project by executing an AHP Correspondent Disbursement Agreement.

At the Bank's discretion, disbursements may be withheld or suspended when there is evidence of an unresolved compliance or reporting concern to the Bank, 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 Bank 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 Bank and will be processed by the Bank in accordance with the Bank's procedures and guidelines for funding of subsidies and applicable monitoring procedures. If the Bank 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 Bank's disbursement and monitoring procedures and guidelines for the competitive program require that the applicant Member and project sponsor/owner provide the Bank with the most current information about the project sufficient to enable the Bank 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 Bank an AHP Disbursement Request Form so authorized by the Member and sponsor/owner using the AHP Secure Portal to upload the required documents for analysis and review 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 Bank.
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 Bank.
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 Bank reviews the information submitted and other pertinent project information obtained from the Member and sponsor/owner during the application process. The Bank 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 Bank 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 Bank 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 Bank 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.

If funds are requested for the developer's fee, the FHLBI will permit the developer to request up to 20% of the fee to be paid by the AHP subsidy upon project commencement and a percentage of the fee proportionate to the percentage of work completed as shown on construction cost documentation. However, the FHLBI will not release the final 20% until project completion.

*Example**:** Total developer fee is $100,000. First disbursement request: project may request 20% or $20,000 toward reimbursement or funding of 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.*

Only 20% of the AHP subsidy may be drawn for soft costs such as: architecture, engineering, building permits, surveys and other pre-development related expenses.

Example: The AHP award is $500,000. The maximum amount of the award to reimburse or fund soft costs is 20% or $100,000.

If the Bank cancels any AHP application approvals due to non-compliance with eligibility requirements as described, the Bank shall make the AHP subsidies available for approved alternate projects, other AHP-eligible projects, or AHP-eligible households at the next available funding round. Bank may in its discretion, consider exceptions to the 20% soft costs limitation on a case-by-case basis.

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

9: Procedures for Carrying Out Monitoring Obligations – AHP Only (§ 1291.50)

As required by § 1291.50(a), the Bank has developed procedures for carrying out monitoring obligations under § 1291.50, 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 (§ 1291 Subpart D)

The Bank shall determine annually whether to offer a Homeownership Initiatives program for the following year pursuant to § 1291.40 of the Regulation. In 2020, the Bank 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 § 1291.12(b), the Bank must allocate at least one-third of the aggregate annual Homeownership Initiatives allocation to such programs to assist first-time homebuyers or owner-occupied rehabilitation or a combination of both. The Bank will contribute up to 35% of the 2020 AHP contribution to Homeownership Initiatives. The Bank reserves the right to allocate funds among Homeownership Initiatives uses and adjust the release dates to meet demand and assure utilization of all funds. Funding is open until all Homeownership Initiatives 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 (§ 1291.60)

Bank 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 Bank will follow the requirements of §§ 1291.60 and 1291.61 of the Regulation including the following:

Repayment of Subsidies by Members

1) *Non-compliance by Member.* A Member must repay to the Bank 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 Bank, and the requirements of this part, unless:
    a) The Member cures the non-compliance within a reasonable period of time, or,
    b) The circumstances of non-compliance are eliminated through a modification of the term of the application for the subsidy pursuant to § 1291.29.
2) *Non-compliance 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 Bank 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 Bank, and the requirements of this part, unless:
    a) The sponsor or owner cures the non-compliance within a reasonable period of time, or,
    b) The circumstances of non-compliance are eliminated through a modification of the terms of the application for the subsidy pursuant to § 1291.29.

The Member shall not be liable to the Bank 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 Bank, and the requirements of this part, unless:

a) The sponsor or owner cures the non-compliance within a reasonable period of time, or

b) The circumstances of non-compliance are eliminated through a modification of the terms of the application for the subsidy pursuant to § 1291.29.

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

Suspension and Debarment

The Bank may suspend or debar a Member, project sponsor, or owner from participation in the AHP program if such party shows a pattern of non-compliance or engages in a single instance of flagrant non-compliance with the terms of an application for AHP subsidy or the requirements as stated above. Further, the Finance Agency can order the Bank to suspend or debar any Member, project sponsor or owner.

The Finance Agency prohibits the Bank from engaging, directly or indirectly, in certain transactions with individuals or entities on the Finance Agency'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 Finance Agency's list of suspended counterparties (a suspended party) such that the suspended party would directly or indirectly participate in any contractual relationship in the mortgage, securities or other lending product business with the Bank.

If the sponsor history is unsatisfactory, which includes any one or all of the following:

- Failure to utilize previous AHP awards,
- Outstanding documentation pertaining to an ongoing AHP supported project,
- Inability to complete previous projects in required time frames,
- Repeated failure to submit required documentation or serious and repeated violations of the program,

  AND
- elects to submit an AHP application in the current years' application cycle, 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 non-compliance 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 Bank 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 Bank's internal watch list and reported to the Board quarterly until the non-compliance matter is resolved or escalated to further action including recapture. Further, the Bank may notify other FHLBs of the non-compliance matter where it is known the sponsor has ongoing AHP projects.

Debarments will be approved by the Board. In cases of suspensions or sanctions due to non-compliance, resolving the issue of non-compliance may lift the sanction without Board approval.

As part of the normal course of business, the Bank may provide, separately or as part of other communication, a written warning to the appropriate person or entity advising of the potential for suspension or debarment or withdrawal of the AHP award. However, failure to do so will not affect the Bank's ability to so suspend or debar a participant. If the Bank 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 (§1291.15(a))

The Bank 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 Bank or the Member (including reasonable attorneys' fees and expenses) in connection with (a) any investigation by the Bank 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 Bank 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 Interest

The Bank 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 Bank at 800-688-6697.

13: Notifying FHLBank Indianapolis of Questionable, Criminal, or Fraudulent Conduct

The Bank is committed to protecting its revenue, property, reputation, and other assets. The Bank has an *Anti-Fraud Policy* (published at the Bank's public website at https://www.fhlbi.com/) in place to support this commitment and to enhance its compliance efforts. This Policy addresses not only instances of questionable, criminal, or fraudulent conduct within the Bank, 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 Bank, whether it occurs inside or outside of the Bank, please contact the Community Investment Staff or send an email to AML_Officer@fhlbi.com

Attachment A: AHP Implementation Plan Definitions

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

Advance: A loan to a Member from the Bank 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 Part 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): A Bank 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

Arm's Length Transaction: An arm's length transaction is one in which the buyers and sellers of a product act independently and do not have any relationship to each other. The concept of an arm's length transaction assures that both parties in the deal are acting in their own self-interest and are not subject to any pressure or duress from the other party. It also assures third parties that there is no collusion between the buyer and seller.

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 FHLBank Indianapolis.

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 Bank's Community Investment Cash Advance Program defined at 12 CFR Part 1292.

Community Investment Program (CIP): Defined at 12 CFR § 1201.1. The Bank's Community Investment Program was established under 12 USC § 1430(i); under it, loans are made to Bank Members at the Bank'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, ten months' escrow of homeowner's insurance, two months' escrow of mortgage insurance, ten months escrow 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 Bank 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. If a construction management or consulting fee (paid to a related or unrelated third party) is included in the construction contract, it must be included in and subject to the fee limits relating to general requirements, builder overhead and profit. Excess fees will be deducted from the total development costs when performing the gap calculation.

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. If a construction manager or a consultant serving a similar capacity (as determined by FHLBI) is not included in the construction contract, then any construction management or consulting fee must be included in and paid from the developer's 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 Bank for the competitive application program and Homeownership Initiatives, 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 Bank 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 the Bank within 30 days after enrollment of the household into the Homeownership Initiatives.

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.

Extremely Low-Income (ELI): Extremely low-income household means a household that has an income at or below 30 percent of the median income for the area, with the income limit adjusted for household size in accordance with the methodology of the applicable median income standard selected from those enumerated in the definition of "median income for the area," unless such median income standard has no household size adjustment methodology. Families whose income does not exceed the greater of 30% of the Area Median Income, or the Federal Poverty Level (FPL) found here:

https://www.federalregister.gov/documents/2019/02/01/2019-00621/annual-update-of-the-hhs-poverty-guidelines

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.

Federal Poverty Guidelines: Health and Human Services issues a poverty guideline by household size annually for the 48 contiguous stated which can be found here:

https://www.federalregister.gov/documents/2019/02/01/2019-00621/annual-update-of-the-hhs-poverty-guidelines

FHLBI: Also referred to as "FHLBank Indianapolis" or "Bank." The Bank's legal name is the *Federal Home Loan Bank of Indianapolis*. Information about the Bank is available at https://www.fhlbi.com/

Finance Agency: Also referred to as "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: 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 Fund: General Fund means a program that each Bank is required to establish and under which the Bank approves (i.e., awards) applications for AHP subsidy through a competitive application scoring process and disburses the subsidy.

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: 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: Criteria for defining homeless as defined or amended by HUD:

1) **Literally Homeless**: Individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:
   (i) Has a primary nighttime residence that is a public or private place not meant for human habitation;
   (ii) Is living in a publicly or privately operated shelter designated to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state and local government programs); or
   (iii) Is exiting an institution where (s)he has resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution
2) **Imminent Risk of Homelessness** Individual or family who will imminently lose their primary nighttime residence, provided that:
   (i) Residence will be lost within 14 days of the date of application for homeless assistance;
   (ii) No subsequent residence has been identified; and
   (iii) The individual or family lacks the resources or support networks needed to obtain other permanent housing
3) **Homeless under other Federal Statutes:** Unaccompanied youth under 25 years of age, or families with Category 3 children and youth, who do not otherwise qualify as homeless under this definition, but who:
   (i) Are defined as homeless under other relevant federal statutes, including, but not limited to, Subtitle VIII-B of the McKinney-Vento Act and the Housing and Urban Development definition in Section 103 of Subtitle 1 of said Act;
   (ii) Have not had a lease, ownership interest, or occupancy agreement in permanent housing during the 60 days prior to the homeless assistance application;
   (iii) Have experienced persistent instability as measured by two moves or more during in the preceding 60 days; and
   (iv) Can be expected to continue in such status for an extended period of time due to special needs or barriers
4) **Fleeing/Attempting to Flee Domestic Violence:** Any individual or family who:
   (i) Is fleeing, or is attempting to flee, domestic violence;
   (ii) Has no other residence; and
   (iii) Lacks the resources or support networks to obtain other permanent housing

Household's Investment: Defined at 12 CFR § 1291.1.

Household's investment means the following, to the extent paid by the household and documented (in the Closing Disclosure or other settlement statement, if applicable, or elsewhere) to the Bank or its designee:

(i) Reasonable and customary costs paid by the household in connection with the purchase of the unit (including real estate broker's commission, attorney's fees, and title search fees);
(ii) Any down payment paid in connection with the household's purchase of the unit;
(iii) The cost of any capital improvements made after the household's purchase of the unit until the time of the subsequent sale, transfer, assignment of title or deed, or refinancing; and
(iv) The amount of principal on any mortgage senior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation repaid by the household.

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):** A Bank program that provides funds to first-time homebuyers for down payment and closing cost assistance.

Homeownership Set-Aside Program: Defined at 12 CFR § 1291.1. Funds provided to a Member by the Bank pursuant to the Homeownership Initiatives: the Neighborhood Impact Program, the Homeownership Opportunities Program, Accessibility Modifications Program and the Disaster Relief Program.

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 and 1291.23.

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 Bank.

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 the Bank as the median income for the area, as published annually by HUD.

Member: An institution that has been approved for membership in the Bank and has purchased capital stock in accordance with 12 CFR §1263.20 and Part 1277. Typically, these Members will be commercial banks, savings and loan institutions, credit unions, insurance companies, or community development financial institutions (“CDFIs”).

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).

Multi-Family Building: A structure with five or more dwelling units. May be referred to as “multifamily” or “multi-family.”

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): A Bank 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.”

Net Present Value: Is an indicator of how much an investment is worth at the time of final application. In the context of seller financing, the net present value represents the interest foregone from making the loan below the lender’s market interest rate.

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.

Opportunity Targeting: Units in the mix of units that are rent-restricted (30% of the AMI adjusted for unit and household size) for households that have a total income that is <30% of the AMI.

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 of one or more owner-occupied units in a single-family or multifamily building consisting of new construction, or rehabilitation of homeownership housing, including condominiums and cooperative housing, and manufactured housing that is owned 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 the physical real estate (to be secured by the real estate retention agreement) and 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 (PSH) is a model that combines low-barrier affordable housing, health care, and supportive services to help individuals and families lead more stable lives. PSH typically targets people who are homeless, have severe mental illness, substance abuse disorders or HIV/AIDS or are otherwise unstably housed, experience multiple barriers to housing, and are unable to maintain housing stability without supportive services. 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

Recovery Housing: Recovery houses are safe, healthy, family-like substance-free living environments that support individuals in recovery from addiction. While recovery residences vary widely in structure, all are centered on peer support and a connection to services that promote long-term recovery. Recovery housing benefits individuals in recovery by reinforcing a substance-free lifestyle and providing direct connections to other peers in recovery, mutual support groups and recovery support services. Substance-free does not prohibit prescribed medications taken as directed by a licensed prescriber, such as pharmacotherapies specifically approved by the Food and Drug Administration (FDA) for treatment of opioid use disorder as well as other medications with FDA-approved indications for the treatment of co-occurring disorders.

For purposes of this document, the Substance Abuse and Mental Health Services Administration of the U.S. Department of Health and Human Services ("SAMHSA")'s official definition will serve as the benchmark from which to ascribe best practices and suggested minimum standards. The utilization of this definition is because it encompasses the basic tenets as set forth in the SUPPORT (Substance Use-Disorder Prevention that Promotes Opioid Recover and Treatment) statute and it stipulates the inclusion of FDA approved pharmacological interventions for substance use disorders and other co-occurring conditions. To deliver the best care possible, recovery house operators should include to which level of care their facility delivers services to their residents. SAMHSA supports the levels of care, as identified by the National Alliance of Recovery Residences (NARR) and other stakeholder agencies depicted below, as these levels accurately reflect the basic structural blueprint of quality recovery housing and highlights the continuum of support ranging from nonclinical recovery housing to clinical and usually licensed treatment and highlights the continuum of support ranging from nonclinical recovery housing (Level 1 and II) to clinical and usually licensed treatment (Level III & IV).

https://www.samhsa.gov/sites/default/files/housing-best-practices-100819.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 person(s) 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 a Bank's General Fund and any Targeted Funds, 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 communities.

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) Five years from closing for an AHP-assisted owner-occupied unit where the AHP subsidy is used for construction or purchase of the unit or for purchase in conjunction with rehabilitation of the unit.
2) 15 years from the date of project completion for a rental project.

Rural: To be considered rural, a project must be located in a census tract outside of a metropolitan statistical area (MSA) as designated by the Census Bureau and has a RUCA code of 4-10, or a city or town located within an MSA that has a population of 15,000 or less based on 2018 Census Bureau population estimates.

Rural-Urban Commuting Area Codes (RUCA): The rural-urban commuting area (RUCA) codes classify U.S. census tracts using measures of population density, urbanization, and daily commuting. The classification contains two levels. Whole numbers (1-10) delineate metropolitan, micropolitan, small town, and rural commuting areas based on the size and direction of the primary (larges) commuting flows. These 10 codes are further subdivided based on secondary commuting flows, providing flexibility in combining levels to meet varying definitional needs and preferences.

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 Bank 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 Bank, 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.

Special Needs Populations: The elderly; persons with disabilities; formerly incarcerated persons; persons recovering from physical abuse or alcohol or drug abuse; victims of domestic violence, dating violence, sexual assault or stalking; persons with HIV/AIDS; or unaccompanied youth.

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 an owner-occupied project, such as 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; or
3) Operates a loan pool; or
4) Is a revolving loan fund.

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 the Bank's cost of funds by use of an AHP subsidy. It is NOT an FHLBank Indianapolis CIP advance.

Targeted Fund: Targeted Fund means a program established by a Bank, in its discretion, to address specific affordable housing needs within its district that are unmet, have proven difficult to address through its General Fund, or align with objectives identified in its strategic plan, under which the Bank approves (i.e., awards) applications for AHP subsidy through a competitive application scoring process developed by the Bank and disburses the subsidy.

Subsidy: Subsidy means:
(1) A direct subsidy, provided that if a direct subsidy is used to write down the interest rate on a loan extended by a member, sponsor, or other party to a project, the subsidy must equal the net present value of the interest foregone from making the loan below the lender's market interest rate; or
(2) The net present value of the interest revenue foregone from making a subsidized advance at a rate below the Bank's cost of funds.

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, zero or not step entries 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 that 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 that is collected in order to corroborate the accuracy of information.

Very Low-Income Household (VLI): Defined at 12 CFR § 1291.1 and 1291.23

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

Attachment B: Feasibility Guidelines

Note: The Federal Home Loan Bank of Indianapolis ("FHLBI", "FHLBank Indianapolis" or the "Bank") will generally use the feasibility guidelines established by the State Housing Finance Agency (HFAs) as the primary standard for projects utilizing Federal Housing Finance Agency ("Finance Agency") financing. The feasibility analysis for competitive AHP consists of the following parts:

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

Financial Feasibility

The financial feasibility assessment will include a review of sources, uses, project costs and operational feasibility, and need for the subsidy as outlined in §1291.24(a)(3). The application will require the sponsor to provide information regarding loans, grants, equity contributions, the anticipated value received from syndicators, equity contributions or private funding sources for the tax credits and any other financing that is necessary for the financial feasibility of the project. The Bank recognizes that all I projects are different; for example, some have debt, and others are not able to support debt in order to serve very low-income households. The financial feasibility standards are not used to automatically "disqualify" projects that fall outside the boundaries. These are evaluated on a case-by-case basis and should be clearly explained in the application. The Bank uses the feasibility guidelines as measures of "reasonableness." In addition, depending upon project location and type, the Bank may request additional information for items that do not fall within appropriate ranges. The financial feasibility/need for subsidy analysis is part of the disbursement review and the initial monitoring review.

The analysis described above is undertaken to ensure the following:

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

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

Homeownership Project Development Budget and Homeownership Initiatives Households

Table 4. Feasibility Guidelines for Homeownership Project Criteria

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

AHP Household Subsidy Guidelines (Competitive AHP only)

- AHP Household Subsidy Calculation – AHP subsidy per household may not exceed 20% of the purchase price of the proposed property. Subsidy awarded on a per household basis may be adjusted pursuant to the Bank's individual household subsidy need calculation.
- Purchase price must be supported by an appraisal completed not more than 90 days in advance of closing.
- Household maximum loan calculation uses the lower of: Loan to Value and Housing Debt to Income.
- Homebuyer must have a cash down payment based on household income as follows:

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

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

In cases where a loan is extended by a member, sponsor, or other party to the project, and the AHP subsidy provided to that project is to write down the interest rate on the loan extended, the net present value of the interest foregone from making the loan below the lender's market interest rate shall be calculated as of the date the application for AHP is submitted to the Bank.

Rental Project Development Budget

Table 5. Feasibility Guidelines for Rental Project Criteria

Criterion	Feasibility Guidelines (Targets are maximums except for LIHTC Equity)
Rental per unit development cost – new Construction Any line item cost or total unit costs exceeding a range of reasonableness for the project scope may be disqualified at the sole discretion of the Bank. Considerations will be made for scope and location of the development. Additional documentation and information, verified by the Bank, may be required to substantiate reasonableness of costs. **Per unit development costs in excess of $250,000 require third-party documentation support and justification for higher costs with the application.**	Maximum established by state HFA in which the development is located if the development qualifies for any state-administered program OR HUD 221(d)4 mortgage limits Per unit total development costs in excess of $190,000/unit require explanation justifying a higher cost in the application financial workbook Architect Fees, including design and supervision fees, must be limited to 4% of the total hard costs plus site work, general requirements/profit/overhead and hard construction contingency.
Rental per unit development--acquisition/rehabilitation Any line item cost or total unit costs exceeding or lacking a range of reasonableness for the project scope may be disqualified at the sole discretion of the Bank. Considerations will be made for scope and location of the development. Per unit development costs in excess of $250,000 require third-party documentation support and justification for higher costs with the application.	Maximum established by state HFA in which the development is located if the development qualifies for state-administered program Per unit total development costs in excess of $190,000/unit require explanation justifying a higher cost in the application financial workbook Architect Fees, including design and supervision fees must be limited to 4% of the total hard costs plus site work, general requirements/profit/overhead and hard construction contingency.
Developer fee Only LIHTC and HUD 202/811* financed developments may use deferred fee as a source of funds. Any deferred fee loan must be repaid	New construction and rehab – 15% based on calculation: (Developer fee + consultant fee) / (total development costs – developer fee – consultant fee- land acquisition costs-operating/supportive service reserves)

from cash flow by year 15. (See additional notation below) *Requires written approval from HUD to defer any portion of the developer fee	Total developer, guaranty, and consultant fees may not exceed $1,380,000 **OR** maximum established by state HFA in which the development is located if the development qualifies for state-administered program. Maximum of 60% of the developer fee can be deferred.
Contractor cost limits (See notation below regarding Construction Management)	The combined total of contractor profit, overhead, and general requirements shall be limited to 14% of hard construction costs. Calculation: Total Contractor Profit / (Total construction cost - contractor profit, overhead and general requirements)
Hard Cost Construction contingencies *Note: The Bank has no soft cost contingency allowance*.	New construction: 10% of hard construction costs Rehabilitation: 15% of hard construction costs Historic rehabilitation and/or adaptive reuse: 20% *Or consistent with the state HFA, USDA or HUD guidelines in which the development is located* .
Tax credit proceeds	$0.85 minimum
Operating reserves (capitalized) (Requires non-AHP funding sources) Supportive Services Reserves(capitalized)	Up to 12 months' operating expense (excluding replacement reserves) plus 12 months of debt service or $1,500 per unit, whichever is greater. Recommended (but not required) for projects that provide 80% or more of the units with extensive supportive services to special needs consumers. (*Note: AHP subsidy may not be used to fund project debt service, operating, replacement, or supportive services reserves.*)
Construction – hard costs (% of total development costs) *Note: If project involves acquisition with little or no rehabilitation, acquisition costs may be considered hard costs.*	70% minimum

Related Parties

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

Developer Fee

Applicant/Sponsor must include a statement:

1) Disclosing each entity/individual receiving a portion of the Development Fee along with the percentage or amount of the total fee each entity/individual will receive, and
2) Describing the terms of the deferred repayment obligation to the development, including the interest rate proposed and the source of repayment.

Non-profit organizations shall include a resolution from the Board allowing such a deferred payment and interest obligation to the Development. A deferred Developer Fee Agreement evidencing the principal amount and terms of interest and repayment of any deferred repayment obligation must be submitted at project completion.

Deferred Developer Fee

Projects funded with Low-Income Housing Tax Credit (LIHTC) may defer developer fee as a source of funds. On a case-by-case basis with the written approval by HUD, a HUD financed project (HUD 202/811) may defer a portion of the developer fee as a source of funds.

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

Construction Management/Contractor Fees

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

Sponsor Loans to Development (LIHTC Funded)

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

Rental Project Operating Pro-Forma

Table 6. Criteria and Ranges for Rental Projects Operating Pro-Forma

Criterion	Range (Targets are maximums for years 1-15 of pro-forma)
First year rents must equal total rents from the Rental Project Worksheet (at application), rents may not exceed 30% of the targeted area median income	Must be equal
Property Management fees	Up to 10% of effective gross income *or consistent with the state HFA, USDA or HUD guidelines in which the development is located for projects receiving that funding*

Replacement reserves	Up to $350 per unit per year for rehabilitation or new construction Up to $420 per unit per year for historic preservation or single-family units, OR *Consistent with State HFA, USDA or HUD guidelines where applicable*
Inflation factors	Income up to 0-2% annually Expenses 1-3% annually or 1-2% faster than income
Vacancy rate	Up to 8% of total gross rents Up to 10% of effective gross income if supportive housing
Total annual operating expense per unit *Net of operating and replacement reserves and real estate taxes* See additional comments below	At least $3,500 per unit/year and not more than: Years 1-5: $4,500 per unit/year Years 6-10: $5,250 per unit/year Years 11-15: $5,750 per unit/year *OR consistent with the state HFA, USDA or HUD guidelines in which the development is located where applicable*
Debt coverage ratio (DCR) Debt obligations that are subject to repayment based upon available cash flow are considered soft loans and may not be included in the Debt Service line item of the 15-year Pro-forma	Projects with hard debt: Minimum 1.15 up to 1.40 maximum Projects without hard debt will not have a DCR. This will be calculated by a ratio of Effective Gross Income to Total Annual Expenses (excluding reserve for replacement) All projects require a minimum of 1.15 ratio every year (1-15) to be considered feasible by the Bank. *Note: Tax abatement may cause the debt coverage ratio to be higher than these guidelines*.
Exceptions will be considered on a well-documented, case-by-case basis.	

Other Project Feasibility Issues

Shelter-Type Projects/Supportive Housing

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

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

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

Mixed Use Developments

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

Debt Coverage Ratios

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

Per Unit Operating Costs

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

Required documentation:

1) Documentation of estimated property taxes and insurance;

   AND

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

Cash Flow

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

Attachment C. Monitoring Procedures

These procedures set forth the process that the FHLBank Indianapolis follows in monitoring its Affordable Housing Program (AHP) competitive application projects in accordance with § 1291.50(a) of the Affordable Housing Program Regulations (12 C.F.R. §1291) (the "Regulation").

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

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

- STAGE 1 Semi-Annual Monitoring Review
- STAGE 2 Initial Monitoring Review
- STAGE 3 Long-Term Monitoring Review

On-Site Reviews

During the application or post award construction phase, a site visit may be performed by the Bank in its discretion and typically will be performed if significant changes in scope of the project, modification, or other materially significant factors deviate from the approved application. Projects that involve rehabilitation of existing housing may be identified for an on-site observation of the scope of the proposed renovations and condition of the structure. The Bank may, at its discretion, remove a project from award consideration if the building, its condition, or its location present sustainability or market concerns.

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

Site visits may be conducted at any time in the course of project monitoring. The Bank at its discretion, may elect to conduct an independent household file review, inclusive of household income and supporting documentation maintained by the sponsor/owner and rents charged on-site. Review of project specific documentation relevant to validate fulfillment of scoring initiatives and the overall property condition may be considered in the scope any on-site visit conducted by the Bank. Further, consultants or professionals with knowledge of affordable housing restrictions and requirements may be engaged on behalf of the Bank to conduct such reviews. The Bank may rely on monitoring reports conducted by other delegates or professionals engaged by other stakeholders pursuant to the Long-Term Monitoring policy.

STAGE 1 – Semi-Annual Monitoring Review

Overview

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

Procedures

A Semi-Annual Progress Report (SA Report) must be filed by a Member institution whose AHP project has received approval. The SA Report must be filed during the period of construction or rehabilitation of a project and will detail the progress and overall status of the project. The project Sponsor/Owner and Member will sign the SA Report signifying that all parties are informed of the project's status with respect to its level of progress and the sponsor/owner has satisfied the reporting requirements of 12 C.F.R.§ 1291.50(a)(1)(i). The SA Report must be filed every six months until the project is identified as being complete.

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

STAGE 2 – Initial Monitoring

Overview

A Stage 2 review is defined as Initial Monitoring of the project and is conducted within one year after project completion. This encompasses a review of the project to determine the level of the project's compliance with the approved application, approved modifications(s), if any, law, regulation, policy, and procedures as required by 12 C.F.R. § 1291.50. This review may start earlier if there is sufficient indication of non-compliance.

Owner-occupied Project Procedures

Owner-occupied projects will be scheduled for Initial Monitoring review within a reasonable time period of receiving from the Member financial institution the certification required by 12 C.F.R. § 1291.50(a)(2).

A Member financial institution must, within six months after disbursement of all AHP funds to a project, certify to the Bank the AHP funds were used in accordance with the approved application and the AHP units are subject to deed restrictions or other legally enforceable Retention Agreements or mechanisms meeting the requirements of 12 C.F.R.§ 1291.15(a)(7).

When an owner-occupied project is subject to Initial Monitoring, the following will be determined by the Bank:

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

Documentation to be analyzed for owner-occupied projects in Initial Monitoring, includes, but is not limited to, the following:

- Original/final comparative statement of sources and uses.
- A list of unit resident names and addresses, annual household income at the date of qualification, household size, AMI percent and closing dates.
- Completion certification form, which certifies that:
    - As committed in the application or as adjusted by a Bank-approved modification, all units of the project are complete as of the date of the last homeownership unit in the project closed or the last unit is rehabilitated.
    - All reports and documentation required by Regulation, the Bank, or the Federal Housing Finance Agency are current and complete.
    - The project complies with the applicable federal and state laws on fair housing, housing accessibility, and other local building codes, and the project has been affirmatively marketed under law. If certification cannot be made, a corrective action plan must be attached.
    - All approved AHP subsidies have been provided to income-eligible households, using the income ranges committed to in the AHP application (or as modified) and pursuant to the individual Household Subsidy Need Calculation as determined during the disbursement review. Total subsidy for the project may be reduced by the remaining unused subsidy in the project at its completion.
    - The certification is supported by household income verification documentation kept on file for review by the FHLBI Member or the FHLBI at the project sponsor's place of business.
- Services, Activities and Set-aside Questionnaire
- Cost validation, as required
- Validation of funding sources, as required
- Other information, as required
- The AHP-assisted units are subject to deed restrictions or other recorded, legally enforceable Retention Agreements or mechanisms meeting the requirements of § 1291.15(a)(7) and 1291.15(a)(8). Sample Real Estate Retention Agreements can be found in *Attachment E* of this document.

Rental Project Procedures

Rental projects will be scheduled for Initial Monitoring review within a reasonable time period of receiving the certification required by 12 C.F.R. § 1291.50(a)(2) from the Member financial institution.

The Initial Monitoring Review will begin when the Bank receives project completion notification via the SA Report or other such information documenting the project is complete. Projects have one year from the date the project is certified for occupancy to submit certain documentation. Failure to provide such documentation may result in sanctions or suspension relating to future applications, and recapture of some or the entire AHP subsidy disbursed pursuant to remedial actions for non-compliance as required by 12 C.F.R. §§ 1291.60 and 1291.61.

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

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

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

- Final updated project financial workbook appropriate for the project type (contingencies must be zero at completion or funds may be de-committed or recaptured)
- A list of tenant names and addresses, annual household income at the date of move-in, household size, AMI percent, move-in date, current monthly rent, the amount of any utility allowances or rent subsidies, and number of bedrooms in the unit
- Income documentation for a sampling of units in accordance with the FHLBank Indianapolis Sampling Plan in effect at the time of project completion
- Completion certification form, completed by Sponsor and forwarded to Member for signature, which certifies that:
    - As committed in the application or as adjusted by an Bank-approved modification, all units of this project are complete as of the date the last rental unit had certificate of occupancy or equivalent issued, or where such certificates are not issued, the date the last unit in the project is suitable for occupancy.
    - All reports and documentation required by Regulation, the Bank, or the Finance Agency are current and complete.
    - The project complies with the applicable federal and state laws on fair housing, housing accessibility, and other local building codes, and the project has been affirmatively marketed under law. If this certification cannot be made, please attach a corrective action plan.
    - Validation of building design features for which points were awarded or as modified by an architect or other third-party evidence such as: photos, invoices, and sworn statements
    - Services and activities committed to in the AHP application have been provided in connection with the project [§ 1291.50(a)(2)(v)].
    - The tenant rents and income provided in the list of actual tenant rents and incomes are accurate and in compliance with the rent and income targeting commitments made in the AHP application (or as modified) as supported by household income verification documentation maintained for review by the FHLBI Member or the FHLBI.
- Services, Activities and Set-aside Questionnaire to determine whether services and activities committed to in the application have been provided
- Cost validation may be requested on all projects. Projects with low-income housing tax credits must submit an accountant's cost certification, final low-income housing tax credit application, IRS 8609, or other such documentation verifying costs.
- Validation of funding sources, as required

- Other information, as required
- The AHP-assisted units are subject to deed restrictions or other recorded, legally enforceable Retention Agreements or mechanisms meeting the requirements of § 1291.15(a)(7) and § 1291.15(a)(8). Sample Real Estate Retention Agreements can be found in *Attachment E* of this document.

Homeless and Special Needs Monitoring Requirements

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

Documentation standards for units reserved for homeless households shall follow the HUD Recordkeeping requirements:

https://files.hudexchange.info/resources/documents/HomelessDefinition_RecordkeepingRequirementsandCriteria.pdf

STAGE 3 – Long-Term Monitoring Review Overview

A Stage 3 Long-Term Monitoring Review is conducted solely for rental projects and in accordance with 12 C.F.R. §1291.50(c).

- *Homeownership Projects* - The Bank does not require submission of any information or documentation after initial monitoring except in connection with the sale or refinancing of a unit. The Bank requires that a project sponsor or Member provide notice to the Bank in the event of a resale or refinance of a unit during the five (5) year retention period of that unit.
- *Rental Projects* - Rent and income compliance monitoring including reliance on other governmental monitoring for certain rental projects.

Immediate Notification Requirements:

Owners must notify the Bank and the Member Financial Institution immediately in writing if any unit(s) or building(s) in the project are anticipated to be unavailable for occupancy either permanently or temporarily for a period of time anticipated to exceed 30 calendar days due to casualty loss, damage, or any other reason. Insurance losses and other acts of nature which render any part of the property uninhabitable for a period of time will require the owners to report at least quarterly on efforts to restore the property to a state of habitability within a reasonable amount of time commensurate with the size of loss and time of the year of said loss.

Legal action(s) that is pending or anticipated for which the property associated with the AHP project, or its owner, is a subject or party, or has overtly had legal action threatened, shall notify the Bank and the Member Financial Institution immediately in writing.

Monitoring by a Federal, State, or Local Government Entity

For rental projects that are allocated federal low-income housing tax credits, or funding from USDA's 515 program or HUD's 202/811 programs, the Bank will rely on monitoring (including on-site reviews) by the respective monitoring authority of compliance of the income targeting and rent requirements applicable under these programs. Under the Regulation, the Bank does not have to obtain rent rolls or income documentation in Stage 3 Long Term Monitoring from such agency or otherwise monitor the project's long-term AHP compliance provided.

LTM Monitoring Process & Requirements:

1) The income targeting requirements, rent requirements and retention period monitored by the entity for purposes of its own program are substantively equivalent to the AHP commitments.
2) The entity must have demonstrated ability to carry out the AHP monitoring requirements and must agree to inform the Bank of all instances of non-compliance.
3) Compliance reports issued by other interested parties/stakeholders for purposes of assessing the general property condition/habitability and household income compliance including notifications of non-compliance, curative actions to be addressed may be requested annually or at any other time as may be indicated by the circumstance/condition presented.

In cases where there is *NOT* reliance on such monitoring by a federal, state, or local government entity, the Bank shall monitor completed rental projects, commencing in the second year after project completion through the AHP 15-year retention period, to verify adherence of the income targeting and rent requirements as set forth in the application or as approved by modification. Such compliance monitoring shall consist of review of the back-up project documentation regarding household incomes and rents, including the rent rolls maintained by the project sponsor or owner and review of other project documentation in the Bank's discretion.

Project Annual Certification

All rental projects, regardless of AHP subsidy amount, are required to submit a Project Annual Certification form that is completed and certified by the Sponsor/Owner and signed by the Member:

- As committed in the application or as adjusted by a Bank-approved modification, the tenant rents and incomes are compliant with the rent and income targeting commitments, adjusted annually according to the current applicable median income data. A rental unit may continue to count toward meeting the targeting commitment if the rent charged to a household remains affordable for the household occupying the unit (30% of the AMI).
- Documentation regarding tenant rents and incomes and project habitability are being maintained and available for review by the Bank upon request.
- The project complies with the applicable federal and state laws on fair housing, housing accessibility, and other local building codes. If this certification cannot be made, a corrective action plan is required.
- Disclosure of sale or conveyance of any of the units comprising the project. The Closing Disclosure statement or similar documents must be provided in any whole or partial transfer of ownership.
- The project is financially viable and is not delinquent on property taxes, loan payments, vacancy rates are not in excess of 20% of the total units in the project; and retains compliance with commitments extended to other funding sources. If debt restructuring or refinance of permanent debt obligations has occurred during the reporting period, the Closing Disclosure statement and any other documentation from the transaction including a narrative detailing the objective of the transactions and use of any proceeds received from the refinance/restructure is required.

Long Term Monitoring - Risk Based Approach

Generally, projects that have attained construction completion on or before January 1, 2020 will be monitored in accordance with this schedule unless elevated at the Bank's discretion based upon material indicators that prompt a higher level of monitoring and oversight. Such material factors may include but are not limited to: a) amount of AHP subsidy in the project including the percentage of AHP to the total development costs of the project; b) type of project and population housed; c) size and location of the project including vacancy and contributing market factors; d) sponsor experience and performance; and e) any monitoring of the project provided by the Member financial institution, lenders, independent asset managers, federal, state, or local government entities.

The risk-based monitoring and sampling schedule is based on any level of compliance by the sponsor, Member, or by project performance. On-site monitoring reviews may be reinitiated should risk indicators be present to justify a higher level of oversight at FHLBI's discretion at any time during the 15-year retention period.

1) Projects receiving $50,000 to $500,000 in AHP subsidy that were financed with Low-Income Housing Tax Credits, USDA 515 loans, or HUD 202/811 programs and are monitored by the respective federal, state, or local government entities, the FHLBI shall rely on the monitoring by such entities of the income targeting and rent requirements applicable under their programs provided:

    a) No outstanding compliance issues relating to the project and reported by state Housing Finance Authority, HUD or USDA.
    b) Bank reviews Project Annual Certification from project Sponsor/Owner and Member for 15 years.
    c) Sponsor/Owner provides evidence of the monitoring entities monitoring and oversight by providing reports with the Annual Certification.

2) Projects classified as "shelter type" projects and receiving $50,000 to $500,000 in AHP subsidy that are financed with sources OTHER than Low Income Housing Tax Credits, USDA 515 loans, or HUD 202/811 programs, the Bank shall conduct a monitoring review every four (4) years commencing in the second year following the construction completion of the project. Such review shall monitor for compliance with rent and income commitments set for in the application as follows:

    a) No outstanding compliance issues relating to the project and reported by Sponsor/Owner, Member or other qualified entity
    b) Bank reviews Project Annual Certification from project Sponsor/Owner and Member for 15 years.
    c) Shelter type projects with transient tenants such as homeless or domestic violence survivors whose stay is less than one year are not required to provide income verification documentation during the Stage 3 Long-Term monitoring period.

3) Projects receiving $50,000 to $500,000 in AHP subsidy that are financed with sources OTHER than Low Income Housing Tax Credits, USDA 515 loans, or HUD 202/811 programs, the Bank shall conduct a complete monitoring review every four (4) years commencing in the second year following the construction completion of the project. Such review shall monitor compliance with rent and income commitments set forth in the application, including a sample of tenant income documentation as follows:

    a) No outstanding compliance issues relating to the project and reported by Sponsor/Owner, Member or other qualified entity.
    b) Bank reviews Project Annual Certification from project Sponsor/Owner and Member for 15 years.
    c) Bank requests a list showing tenant rents (the Bank's Rental Income Targeting Worksheet) and income documentation sample from project sponsor and conducts a review of a sample of income documentation, in accordance with the Bank Sampling Plan below.

4) Projects receiving more than $500,000 in AHP subsidy in a single phase or multi-phase projects where the cumulative AHP subsidy is greater than $2M AND were financed with sources OTHER than Low Income Housing Tax Credits, USDA 515 loans, or HUD 202/811 programs, the Bank shall conduct an on-site monitoring review every two (2)years commencing in the second year following the construction completion of the project. After two concurrent on-site reviews are satisfactory (for all projects in cases of multi-site projects) such monitoring review shall revert to the applicable monitoring review standards detailed in #1-3 above. Such review shall monitor for compliance with rent and income commitments set forth in the application as follows:

    a) Bank reviews annual certification from project Sponsor/Owner and Member for 15 years.
    b) Bank will perform an on-site review of project documentation, including tenant rent roll analysis (the Bank's Rental Income Targeting Worksheet) and sample income documentation in accordance with the Bank Sampling Plan below to determine compliance with rent and income commitments set forth in the application.

5) All projects with outstanding significant compliance issues, or where AHP is the only income restricted original source of development financing, or there are operating performance concerns (as determined by the Bank) regardless of amount of AHP subsidy received, in addition to the applicable monitoring procedures set forth in 1-4 above; may be monitored on-site by the Bank staff as deemed appropriate. On-site reviews will continue until such time the non-compliance issue is resolved through a curative action plan or the sustainability of the housing concern is resolved. Upon resolution, the applicable monitoring cycle may be resumed. See remedial actions.

Note: See "Monitoring by a Federal, State, or Local Government Entity" for a possible monitoring exception for rental projects that are allocated federal low-income housing tax credits.

FHLBank Indianapolis Sampling Plan

For projects completed January 1, 2020, through December 31, 2020, sampling of income documentation and retention mechanisms will be performed as follows.

- *Homeownership Projects*

  Income documentation and retention mechanisms will be obtained for every AHP-assisted household and property.

- *Rental Projects*

  The retention mechanism will be obtained for each AHP rental project including the attachment of the corresponding legal description(s) of all real estate parcels making up the project.

  During the Stage 2 Initial Monitoring Review and Stage 3 Long-Term Monitoring Review, income documentation will be sampled based on the schedule in the table below. Sampling of income documentation is not required in the Stage 3 Long-Term Monitoring phase if the AHP subsidy disbursed is less than $50,000, regardless of the number of AHP units involved.

  For projects with more than $50,000 in AHP subsidy in the Stage 3 Long-Term Monitoring phase, income documentation will be reviewed using the sampling plan in the chart based upon the monitoring requirements set forth in #1-4 Annual Certifications. For small projects (<25 units) wherein the tenant population is stable with little or no turnover, income verification sampling will be limited to only those tenants that are in residency on the date the rent roll is created since the last sampling report.

Sponsors/owners must still retain tenant income data on site but are not required to submit current year documentation as a part of long-term monitoring.

Table 7. Income Documentation and Retention Mechanisms – Rentals

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

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

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

Remedial Actions for Non-Compliance

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

Settlements

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

FHLBank INDIANAPOLIS

Attachment D. Income Guidelines

Income Eligibility

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

Property owners, Member financial institutions and other such entities responsible for obtaining and retaining sensitive income verification documentation are responsible to ensure private personal information which may be required from time to time by the FHLBI for purposes of validating compliance/eligibility with the respective program for which funds are applied for, is submitted using a secured method of delivery. The delivery methodology should protect such data from misuse and/or theft. It is recommended that personal data be provided to the FHLBI using a secured encryption method.

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

Income Calculation Guidelines

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

Attachment E. Retention Agreements

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

1) Real Estate Retention Agreement – AHP Direct Subsidy – Homeownership/Owner-Occupied Projects
2) Real Estate Retention Agreement – AHP Direct Subsidy – Rental Projects
3) Real Estate Retention Agreement – AHP Direct Subsidy – Lease Purchase Projects
4) Real Estate Retention Agreement – Homeownership Initiatives
5) Real Estate Retention Agreement – Homeownership Initiatives – Projects on Tribal Lands (Available upon request)
6) Real Estate Retention Agreement – AHP Direct Subsidy – Projects on Tribal Lands (Available upon request)
7) Real Estate Retention Agreement – AHP Subsidized Advance – Rental Projects (Available upon request)

Real Estate Retention Agreement
Affordable Housing Program
Grant Award
(Homeownership)

AHP Project No.: _____

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

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

"Member" shall refer to **,** (The Bank's Member institution), located at .

"Borrower(s)" shall refer to .

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

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

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

(ii.) In the case of a sale, transfer, or assignment of the title/deed prior to the end of the Retention Period, an amount calculated by the Bank, equal to the lesser of: (a) the Subsidy, reduced on a pro rata basis per month until the unit is sold, transferred, or its title or deed transferred, during the Retention Period; or (b) any net proceeds from the sale, transfer, or assignment of title or dee of the unit, minus the AHP-assisted household's investment, shall be repaid to the Member for reimbursement to the Bank, unless the purchaser is a very low-, low- or moderate-income household which is defined as having not more than 80% of the area median income, the unit was assisted with a permanent mortgage loan funded by a AHP subsidized advance and not a direct subsidy, or the amount of Subsidy required to be repaid pursuant to this paragraph is $2,500 or less;

(iii.) In the case of a refinancing prior to the end of the Retention Period, an amount equal to the lesser of: (a) the Subsidy, reduced on a pro rata basis per month until the unit is refinanced, during the Retention Period; or (b) any net proceeds from the refinancing of the unit, minus the AHP-assisted household's investment, shall be repaid to the Member for reimbursement to the Bank, unless the property continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism, incorporating the requirements of clauses (i), (ii), (iii) and (iv) contained herein, or the unit was assisted with a permanent mortgage loan funded by a AHP subsidized advance, or the amount of Subsidy required to be repaid pursuant to this paragraph is $2,500 or less; and

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

Rev. 11/2019

Real Estate Retention Agreement
Affordable Housing Program
Grant Award
(Rental Project)

AHP Project No.: _____

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

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

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

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

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

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

See "EXHIBIT A" attached hereto and made a part hereof

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

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

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

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

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

Rev. 11/2019

Real Estate Retention Agreement
Affordable Housing Program
Grant Award
(Lease/Purchase Project)

AHP Project No.: ______

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

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

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

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

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

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

See "EXHIBIT A" attached hereto and made a part hereof

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

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

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

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

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

(v) In the case of a sale of a unit prior to the end of the Purchase Retention Period under Paragraph (ii), an amount equal to the lesser of: (a) the Subsidy, reduced on a pro rata basis per month until the unit is sold, transferred, or its title or deed transferred, during the Purchase Retention Period; or (b) any net proceeds from the sale of the unit, minus the AHP-assisted household's investment, shall be repaid to the Member for reimbursement to the Bank, unless the purchaser is a low- or moderate-income household which is defined as having not more than 80% of the area median income; or

(vi) In the case of a refinancing of a unit prior to the end of the Purchase Retention Period under Paragraph (ii), an amount equal to the lesser of: (a) the Subsidy, reduced on a pro rata basis per month until the unit is refinanced, during the Purchase Retention Period; or (b) any net proceeds from the refinancing of the unit, minus the AHP-assisted household's investment, as calculated by the Bank, shall be repaid to the Member for reimbursement to the Bank, unless the property continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism, incorporating the requirements of clauses (i), (ii), (iii), (iv), (v), (vi), and (vii) contained herein; and

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

Rev. 11/2019

Real Estate Retention Agreement
Homeownership Initiatives – (Homeownership Opportunities Program,
Disaster Relief Program)
Grant Award - (Homeownership)

Grant Type: ☐ HOP ☐DRP Project / ID#:

For purposes of this Agreement[1], the following terms shall have the meanings set forth below:

“FHLBI” or “the Bank” shall refer to the Federal Home Loan Bank of Indianapolis.

“Member” shall refer to (The Bank’s Member institution), located at .

“Borrower(s)” shall refer to .

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

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

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

ii. In the case of a sale prior to the end of the Retention Period (including transfer or assignment of the title or deed to another owner, subject to certain exceptions outlined herein), an amount calculated

[1] This Real Estate Retention Agreement complies with FHA requirements at 24 CFR §203.41, HUD 4155.1, Mortgage Credit Analysis for Mortgage Insurance 5.B.7.d. and AHP regulations codified at 12 CFR §1291, et seq. and the directives of the Federal Housing Finance Agency.

by the Member via a Bank prescribed calculation and verified by the Bank, equal to the lesser of: (a) the Subsidy, reduced on a pro rata basis per month until the unit is sold, transferred, or its title or deed transferred, during the Retention Period; or (b) any net proceeds from the sale, transfer, or assignment of title or deed of the unit, minus the AHP-assisted household's investment, shall be repaid to the Member for reimbursement to the Bank, unless the purchaser is a very low, low-, or moderate-income household which is defined as having not more than 80% of the area median income, or the household had obtained a permanent mortgage funded by an AHP subsidized advance and not a direct subsidy, or the amount of Subsidy required to be repaid pursuant to this paragraph is $2,500 or less. Upon the sale of the home, the purchaser has no retention or AHP Subsidy repayment obligations, regardless of whether or not the purchaser is very low-, low- or moderate-income;

iii. In the case of any refinancing prior to the end of the Retention Period, an amount calculated by the Member via a Bank prescribed calculation and verified by the Bank, equal to the lesser of: (a) the Subsidy, reduced on a pro rata basis per month until the unit is refinanced, during the Retention Period; or (b) any net proceeds from the refinancing of the unit, minus the AHP-assisted household's investment, shall be repaid to the Member for reimbursement to the Bank, unless the property continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the requirements of clauses (i), (ii), (iii) and (iv) contained herein, or the household had obtained a permanent mortgage funded by an AHP subsidized advance and not a direct subsidy, or the amount of Subsidy required to be repaid pursuant to this paragraph is $2,500 or less; and

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

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

Project #: (_____)

Affordable Housing Program Agreement for Direct Subsidies

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

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

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

2. **Regulation and Modifications** – Member and Project Sponsor acknowledge notice of and agree to be bound by:

   A. The AHP regulations (12 C.F.R. Part 1291) and any other directives of the Federal Housing Finance Agency ("FHFA") (including, but not limited to, Advisory Bulletins, Regulatory Interpretations, etc.) as may be amended and in effect from time to time, or the regulations in effect from time to time of any successor in interest to the FHFA; and

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

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

   A. All sources of funds including without limitation estimates of funds from all other sources, whether actually committed or not;

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

C. Project costs, as reflected in the project's budget, including without limitation whether such costs are reasonable and customary in accordance with the Bank's project feasibility guidelines in light of industry standards for the location of the project and the long-term financial needs of the project.

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

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

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

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

8. **Subsidy Timing** – The subsidy must be drawn down and used by the project within the time periods set forth in the Bank's AHP Plan. Therefore, all sources of funding must be committed within a reasonable period of time from the Application's approval. If the subsidy approved is not drawn down and used by the project within the time periods specified, the Bank shall cancel its approval (unless the approved Application is modified by the Bank pursuant to paragraph 10), and the Member agrees to promptly return any funding subsidy to the Bank.

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

10. **Subsidy Repayment** – The Member shall repay to the Bank that portion of the subsidy (including, but not limited to, interest at the Bank's fixed rate of interest for a comparable term measured from the date the subsidy was granted as determined by the Bank in its discretion) that as a result of the Member's actions or omissions, is not used in compliance with the terms of the Application or the requirements of the AHP regulations, unless such non-compliance is cured by the Member within a reasonable period of time as determined by the Bank or the circumstances of such non- compliance are eliminated through a modification of the Application, as approved in writing by the Bank, pursuant to the AHP regulations. If recapture of the subsidy or recovery of the subsidy is required pursuant to 12 C.F.R. Section 1291.61, the amount to be recaptured or to be recovered shall be immediately deemed to be an advance issued to the Member by the Bank, and will be subject to the terms and

conditions of the Advances, Pledge and Security Agreement and the Bank's Collateral Policy and Credit Policy Manual, while the Bank determines which action permitted under Section 1291.60 will be taken.

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

THE MEMBER SHALL NOT BE LIABLE TO THE BANK FOR THE RETURN OF AMOUNTS THAT CANNOT BE RECOVERED FROM THE PROJECT SPONSOR THROUGH REASONABLE COLLECTION EFFORTS BY THE MEMBER UNLESS: (i) THE BANK DETERMINES THAT REASONABLE COLLECTION EFFORTS WERE NOT MADE BY THE MEMBER OR (ii) THE FHFA OR ITS STAFF DETERMINES, PURSUANT TO 12 C.F.R §1291.62(b), THAT THE BANK IS REQUIRED TO REIMBURSE THE AHP FUND OR TAKE OTHER ENFORCEMENT ACTION. THE MEMBER AND THE PROJECT SPONSOR AGREE TO BE PARTIES TO ANY ENFORCEMENT ACTION AND TO BE BOUND BY THE FHFA'S FINAL DETERMINATION ON REPAYMENT. IF A MEMBER CANNOT RECOVER AHP MONIES FROM THE PROJECT SPONSOR OR PROJECT, THE MEMBER SHALL, UPON REQUEST OF THE BANK, PROVIDE WRITTEN DOCUMENTATION TO THE BANK OF THE MEMBER'S COLLECTION EFFORTS. COLLECTION EFFORTS SHALL GENERALLY BE DETERMINED REASONABLE BY THE BANK IF THE MEMBER ENGAGES IN SUCH ACTIONS AS IT WOULD NORMALLY DO IN THE COLLECTION OF ITS NON-AHP COMMERCIAL AND CONSUMER LOANS AND IN ACCORDANCE WITH PRUDENT BANKING PRACTICES. PROJECT SPONSOR AGREES THAT ANY ENFORCEMENT ACTION AGAINST IT MAY BE BROUGHT BY THE MEMBER OR THE BANK AS THE MEMBER AND THE BANK SHALL AGREE.

11.2 **Collection Expense Reimbursement** – For each AHP project, each of the Project Sponsors and, with respect to rental projects only, the project owner (Obligor) shall pay all charges and expenses incurred by the FHLBI or the Member (including, but not limited to, reasonable attorneys' fees and expenses) in connection with (a) any investigation by the FHLBI or the Member in relation to the AHP Agreement, any related document or any other AHP requirement as it relates to the project; (b) the enforcement, protection or preservation of any right or claim of the FHLBI or the Member against the Project Sponsor or project owner under the AHP Agreement, any related document, or any other AHP requirement as it relates to the project; or (c) the collection of any amounts due under the AHP Agreement, any related document, or any other AHP requirement as it relates to the project. As used herein, "related document" includes, but is not limited to, the retention/recapture documents required by the AHP Agreement and the Regulation.

12.1 **Monitoring and Auditing** – Member and Project Sponsor both expressly authorize the Bank or its agents to inspect and audit the Member's AHP project(s), including, without limitation, loan documentation, retention agreements, accounting records and site visits to the Member, Project Sponsor and the project. The Project Sponsor and the Member agree to fully cooperate with the Bank in effectuating off-site and on-site reviews of the project and in providing to the Bank any project documentation periodically required under the AHP regulations and this Agreement. In addition, the Project Sponsor shall also provide prompt notice to the Bank if the project received low-income housing tax credits ("LIHTC") and the project is in material and unresolved noncompliance with the LIHTC income targeting or rent requirements at any time during the retention agreement period.

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

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

B. The AHP-assisted units are subject to deed restrictions or other legally enforceable retention agreements or mechanisms as specified in paragraph 12.3 below.

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

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

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

B. In the case of a sale, transfer, or assignment of the title/deed prior to the end of the retention period, an amount calculated by the Bank, equal to the lesser of: (a) the subsidy, reduced on a pro rata basis per month until the unit is sold, transferred, or its title or deed transferred, during the retention period; or (b) any net proceeds from the sale, transfer, or assignment of title or deed of the unit, minus the AHP-assisted household's investment, shall be repaid to the Bank, unless the purchaser is a very low-, low- or moderate-income household as defined in the AHP regulations, the unit was assisted with a permanent mortgage loan funded by a AHP subsidized advance and not a direct subsidy, or the amount of subsidy required to be repaid is $2,500 or less; or

C. In the case of a refinancing prior to the end of the Retention Period, an amount equal to the lesser of: (a) the Subsidy, reduced on a pro rata basis per month until the unit is refinanced, during the Retention Period; or (b) any net proceeds from the refinancing of the unit, minus the AHP-assisted household's investment, shall be repaid to the Member for reimbursement to the, unless: (x) one of the exceptions to repayment stated in clause B of this section applies, or (y) the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the requirements of clauses A, B and C of this section.

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

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

12.5 **Project Sponsor Monitoring of Rental Projects** – During the period of construction or rehabilitation of the project, the Project Sponsor shall report to the Member semi-annually (or more frequently at Member's request) on whether reasonable progress is being made towards completion of the project. Within the first year after project completion, the Project Sponsor shall:

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

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

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

(ii) The project is habitable; and

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

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

A. Certify to the Member and the Bank that:

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

(ii) The project is habitable; and

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

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

A. The project's rental units, or applicable portion thereof, must remain occupied by and affordable for households with incomes at or below the levels committed to be served in the Application for the duration of the retention period;
B. The Bank, whose mailing address is 8250 Woodfield Crossing Boulevard, Indianapolis Indiana 46240, Attention: Community Investment Division, is to be given immediate written notice of any sale or refinancing of this property occurring prior to the end of the retention period;
C. In the case of a sale or refinancing of the project prior to the end of the retention period, an amount equal to the full amount of the direct subsidy shall be repaid to the Bank, unless the project continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the Application for the duration of the retention period, or, in the Bank's discretion, the households are relocated, due to eminent domain, or the expansion of housing or services, to another property that is made subject to the same deed restrictions or legally enforceable retention agreements or mechanisms;
D. In the case of a foreclosure, the obligation to repay the direct Subsidy to the Member shall terminate upon final settlement or disposition, once such action is completed.

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

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

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

The Bank retains the right to reevaluate the need for the subsidy in light of any such material changes to the project, financial structure, or feasibility of the project, and may make such modifications thereto, including, but not limited to, the withdrawal of or change in the amount of the subsidy, as the Bank deems appropriate in its sole discretion.

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

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

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

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

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

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

    - <u>Eligibility Standards; Use of Funds</u> – The project meets the applicable minimum eligibility standards set forth in Section 1291.23 of the AHP regulations. The subsidy will be used only as set forth in the Application (or any subsequent approved modification), and consistent with the requirements of the AHP regulations and the Bank's AHP Plan.

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

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

16. **Suspended Counterparty Program** – The FHFA prohibits the Bank from engaging, directly or indirectly, in certain transactions with individuals or entities on the FHFA's list of suspended counterparties, which is available on FHFA's website. Accordingly, the Member nor the Project Sponsor shall employ, contract for, or otherwise use the services of any person or entity on the FHFA's list of suspended counterparties (a suspended party) such that the suspended party would directly or indirectly participate in any contractual relationship in the mortgage, securities or other lending product business with the Bank.

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

18. **Membership Termination** – The Member shall use its best efforts to transfer its obligations under the Application and this Agreement to another Bank Member in the event of its loss of Membership in the Bank prior to the Bank's final disbursement of the subsidy. The Member shall promptly notify the Bank in the event that the Member becomes obligated pursuant to this paragraph to use its best efforts to transfer the subsidy. Member or its legal successors shall be responsible for ongoing monitoring and reporting after final funding or if the obligations under the Application or this Agreement are not transferred. If the Member is acquired by or consolidated with a non-member, the non-member shall agree to assume all of the Member's obligations, if not transferred to another Member, until such obligations are repaid or liquidated.

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

20. **Jurisdiction; Legal Fees**

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

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

21. **Environmental Indemnity** – The Member and the Project Sponsor jointly and severally agree to indemnify and hold the Bank harmless from and against all liabilities, claims, actions, whether foreseeable or unforeseeable, consequential damages, costs and expenses (including, but not limited to, sums paid in settlement of claims and all reasonable consultant, expert and legal fees and expenses of the Bank's counsel) or loss directly or indirectly arising out of or resulting from any Hazardous Substance (as such term is defined below) being present at any time, whether before, during or after construction or rehabilitation, in or around any part of the project, or in the soil, groundwater or soil vapor on or under the project, including, but not limited to, those incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, or any resulting damages or injuries to the person or property of any third parties or to any natural resources. For the purposes of this paragraph, the term "Hazardous Substance" means any substance which is or becomes designated as "hazardous" or "toxic" under any federal, state or local law. This indemnity shall survive the expiration or termination of this Agreement.

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

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

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

    Notices to the Member and Project Sponsor shall be forwarded to the addresses set forth in the Schedule, unless a change of address is forwarded to the Bank. Notices to the Bank shall be sent to:

    FHLBank Indianapolis
    8250 Woodfield Crossing Boulevard
    Indianapolis, Indiana 46240
    Attention: Community Investment Department
    Fax: 317-465-0376
    Email: housing@fhlbi.com

    With a copy to:

    FHLBank Indianapolis
    8250 Woodfield Crossing Boulevard
    Indianapolis, Indiana,
    46240 Attention:
    General Counsel
    Email: legalnotices@fhlbi.com

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

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

27. **Entire Agreement** – The Member agrees that this Agreement is subject to the terms and conditions of the Advances, Pledge, and Security Agreement entered into between the Bank and the Member, the Bank's collateral policies and Credit Policy Manual as amended from time to time, and the regulations and directives of the FHFA. Except as referenced in the previous sentence, this Agreement embodies the entire agreement and understanding between the parties hereto relating to the subject matter hereof and supersedes all prior agreements between the parties hereto that relate to such subject matter, including, but not limited to, all AHP agreements that may have been previously entered into by the Bank and the Member. In the event of any conflict between the Application and the Schedule, the Schedule shall control. The Member or the Project Sponsor, or both, may have entered into other agreements to which the Bank is not a party concerning the project, and such other agreements are not subject to this Agreement.

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

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

Attachment G. Homeownership Opportunities Program (HOP) Guidelines

Contents:

1: Program Description

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

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

- $8,000, if an FHLBank Indianapolis Member is originating the first mortgage loan
- $4,000, if a non-member is providing the first mortgage loan

The minimum subsidy that can be requested per household is $1,000.

The financing terms must be consistent with market rate of interest, points, fees and other charges for loans of similar maturity, terms and risk charged by the lender for all transactions whether the loan is originated by a Bank Member or another organization (non-member).

HOP may be amended at any time with input from the Affordable Housing Council of the Bank and approval by the Board. Funding announcements may be revoked by the Board without notice. The Bank reserves the right to allocate funds among programs to meet program demand and to ensure utilization of all funds.

2: Member Participation

Institutions that are current Members of and eligible to borrow from the Bank may participate in HOP. The Bank does not accept applications from institutions with pending applications for membership in the Bank.

A. *Registration:*

   All Members must sign and submit a **Homeownership Initiatives Master Agreement and Registration and Certification Form,** Members will be responsible for all terms and conditions contained in the **Homeownership Initiatives Master Agreement** and **Registration and Certification Form**, including, but not limited to, the requirements outlined in this document.

B. *Submitting Disbursement Requests:*

   Upon approval of the **Homeownership Initiatives Master Agreement**, **Registration and Certification Form,** Members will be provided user registration procedures for use of the Bank's online system.

3: Funding – Use, Limits, and Availability

- HOP funding may go towards down payment and closing costs as required by § 1291.42(d)
- Up to $150 of the HOP subsidy may be used toward required housing counseling costs.
- Each participating Member will be limited to **$500,000** in HOP funds, unless such limitation is waived by the Board.
- As required by § 1291.42(g), **Financing Costs:** The rate of interest, points, fees, and any other charges for all loans that are made for the project in conjunction with the subsidy shall not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms and risk.
- Homeownership Initiatives funding will be announced in the spring. Funds will be made available on a first-come first-served basis until all funds are exhausted. Throughout the program year, the remaining amount of funds available will be published on the Bank's public website at least bi-weekly.

4: Member Requirements

- The Member is responsible for structuring the purchase transaction in a manner that complies with all applicable laws, regulations and this Plan.
- A Member may not request the HOP subsidy for transactions involving the Member's real estate-owned (REO) properties.
- Members must provide subsidy only to homebuyers who meet the income guidelines as described in *Attachment D* of the current Affordable Housing Program Implementation Plan (Plan).
- Members must provide subsidy only to homebuyers that complete a housing counseling program as described in these guidelines and further defined in the Counseling Resource Guide.
- Members must ensure that HOP-assisted units are subject to a Retention Agreement provided by the Bank that meet requirements of § 1291.15(a)(7) of the Regulation. See *Attachment E* of the Plan for sample retention language.
- Members must comply with Bank requirements to provide copies of retention agreements, settlement statements and other documentation as described in this document.
- Members must maintain project files with all applicable information for all grant recipients. The Bank may conduct on-site compliance reviews.
- Members may not charge fees to provide subsidy to any homebuyer.
- Member must certify that the recipient(s) and the proposed transaction meet all eligibility requirements for HOP funds.
- The Member must pass the entire amount of the AHP subsidy to the household.

5: Recipient Requirements

- HOP funds may only be made available to a first-time homebuyer. The Member must maintain a first-time homebuyer affidavit in the project file. In order to be considered a first-time homebuyer, a homebuyer must be in one or more of the following categories:
    - An individual and his or her spouse who has had no ownership in a principal residence during a three-year period ending on the date of the purchase of the property.
    - An individual who is a displaced homemaker and has only owned a home with a spouse.
    - A single parent who has only owned a home with a former spouse while married.
    - An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
    - An individual who has only owned a property that was not in compliance with state, local or model building codes, or other applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.
- The homebuyer(s) must complete a counseling/education program prior to the loan closing. Please refer to *Housing Counseling Program* section of this document. Further information may be found in the Counseling Resource Guide.
- The homebuyer(s) must contribute a minimum of <u>$1,000</u> in personal cash funds toward the home's purchase transaction.

- The homebuyer(s) has household income that is equal to or less than 80% of the area median income (AMI) adjusted for family size as published annually by HUD (see the Bank's public website for current limits)
- The primary household members with earned income should demonstrate at least one full year of continuous employment. The homebuyer(s) must be owner-occupants of the home to be purchased and it must be the primary residence. Transactions that require or involve non-occupying co-borrowers, co-owners, co-signers, or non-occupying loan guarantors are not eligible.
- The purchase price of the property must be supported by an appraisal completed not more than 90 days in advance of closing.
- All individuals in title to the property must occupy the property for which the subsidy is being provided and must sign retention documents as described below in *Section 8: Real Estate Retention Period*.
- The homebuyer(s) must provide all documentation to the Member institution as required for participation in the program.
- The household's monthly housing expense, including principal, interest, taxes, insurance, and homeowner's dues may not exceed 35% of the household's gross income at closing.
- The homebuyer's mortgage loan term and amortization period may not be less than 5 years and 15 years, respectively. The homebuyer may not utilize a construction to permanent loan product to finance the purchase of the property. The property must be an existing dwelling.
- The homebuyer may not acquire the property under the terms of a cash purchase. An amortizing mortgage must be transacted to purchase the property.
- The homebuyer may not purchase the property under a non-arm's length transaction whereby the transaction's parties are related by blood or marriage.
- Purchase transactions requiring funds to be escrowed for property rehabilitation or repairs are not eligible unless the rehabilitation/repair escrow is paid outside of closing or by a third party at closing as evidenced by either the Closing Disclosure or other documentation.
- The homebuyer(s) may not be students with part-time or no income while in school who ordinarily would have a reasonable prospect for a substantial increase in income exceeding the AHP income eligibility limit upon entering the workforce full-time. In determining an applicant's eligibility, the Bank will consider factors including but not limited to the applicant's current student status, number of hours currently enrolled, anticipated date of graduation and field of study. Supporting documentation will be required.
- The homebuyer cannot receive for the same property more than one FHLBank Indianapolis grant of any kind, or more than one grant from any Federal Home Loan Bank, unless prior grants have been repaid or retention period has expired.

6: Eligible Property Types

The following property types are eligible to receive HOP funding:

- Owner-occupied 1-4 family properties
- Townhouses
- Condominiums
- Cooperatives
- Manufactured housing deeded as Real Estate

Lease/purchase arrangements and land contracts are not eligible ownership structures.

All properties must be titled as real estate and be permanently affixed to a permanent foundation.

7: Settlement/Closing Statement

The HOP subsidy must be used for down payment or closing cost assistance and must be reflected as a line item on the current HUD approved Closing Disclosure. Please see the definition of Closing Costs in the *Attachment A, Definitions* section of the Plan. The appropriate grant amount received from the Bank must be clearly identified. Other guidelines are as follows:

- The cash contribution to the purchase of the home, from the homebuyer, in the amount of at least $1,000 should be clearly reflected on Closing Disclosure. The $1,000 can be met through deposit or earnest money, cash brought to closing and/or expenses paid outside of closing (such as insurance, appraisals, etc.). The Bank, in its sole discretion, will determine the eligibility of items paid outside of closing.
- Homebuyers may not receive more than $250 in cash back at closing. Any funds in excess of the approved mortgage amount, closing costs and cash back to the homebuyer shall be used as a credit to reduce the principal of the mortgage or as a credit toward the household's monthly payments on the mortgage loan.

8: Real Estate Retention Period

All HOP-assisted units are subject to a Retention Agreement provided by the Bank that meet requirements of § 1291.15(a)(7) of the Regulation. See *Attachment E* of the Plan for sample retention language. The Member is responsible for filing the Retention Agreement with the proper municipal office.

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

- In the case of a sale, the purchaser is very low-, low- or moderate-income household;
- In the case of a refinancing, the household agrees to continue to be subject to a Retention Agreement, deed restriction or other legally enforceable retention mechanism as described in § 1291.15(a)(7) after the refinancing for the balance of the original retention period; or
- The household had obtained a permanent mortgage funded by an AHP subsidized advance and not a direct subsidy.
- The calculated repayment amount is less than $2,500.

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

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

Net proceeds are defined as: 1) In the case of a sale, transfer, or assignment of title or deed, the sales price minus reasonable and customary costs paid by the household in connection with the transaction (including real estate broker's commission, attorney's fees, and title search fees) and outstanding debt superior to the subsidy lien or other legally enforceable AHP subsidy repayment obligation; 2) In the case of refinance, the principal amount of the new mortgage minus reasonable and customary costs paid by the household in connection with the transaction (including attorney's fees and title search fees) and the principal amount of the refinanced mortgage.

In the event the subsidy provided to the Member, is unused and is not provided to the household, the Bank does not consider the subsidy disbursed to the household and the subsidy must be returned.

9. Post-Disbursement

All purchase transactions must be closed within 30 days of the subsidy disbursement to the Member. Closing documentation must be submitted to the Bank immediately following the closing.

Extensions of the required closing will be considered by the Bank on a case-by-case basis. No substitutions of households will be allowed.

10: Monitoring, Reporting, and Documentation

Annually, the Bank will monitor a random sampling of households disbursed to each Member to ensure compliance with the HOP program requirements.

On-Site Monitoring

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

11: Housing Counseling Requirements

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

Approved Counseling Programs

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

Online Counseling

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

All other Bank-approved online counseling programs can be found in a **Counseling Resource Guide** on the Bank's public website.

- HOP funds may be used to pay up to $150 for housing counseling where counseling fees have not been covered by another funding sources, including the Member. The fee must be clearly documented on the Closing Disclosure.
- Counseling must take place before closing and generally not more than one year earlier than the enrollment date.
- To help prevent grant recipients from later becoming targets of predatory lending, the Bank recommends that financial literacy and predatory lending be given emphasis as part of the training.

12: Income Guidelines (see *Attachment D*)

All Members must use the Income Guidelines as outlined in *Attachment D* of the current Plan. Households must have incomes at or below 80% of the HUD area median income limit, based on the household size for the area at the time the household is accepted for enrollment by the Member.

Attachment H. Neighborhood Impact Program (NIP) Guidelines

Contents:

1: Program Description

The Neighborhood Impact Program (NIP) is part of the Homeownership Initiatives. NIP provides rehabilitation assistance to homeowners with household incomes at or below 80% of the area median income. The maximum subsidy that can be requested per household is $7,500. The minimum subsidy that can be requested per household is $1,000.

NIP may be amended at any time with input from the FHLBank Indianapolis Council and approval by the Board. Funding announcements may be revoked by the Board without notice. The Bank also reserves the right to reallocate funds among programs to meet program demand and to ensure utilization of all funds.

2: Member Participation

Institutions that are current Members of and eligible to borrow from the Bank may participate in NIP. The Bank does not accept applications from institutions with pending applications for membership in the Bank.

A. *Registration:*

   All Members must sign and submit a **Homeownership Initiatives Master Agreement and Registration and Certification Form**. Members will be responsible for all terms and conditions contained in the **Homeownership Initiatives Master Agreement** and **Registration and Certification Form**, including, but not limited to, the requirements outlined in this document.

B. *Submitting Disbursement Requests:*

   Upon approval of the **Homeownership Initiatives Master Agreement**, **Registration and Certification Form,** Members will be provided user registration procedures for use of the Bank's online system.

3: Funding – Use, Limits, and Availability

- NIP funds may only be used to pay for eligible rehabilitation/repair costs.
- NIP funds cannot be used to pay for fees charged by Members or sponsors for providing the subsidy to a homeowner.
- The rate of interest, points, fees, and any other charges for all loans that are made for the project in conjunction with the AHP subsidy shall not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms and risk.
- Each participating Member will be limited to **$300,000** in annual NIP funds, unless such limit is waived by the Board.
- Homeownership Initiatives funding will be announced in the spring. Funds will be made available on a first-come first-served basis until all funds are exhausted. Throughout the program year, the remaining amount of funds available will be published on the Bank's public website at least bi-weekly.

4: Member Requirements

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

- The Member is responsible for compliance with all applicable laws, regulations, and this Plan.
- Members must confirm that the recipient owners have owned the property in fee-simple for at least **6 months prior to enrollment**. No additional persons may have held title to the property during the **6-month** period other than the children of the homeowner who are on title for estate planning purposes.
- Members must ensure that proposed costs are reasonable based on the local market.

- Members must ensure that rehabilitation work performed meets the requirements outlined in the *Rehabilitation Requirements* section of this attachment.
- For properties that include a home-based business, Members must certify that the grant funds will not be used to cover costs to rehabilitate areas of the home exclusively designated for business use.
- Members must comply with the Bank's requirements to provide copies of rehabilitation closing statements and other documentation as described in this document.
- Members must maintain project files with all applicable information for all grant recipients.
- Members must ensure that NIP funds are not used to pay for fees charged by Members or sponsors for providing the subsidy to a homeowner.
- Members must certify that the recipient(s) and the proposed transaction meet all eligibility requirements for NIP funds.
- The Member must pass the entire amount of the AHP subsidy to the household.

5: Recipient Requirements

Recipients of NIP funds must meet the following requirements:

- Recipients must have household income that is equal to or less than 80% of the area median income (AMI) adjusted for family size as published annually by HUD. (Refer to the Bank's public website for current AMI limits).
- Recipients' existing mortgage obligation for the subject property must be current and paid as agreed.
- Recipients must sign an acknowledgement identifying the contractor(s) which is being used for the repairs.
- NIP funds may only be used to provide assistance to rehabilitate an owner-occupied residence. Home-based business rehabilitation is not an eligible stand-alone use under the NIP. For eligible households whose home-based business is also located in the housing unit or on the property, NIP funds may be used if the primary purpose of the proposed rehabilitation is to rehabilitate and provide general benefit to the residence. Proposed rehabilitation that will only benefit the area of the home exclusively designated for business use is not an eligible use under the NIP. This policy applies whether or not the income generated from the business activity is the primary or secondary source of income to the household.
- Recipients must provide all documentation to the Member as required for participation in the program.
- Recipients cannot receive, for the same property in a five-year period, more than one Bank grant of any kind, or more than one grant from any Federal Home Loan Bank, unless prior grants have been repaid or retention period has expired.
- Applicants may not be students with part-time or no income while in school who ordinarily would have a reasonable prospect for a substantial increase in income exceeding the AHP income eligibility limit upon entering the workforce fulltime. In determining an applicant's eligibility, the Bank will consider factors including, but not limited to, the applicant's current student status, number of hours currently enrolled, anticipated date of graduation and field of study. Supporting documentation will be required.

6: Rehabilitation/Repair Information

Eligible repairs must address deferred maintenance needs of the home. Funds may only be used for repairs to the livable space of the home. Rehabilitation and repair of systems and materials must be of similar quality, like and style. The Bank may exercise discretion in determining if repairs are eligible for funding.

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

A. Eligible Rehabilitation/Repair

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

- Repair/replacement of existing heating, ventilation, air conditioning
- Repair/replacement of existing well/septic system or underground property sewer system*
- Repair/replacement of existing water heater
- Energy conservation improvements – includes repair/replacement of existing:
  - Windows
  - Soffit and Fascia
  - Siding
  - Roofing
  - Gutters
  - Downspouts
  - Caulking
  - Exterior doors
  - Weather stripping, attic and wall insulation
  - Electrical – replacement of knob-and-tube wiring that prevents a home from meeting current code requirements for its area

* Additional documentation may be required.

If work is being performed by a related party to the homeowner, the Member must ensure that all repairs included in the original bid are being completed and funds are being used for said repairs.

B. Ineligible Rehabilitation/Repair

In general, improvements in functionality/modernization, changes for elimination of obsolescence, luxury items, improvements that do not become a permanent part of the property, and installation or repair of items listed below are not eligible improvements. The Bank suggests that Members use prudent decision-making when approving requested improvements. **Any exceptions to the eligible rehabilitation/repairs included in Section 6.A must be pre-approved by the Bank.**

7: Eligible Property Types

The following property types are eligible to receive NIP funding:

- Owner-occupied 1-4 family properties
- Townhouses
- Condominiums
- Cooperatives
- Manufactured housing deeded as Real Estate

Lease/purchase arrangements and land contracts are not eligible ownership structures.

All properties must be titled as real estate and be permanently affixed to a permanent foundation.

8: Post-Disbursement

It is expected that all home repairs will be completed within **6 months** of the Bank's disbursement of funds. The Member is responsible for managing the progress and completion of the repair project.

9: Monitoring, Reporting, and Documentation

Annually, the Bank will monitor a random sampling of households disbursed to each Member to ensure compliance with the NIP program requirements.

On-Site Monitoring

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

10: Income Guidelines (see *Attachment D*)

All Members must use the income guidelines as outlined in *Attachment D* of the current Plan. Households must have incomes at or below 80% of the HUD median income limits, based on the household size, for the area at the time the household is accepted for enrollment by the Member.

Attachment I. Accessibility Modifications Program (AMP) Guidelines

Contents:

1: Program Description

The Accessibility Modifications Program (AMP) is part of the Homeownership Initiatives offering. AMP provides funding for accessibility modifications and minor home rehabilitation for eligible senior homeowners or owner-occupied households with a person(s) with a permanent disability. Eligible households must have household incomes at or below 80% of the area median income. The maximum subsidy that can be requested per household is **$11,000**. The minimum subsidy that can be requested per household is $1,000.

AMP may be amended at any time with input from the FHLBank Indianapolis Council and approval by the Board. Funding announcements may be revoked by the Board without notice. The Bank also reserves the right to reallocate funds among programs to meet program demand and to ensure utilization of all funds.

2: Member Participation

Institutions that are current Members of and eligible to borrow from the Bank may participate in AMP. The Bank does not accept applications from institutions with pending applications for membership in the Bank.

A. *Registration:*

   All Members must sign and submit a **Homeownership Initiatives Master Agreement and Registration and Certification Form,** Members will be responsible for all terms and conditions contained in the **Homeownership Initiatives Master Agreement** and **Registration and Certification Form**, including, but not limited to, the requirements outlined in this document.

B. *Submitting Disbursement Requests:*

   Upon approval of the **Homeownership Initiatives Master Agreement, and Registration and Certification Form,** Members will be provided user registration procedures for use of the Bank's online system.

3: Funding - Use, Limits, and Availability

- AMP funds may only be used to pay for eligible modification/repair costs.
- AMP funds cannot be used to pay for fees charged by Members or sponsors for providing the subsidy to a homeowner.
- The rate of interest, points, fees, and any other charges for all loans that are made for the project in conjunction with the AHP subsidy shall not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms and risk.
- Each participating Member will be limited to **$300,000** in annual AMP funds, unless such limit is waived by the Board.
- Homeownership Initiatives funding will be announced in the spring. Funds will be made available on a first-come first-served basis until all funds are exhausted. Throughout the program year, the remaining amount of funds available will be published on the Bank's public website at least bi-weekly.

4: Member Requirements

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

- The Member is responsible for compliance with all applicable laws, regulations and with this Plan.
- Members must confirm that the recipient owners have owned the property in fee-simple for at least **6 months prior to enrollment.** No additional persons may have been in title to the property during the **6-month** period other than the children of the homeowner who are on title for estate planning purposes
- Members must ensure that proposed costs are reasonable based on the local market.

- Members must ensure that rehabilitation/modification work performed meets the requirements outlined in the *Accessibility Modifications Requirements* section of this document.
- For properties that include a home-based business, Members must certify that the grant funds will not be used to cover costs to rehabilitate areas of the home exclusively designated for business use.
- Members must comply with Bank requirements to provide copies of rehabilitation closing statements, evidence of costs and other documentation as described in this document.
- Members must maintain project files with all applicable information for all grant recipients.
- Member must certify that the homebuyer(s) and the proposed transaction meet all eligibility requirements for AMP funds.
- The Member must pass the entire amount of the subsidy to the household.

5: Recipient Requirements

Recipients of AMP funds must meet the following requirements:

- The household must meet one or more of the following types:

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

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

  Type C – a household with a member(s) of any age with a permanent disability and currently receives Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) benefits or reasonably equivalent state or federal funded permanent disability benefits. Documentation should support payment of benefits for at least 60 days. Permanent disability may also be verified through a third-party professional who completes the Permanent Disability Verification Form.

  The age requirement(s) must be met and documented.

- Households must reside in Michigan or Indiana.
- Recipients must have household income that is equal to or less than 80% of the area median income (AMI) adjusted for family size as published annually by HUD (see the Bank's public website for current AMI limits).
- Recipients' existing mortgage obligation for the subject property must be current and paid as agreed.
- Recipient must sign an affidavit acknowledging their approval of the contractor being used for repairs.
- AMP funds may only be used to provide assistance to rehabilitate an owner-occupied residence. Home-based business rehabilitation is not an eligible stand-alone use under the AMP. For eligible households whose home-based business is also located in the housing unit or on the property, AMP funds may be used if the primary purpose of the proposed rehabilitation is to rehabilitate and provide general benefit to the residence. Proposed rehabilitation that will only benefit the area of the home exclusively designated for business use is not an eligible use under the AMP. This policy applies whether or not the income generated from the business activity is the primary or secondary source of income to the household.
- Recipients must provide all documentation to the Member as required for participation in the program.
- In any five (5) year period, recipients cannot receive, for the same property, more than one Bank grant of any kind, or more than one grant from any Federal Home Loan Bank, unless prior grants have been repaid or retention period has expired.

- Applicants may not be students with part-time or no income while in school who ordinarily would have a reasonable prospect for a substantial increase in income exceeding the AHP income eligibility limit upon entering the workforce full-time. In determining an applicant's eligibility, the Bank will consider factors including, but not limited to, the applicant's current student status, number of hours currently enrolled, anticipated date of graduation and field of study. Supporting documentation will be required.

6: Accessibility Modifications Information

Eligible repairs must address accessibility needs of the home to assist with aging in place and independent living. Subsidy may only be used for repairs to the livable space of the home, unless otherwise noted. Where applicable, rehabilitation and repair of systems and materials must be of similar quality, like and style. The Bank may exercise discretion in determining if repairs are eligible for funding. When possible, modifications should comply with Americans with Disabilities Act (ADA) or Universal Design specifications.

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

A. Eligible Accessibility Modifications

The following modifications are eligible for funding under AMP:

- Ramps/zero step entries
- Handrails
- Levered door handles
- Self-closing hinges (internal/external doors)
- Pocket doors or swing hinges
- Bathroom modifications
  - Walk-in/roll-in showers
  - grab bars
  - rebath - easy entry bath
  - ADA-approved toilets/drop down grab bar
  - Roll-under vanity
  - Lower level ½ bath conversions-to eliminate need to go upstairs*
- Kitchen modifications
  - Lowering existing cabinets
- Internal chair and wheelchair lifts
- Plumbing and electrical modifications necessary to relocate laundry facilities to the main level of the home*
- Home modification assessment expenses up to $250, when performed by a certified professional
- Widened doorways
- Installation of smoke detectors or carbon monoxide detectors

- Universal Design floor coverings
- Exclusions may apply

* Additional documentation may be required.

If work is being performed by a related party to the homeowner, the Member must ensure that all repairs included in the original bid are being completed and funds are being used for said repairs.

B. Other Repairs:

An amount, up to 50% of the AMP funds requested, may be used for NIP deferred maintenance items listed in *Attachment H: Section 6A* of this Plan.

* Additional documentation may be required.

C. Ineligible Improvements:

In general, improvements in functionality/modernization, changes for elimination of obsolescence, luxury items, improvements that do not become a permanent part of the property, and installation or repair of items listed below are not eligible improvements. The Bank suggests that Members use prudent decision-making when approving requested improvements. **Any exceptions to the eligible rehabilitation/repairs included in Section 6.A must be pre-approved by the Bank.**

7: Eligible Property Types

The following property types are eligible to receive AMP funding:

- Owner-occupied 1-4 family properties
- Townhouses
- Condominiums
- Cooperatives
- Manufactured housing deeded as Real Estate

Lease/purchase arrangements and land contracts are not eligible ownership structures.

All properties must be titled as real estate and be permanently affixed to a permanent foundation.

8: Post-Disbursement

It is expected that all home modifications will be completed within **6 months** of the Bank's disbursement of funds. The Member is responsible for managing the progress and completion of the repair project.

9: Monitoring, Reporting, and Documentation

Annually, the Bank will monitor a random sampling of households disbursed to each Member to ensure compliance with the AMP program requirements

On-Site Monitoring

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

10: Income Guidelines (see *Attachment D*)

All Members must use the income guidelines as outlined in *Attachment D* of the current Plan. Households must have incomes at or below 80% of the HUD median income limits, based on the household size, for the area at the time the household is accepted for enrollment by the Member.

For questions:

Community Investments Affordable Housing Program

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