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Affordable Housing Program 2024 Funding Manual

Rental Projects



Affordable Housing Program

Funding Process for Rental Projects

Overview

The Affordable Housing Program (AHP) is intended to assist FHLB Dallas member institutions in financing the acquisition, construction and/or rehabilitation of owner-occupied, rental, and transitional housing for the homeless in their communities. AHP subsidies may only be accessed through a member institution. The member institution in conjunction with the project sponsor may request disbursement of the AHP subsidy for rental projects that have been approved through the competitive application process.

Minimum Requirements

The rental project must have an active commitment for the approved AHP subsidy and a fully signed AHP Agreement on file with FHLB Dallas (the Bank) to be considered for disbursement. The Bank reviews the information submitted with the disbursement request and compares it to the information submitted with the approved AHP Application. All subsidies must be used in compliance with the terms of the AHP Application or any subsequent modification, as approved by the Bank. In addition, all funding sources must be secured and documented and at least 10% of the construction or rehabilitation of the project must be completed prior to the request for disbursement.

The rental project must meet the minimum eligibility requirements as set forth in the AHP Regulations (12 C.F.R. § 1291.23) and AHP Implementation Plan. In particular, the AHP Regulations, among other requirements, require that a project be feasible and demonstrate a need for the AHP subsidy. At the time of disbursement, the Bank verifies that the project continues to qualify for the awarded subsidy based on applicable feasibility requirements and scoring criteria set forth in the AHP Implementation Plan in place when the project was awarded the AHP subsidy. The Rental Feasibility Workbook is required by the Bank to complete this evaluation in addition to this funding manual. The Rental Feasibility Workbook includes the Development Budget, Sources of Funds, Rental Worksheet, and 15-Year Operating Proforma. The member or project sponsor must request the Rental Feasibility Workbook for the project by contacting the Bank at 800.362.2944 or ahp@fhlb.com.

At the time of disbursement, the Bank also re-evaluates the project's continued need for subsidy as required by 12 C.F.R. § 1291.24(a)(3) and the Need for Subsidy section of the Implementation Plan. The difference between the project sources of funds (excluding the AHP subsidy) and uses of funds is the project's need for the AHP subsidy, which is the maximum amount of AHP subsidy the project may receive. The Bank reserves the right to make adjustments to all disbursement requests if (1) the project's funding sources have changed and there is no longer a need for some or all of the AHP subsidy previously requested; (2) the development or operating costs presented are not reasonable or include ineligible expenses; (3) the project no longer meets the applicable scoring criteria as outlined in the AHP Application; or (4) the project does not meet feasibility guidelines.

Disbursement Delays

The Bank reserves the right to delay AHP subsidy disbursements if (1) either the member or project sponsor has failed to respond to a prior request for information regarding this or other AHP projects, (2) either the member or project sponsor has an unresolved noncompliant situation, or (3) the project sponsor currently has other incomplete AHP projects that are not making adequate progress towards completion.

Tips to Avoid Disbursement Delays

- Become familiar with the project commitments made in the approved AHP application, the requirements of the AHP Implementation Plan, and covenants of the AHP Agreement in effect for the rental project. Any changes to the project from the time of application should be communicated to the Bank.
- Review the disbursement request for documentation that contradicts the development budget or sources of funds. For example, the sum of the total construction/rehabilitation costs on the invoices or AIA documents should equal the construction/rehabilitation costs provided for the project's Development Budget. The amount and terms of all funding sources listed on the Sources of Funds should match the signed grant agreements, promissory notes/mortgages, or equity letters.
- If the AHP subsidy is being used for rehabilitation or construction of rental properties, include invoices or AIA documents that list the General Requirements/ Builder's Overhead / Builder's Profit as separate line items.
- Satisfy prior requests for information regarding other AHP projects as soon as possible.

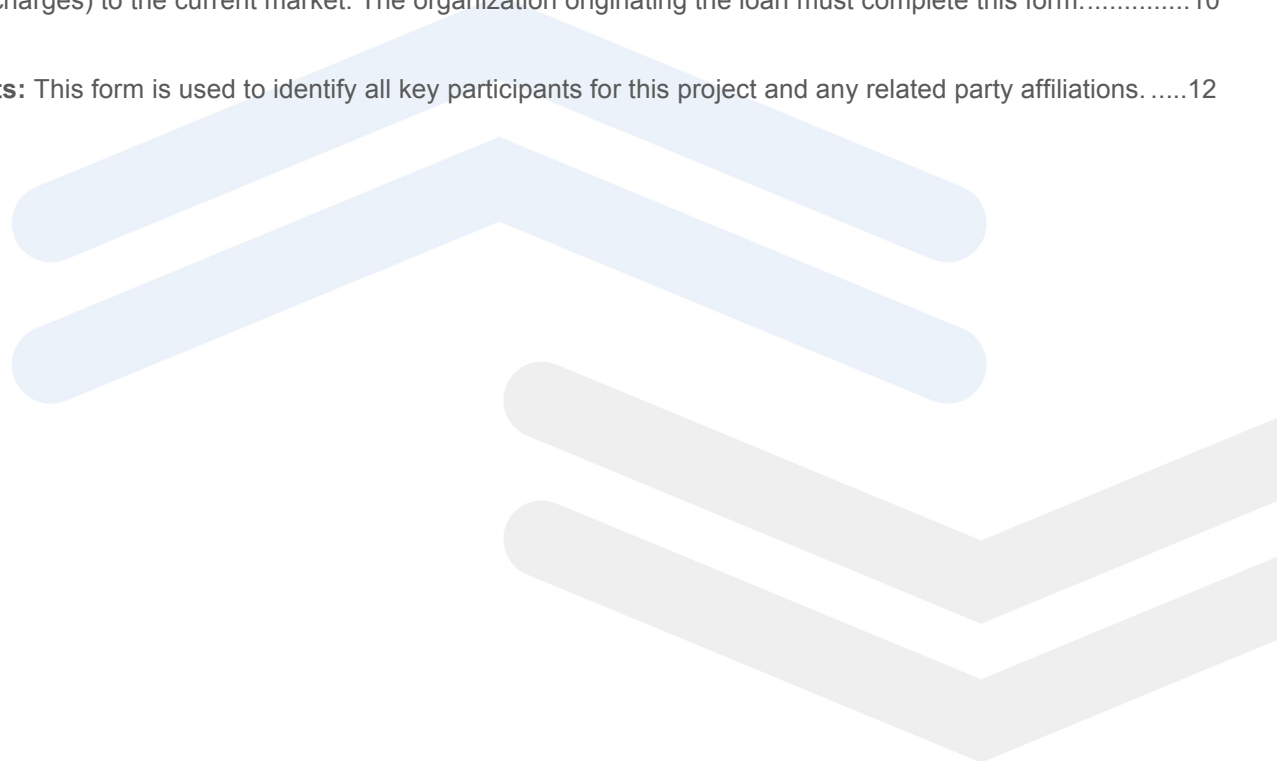
Affordable Housing Program Funding Manual

Table of Contents

This Funding Manual is designed to help you become familiar with the funding process. It provides information you'll need to make your funding request(s) complete and accurate.

The following documents provide detailed instructions on each of the forms that must be submitted to the Bank in order to process your funding request(s). This information must be provided for **each** funding request. **Tip: Duplicate the form in this section for future use.**

- 1) **Questions & Answers:** Answers commonly asked questions about the funding process.2
- 2) **Request for Disbursement of Funds:** This form is used to make your funding request. The member institution completes this form.4
- 3) **Member and Project Sponsor Certification:** The member institution and project sponsor must each execute this Certification regarding certain information about the project and the information submitted in this Funding Manual.5
- 4) **Long-Term Retention Documentation:** All requests must include a deed restriction or other legally enforceable long-term retention document. A preliminary unrecorded document in proper form will be accepted provided a legally recorded version is submitted to the Bank within the required time frames. Sample documents are included.6
- 5) **Comparison of Market Terms:** This form provides a comparison of the project's actual loan costs (term, rate, points, fees and other charges) to the current market. The organization originating the loan must complete this form.....10
- 6) **Key Participants:** This form is used to identify all key participants for this project and any related party affiliations.12



Affordable Housing Program Questions and Answers

Q. When can the AHP subsidy be drawn?

A. Approved projects with an executed AHP Agreement on file may request disbursement of the AHP subsidy once all other funding is secured and the project has completed at least 10% of the construction or rehabilitation of the project. Upon completion of 10% of hard costs, the AHP subsidy can be used to pay for project soft costs such as consultant fees, infrastructure development, predevelopment costs, architect fees and engineering fees. AHP subsidy cannot be used to pay for capitalized reserves, periodic deposits to reserve accounts, operating expenses, or supportive services expenses.

Q. Does the commitment for AHP subsidy expire?

A. Some or all of the AHP subsidy must be likely to be drawn down by the project or used by the project to procure other financing commitments within 12 months of the date of the Bank's approval of the application. At the conclusion of the 12 months, the project commitment expires. The Bank may consider and approve requests to extend the expiration date for a project provided that the Extension Request contains sufficient information for the Bank to determine that the project continues to make satisfactory progress toward completion within the timeframe set forth in the AHP Implementation Plan.

Q. What documentation is required at the time of disbursement of the AHP subsidy?

A. In addition to the pages contained within this funding manual, we require documentation of pass-through of the AHP subsidy such as invoices or an AIA document, evidence of acceptable long-term retention documentation, evidence of all sources of funds for the project are secured, updated development budget, current sources of funds with clarification on any changes from application, a 15-year projected income/expense statement and documentation the project has satisfied any conditions of disbursement discussed at application.

Q. Does the Long-Term Retention Documentation have to be recorded prior to receiving the AHP subsidy?

A. No. We will accept a preliminary document, but the project will not be considered complete until the Bank receives the legally recorded retention document. Retention documents must contain the statements specified in the Long-Term Retention Documentation section of this Funding Manual and the retention period may not exceed 15 years. The document must be legally recorded and submitted to the Bank within sixty (60) days after (1) the date the certificate of occupancy or similar document was issued, if the project was constructed, (2) the date of completion of rehabilitation, if the project was rehabilitated, or (3) the closing of the sale of the project if the project was purchased. If your retention document will differ substantially from the Bank's sample retention documents or the project involves a ground lease, please contact the Bank at 800.362.2944.

Q. Can the AHP subsidy be loaned to the project?

A. Yes, but if the loan is repayable, payments must be made directly to the Bank. Section 7 of the AHP Agreement imposes certain requirements if funds will be loaned to the project or contributed as a capital contribution. If AHP funds will be loaned to the project or contributed as a capital contribution, please contact the Bank at 800.362.2944.

Q. What is the purpose of the Comparison of Market Terms form?

A. Under the AHP regulations, the rate of interest, points, fees and any other charges for all loans made for the project in connection with the AHP Subsidy cannot exceed reasonable market rates and terms for similar loans.

Q. Where is the Rental Feasibility Workbook located?

A. The Rental Feasibility Workbook is required in addition to this funding manual. The Rental Feasibility Workbook includes the Development Budget, Sources of Funds, Rental Worksheet, and 15-Year Operating Proforma. The member or project sponsor must request the Rental Feasibility Workbook for the project by contacting the Bank at 800.362.2944 or ahp@fhlb.com.

Q. Should income and expenses for the commercial or social services aspect of the project be included in the Banks' 15-Year Operating Proforma?

A. No. The 15-Year Operating Proforma should only include projected revenues and expenses for the residential aspect of the project. All projects with a social services component will be required to separate social services expenses from the residential proforma. The Social Services Proforma is available for download as an excel file [here](#).

Q. The rental project involves the renovation of an occupied building. Do existing residents have to comply with the income restrictions outlined in the AHP Application, or are the income restrictions only applicable to new tenants?

A. The AHP regulations require that all tenants meet the income qualifications at the time the AHP Application is submitted unless the project has an approved relocation plan submitted at the time of application. If the rental project has an approved relocation plan for current occupants, the Bank will verify household income eligibility meets the income targeting commitments upon initial occupancy of the rental unit after completion of the purchase or rehabilitation.

Q. How will I know if the request for disbursement is approved?

A. Upon approval, an email will be sent to the member contact for the project. The AHP subsidy will be deposited into the member's DDA within 24 hours from the time of approval by the Bank.





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Affordable Housing Program Request for Disbursement of Funds Rental Projects

Date: _____

Project Name: _____ Project #: _____

Project Sponsor: _____

Member: _____

FHFA ID #: _____

Prepared by: _____ Title: _____

Phone: _____ AHP Amount Requested: \$: _____

Please provide the following documents in addition to this Request for Disbursement of Funds:

- Member and Project Sponsor Certification**(executed by Member and Project Sponsor)
- Long-term Retention Documentation** (draft) - Please refer to pages 7-9 in this Funding Manual.

Comparison of Market Terms (required for each funding source that has a loan term/amortization and interest rate

Key Participants

Rental Roll (if occupied) - An excel file with instructions available on the Bank's website [here](#).

Rental Feasibility Workbook - An excel file provided by FHLB Dallas that includes the Development Budget, Sources of Funds, Rental Worksheet, and 15-Year Operating Proforma. The member or project sponsor must request this file from the Bank. Please contact the Bank at 800.362.2944 or ahp@fhlb.com to request it.

Social Services Proforma (if applicable) - An excel file available on the Bank's website [here](#).

If acquisition costs are included in the Development Budget, provide supporting documentation (i.e. Settlement Agreement).

If the AHP subsidy is being used for rehabilitation or construction of rental properties, please include invoices or AIA documents listing the General Requirements/ Builder's Overhead/ Builder's Profit as separate line items. If any of these are omitted, then please provide a written explanation.

If the AHP subsidy is also being used to cover any soft costs such as Developer Fee, Architect/Engineering fee, Phase I, etc., please provide copies of invoices or other third party documentation to support the costs.

For each funding source listed on the Source of Funds, provide current third-party evidence of approval if this information was not approved at the time of application. Acceptable documentation includes loan commitment letters, executed loan documents, grant award letters, executed grant agreement, ordinances, or other similar evidence. Include evidence of approval for the use and/or sale of tax credits, including the executed tax syndication and partnership agreement, if applicable. Include the Note or other evidence of a deferred developer's fee, if applicable.

Post-inspection report for work completed that is conducted by a qualified independent third party not related to the project owner, sponsor, developer or contractor and approved by the member. (Only required if AHP funds represent the majority of the funding source excluding any owner charitable contributions.)

Conditions of Disbursement noted on the AHP Agreement, such as Appraisal or Phase 1 Environmental, if applicable

Development Services Agreement showing the sponsor will receive at least 25% of the Developer Fee, if applicable.

Evidence of Empowerment Services such as copies of agreements if the actual services committed to in the approved application and/or the service providers have changed.

**Submit the completed and signed Funding Manual with supporting documents to:
ahp@fhlb.com**



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Affordable Housing Program Member and Project Sponsor Certification

Member Name: _____ FHFA ID #: _____

Project Sponsor: _____

Project Name: _____ Project #: _____ (the "Project")

The undersigned member ("Member") and the undersigned project sponsor ("Project Sponsor") each hereby acknowledges that any Affordable Housing Program ("AHP") subsidy that is funded pursuant to the attached Request for Disbursement of Funds will be subject to the terms and conditions of (i) the application (the "Application") submitted by Member to the Federal Home Loan Bank of Dallas (the "Bank") requesting the AHP subsidy for the Project, (ii) the Affordable Housing Program Agreement for Rental Project (the "Agreement") executed by Member, Project Sponsor, the owner of the Project (the "Project Owner") and the Bank, (iii) the Bank's Affordable Housing Program Implementation Plan, (iv) the Federal Home Loan Bank Act, (v) the regulations governing AHP found at 12 C.F.R. part 1291, (vi) any other documents published by the Bank or the Federal Housing Finance Agency ("Finance Agency") relating to AHP and (vii) any amendments made to any of the foregoing documents.

Each of Member and Project Sponsor hereby certifies that the Project currently requires the amount of AHP subsidy requested. Member and Project Sponsor each acknowledges that the requested AHP subsidy may only be used for the purposes previously set forth in the Application, unless the Bank has in writing subsequently approved any modification(s) thereto.

Each of Member and Project Sponsor hereby certifies that the Project units are either occupied or will be occupied by households whose income and other characteristics adequately satisfy those occupancy targets that were set forth and approved in the Application, unless the Bank has in writing subsequently approved any modification(s) thereto. Likewise, each of Member and Project Sponsor hereby certifies that the Project will properly attain any other levels of performance and enact any empowerment activities that were set forth and approved in the Application, or, if applicable, subsequently modified with the formal written consent of the Bank.

Project Sponsor hereby certifies that it meets the project sponsor qualifications criteria established by the Bank and has not engage in, and is not engaging in, covered misconduct as defined in the Finance Agency's Suspended Counterparty Program regulation (12 CFR part 1227).

Each of Member and Project Sponsor hereby certifies that the representation and warranties applicable to them contained in Section 4 of the Agreement are true and correct on and as of the date hereof and that the information set forth in this completed Affordable Housing Program Funding Manual for Rental Projects or provided herewith is, to the best of such party's knowledge after reasonable inquiry, accurate and correct in all respects. Member and Project Sponsor each hereby acknowledges that providing false, misleading or incomplete information to the Bank may result in the denial of funding and/or the recapture of the AHP subsidy by the Bank.

Member:

By: _____

Name: _____

Title: _____

Date: _____

Project Sponsor:

By: _____

Name: _____

Title: _____

Date: _____

Affordable Housing Program Long-term Retention Documentation

Things you must know about AHP retention:

- 1) The retention document must include the amount of subsidy for the applicant.
- 2) The retention document must include the number of years of retention. **The retention period for rental unit projects must be 15 years.**
- 3) Please include substantially the following statements in your retention document:
Retention agreements for rental projects (15 years). The member shall ensure that rental projects financed by the proceeds of a direct subsidy is subject to a deed restriction or other legally enforceable retention agreement or mechanism requiring that:
 - 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 AHP application for the duration of the retention period;
 - The Bank's Community Investment Department is to be given notice of any foreclosure, sale, transfer, assignment of title or deed, or refinancing of the project occurring prior to the end of the retention period;
 - In the case of a sale, transfer, assignment of title or deed, or refinancing of the project prior to the end of the retention period, an amount equal to the full amount of the 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 AHP application for the duration of the retention period; and
 - The deed restriction or other legally enforceable retention agreement or mechanism should be subordinate to any valid outstanding lien against the project currently of record. Foreclosure of such prior recorded lien shall extinguish the income-eligibility and affordability restrictions applicable to the project.
- 4) This document does not have to be signed and recorded prior to receiving AHP funds. A draft will be acceptable; however, the document must be legally recorded and submitted to the Bank within sixty (60) days after (1) the date the certificate of occupancy or similar document was issued, if the project was constructed, (2) the date of completion of rehabilitation, if the project was rehabilitated, or (3) the closing of the sale of the project if the project was purchased. Deed restrictions on Native American Land must be filed with the Bureau of Indian Affairs (BIA) and must be authorized by the BIA and signed by a tribal official with authority.
- 5) The following is a sample of a retention document. This is just a sample and does not have to be used to adhere to our requirements. If, however, your retention document will differ substantially from the Bank's sample retention document or involves a ground lease, please contact the Bank at 800.362.2944.
- 6) You should consult legal counsel to ensure full compliance with regulatory retention requirements and recording requirements. By providing you with the following example, the Federal Home Loan Bank of Dallas is in no way providing legal advice or making any representation as to the effectiveness of the document.

2024 DEED RESTRICTIONS (Rental Projects)

AHP Project Number _____ (the "Project")

THE STATE OF _____ **{insert STATE}**

COUNTY/PARISH OF _____ **{insert COUNTY/PARISH}**

The undersigned, _____, ("Owner"), is the owner of the Project, which is located on the property at _____ **{insert PROPERTY ADDRESS}**, in _____ **{insert CITY}**, _____ **{insert NAME OF COUNTY/PARISH}**, _____ **{insert STATE}**, and more particularly described on **Exhibit A** attached hereto and incorporated herein for all purposes. For value received, the adequacy and sufficiency of which are hereby acknowledged, Owner does hereby impress the Project with the following deed restrictions:

1) For purposes of these deed restrictions, the following terms have the meaning indicated:

"AHP" means the Affordable Housing Program of the Bank.

"Application" means the AHP application submitted by Owner and approved by the Bank for the Project.

"Bank" means the Federal Home Loan Bank of Dallas.

"Direct Subsidy" means the amount funded by the Bank for the benefit of Owner, for the purpose of assisting Owner in the purchase, construction or rehabilitation of the Project, which Direct Subsidy shall not exceed

\$ _____ **{insert AMOUNT OF DIRECT SUBSIDY}**.

"Retention Period" means a period of fifteen (15) years beginning on _____ . **{Insert the date of (i) the certificate of occupancy or similar document issued for a Project involving the construction of rental housing, (ii) completion of rehabilitation for a Project involving the rehabilitation of rental housing or (iii) the closing of the sale of the Project for a Project involving the purchase of rental housing.}**

2) The Project's rental units, or applicable portion thereof, must remain occupied by and affordable for households with income at or below the levels committed to be served in the AHP Application for the duration of the Retention Period.

3) The Bank's Community Investment Department is to be given notice of any sale, transfer, assignment of title or deed, or refinancing of the project by the project owner occurring during the retention period;

4) In the event of a sale, transfer, assignment of title or deed by the project owner or refinancing of the Project during 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 these deed restrictions or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the AHP Application for the duration of the Retention Period.

- 5) The deed restriction or other legally enforceable retention agreement or mechanism should be subordinate to any valid outstanding lien against the project currently of record. Foreclosure of such prior recorded lien shall terminate the income-eligibility and affordability restrictions applicable to the project; however, the Bank's Community Investment Department is to be given notice of any foreclosure of the Property that occurs during the Retention Period.
- 6) The provisions of this instrument are hereby declared covenants running with the land and are fully binding on any successors and assigns of Owner who may acquire any right, title, or interest in or to the Project, or any part thereof. Owner, its successors, heirs, and assigns hereby agree and covenant to abide by and fully perform the provisions of this instrument.
- 7) Owner understands and agrees that this instrument shall be governed by the laws of the State of _____ **{Insert STATE}** and that venue for any action to enforce the provisions of this instrument shall be in _____ **{Insert NAME OF COUNTY/PARISH}**.

EXECUTED this _____ day of _____, _____.

By: _____

Printed Name: _____

Title: Owner

THE STATE OF _____ **{Insert STATE}**

COUNTY/PARISH OF _____ **{Insert NAME OF COUNTY/PARISH}**

This instrument was acknowledged before me on the _____ day of _____, _____, by

_____ (Owner)

Notary Public, State of _____ **{Insert STATE}**

My commission expires:

(Printed Name)

EXHIBIT A

Subject Property Legal Description



Affordable Housing Program Comparison of Market Terms

In accordance with the Financing Costs section of the Bank's Affordable Housing Program Implementation Plan and Section 1291.24 of the AHP regulations (12 C.F.R. §1291.24(a)(5)), the rate of interest, points, fees, and any other charges for all loans that are made in conjunction with the AHP subsidy must not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms and risk. **This information must be provided for all loans financing the project with each Request for Disbursement of Funds.**

Instructions on Completing the Comparison of Market Terms form:

Each organization originating a loan for the project must complete and execute this form. This form is divided into two parts. Under "Borrower," provide the actual costs associated with the loan. Under "Current Market," indicate the lender's current market costs for each.

1. Project Name and Project # - the project number is the number listed on the Affordable Housing Program Agreement for Rental Project for this project.
2. The name of the project sponsor.
3. The name of the member institution.
4. The member institution's FHFA ID number.
5. The name of the institution or organization making the loan.
6. Principal Amount of Loan - the loan amount.
7. Loan Term
8. Rate
9. Points
10. Fees
11. Other Charges - please explain any additional charges and how much they total.
12. The effective date of the loan and terms.
13. Please explain any items that exceed current market rate conditions.
14. Signature



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Affordable Housing Program Comparison of Market Terms

Project Name: _____ Project #: _____

Project Sponsor: _____

Name of Member: _____ FHFA ID #: _____

Name of Institution/Organization making the loan: _____

	Borrower	Current Market
Principal Amount of Loan		
Loan Term		
Rate		
Points		
Fees		
Other Charges (please explain below)		
Effective Date		

Please explain any Other Charges: _____

Please explain any items that exceed current market rates: _____

By: _____

Name: _____

Title: _____

Date: _____

Key Participants

If the project is owned by a limited partnership, list the entities that make up the LP and their ownership. Attach as additional sheet of all owners and their ownership interest, if necessary.

Project Owner(s)

Contact Person: _____ Title: _____
 Address: _____ City: _____ State: _____ Zip: _____
 Phone: _____ Fax: _____ Email: _____ Ownership %: _____

Developer

Contact Person: _____ Title: _____
 Address: _____ City: _____ State: _____ Zip: _____
 Phone: _____ Fax: _____ Email: _____

Contractor

Contact Person: _____ Title: _____
 Address: _____ City: _____ State: _____ Zip: _____
 Phone: _____ Fax: _____ Email: _____

Managing Agent

Contact Person: _____ Title: _____
 Address: _____ City: _____ State: _____ Zip: _____
 Phone: _____ Fax: _____ Email: _____

Architect

Contact Person: _____ Title: _____
 Address: _____ City: _____ State: _____ Zip: _____
 Phone: _____ Fax: _____ Email: _____



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Are there any related party affiliations between the owner, developer, contractor, architect, consultant and/or managing agent?

- Yes
- No

If yes, please select the related party affiliation and fill in the description field:

Related Party Affiliation with:

- Project Owner
- Developer
- Contractor
- Managing Agent
- Architect
- Consultant

Describe with as much detail as necessary exactly what your affiliation is with the selected Related Party:

If there is an affiliation with the contractor and the developer, then the Bank will not allow the aggregate amount of the developer's fee and builder's profit to exceed 18% of the total cost of the AHP project net of the developer fees. Please provide your calculation showing the project's numbers being below 18%.