



**Affordable Housing Program
2009 Implementation Plan**

AFFORDABLE HOUSING PROGRAM 2009 IMPLEMENTATION PLAN

I. OVERVIEW OF THE AFFORDABLE HOUSING PROGRAM

A. Introduction

The Affordable Housing Program (“AHP”) was authorized by Section 721 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. § 1430) and directs each Federal Home Loan Bank to assist its member financial institutions (“members”) in providing affordable housing for eligible households in the communities they serve. The AHP regulations, 12 C.F.R. part 1291 (the “AHP Regulations”), require the Board of Directors of each Federal Home Loan Bank, after consultation with the Federal Home Loan Bank’s Advisory Council, to adopt an Affordable Housing Program Implementation Plan (“Implementation Plan”) annually. The purpose of this Implementation Plan is to describe how the Federal Home Loan Bank of Dallas (the “Bank”) will implement and operate its AHP. Attachment A contains definitions for certain terms used in this Implementation Plan.

The Bank is supervised and regulated by the Federal Housing Finance Agency (“Finance Agency”), which is an independent agency in the executive branch of the United States government. The Finance Agency is headed by a Director, who is appointed by the President and confirmed by the Senate. The Director has broad authority to regulate the Bank. There are three Deputy Directors of the Finance Agency. The Deputy Director of the Division of the FHLBanks is responsible for the safety and soundness regulation of the FHLBanks. The Deputy Director for Housing Mission and Goals oversees the housing mission and goals and the community and economic development mission of the FHLBanks.

B. Overall Goal

The Bank's overall goal in implementing the AHP is to increase housing opportunities for eligible households (as defined in Attachment A) and to help improve the housing stock and quality of life in residential neighborhoods and communities. Through the AHP, the Bank also works to promote Community Reinvestment Act activities with members throughout the Ninth District of the Federal Home Loan Bank System (the “Bank’s District”), which includes the states of Arkansas, Louisiana, Mississippi, New Mexico and Texas. The Bank provides resources and technical assistance to members and to community groups throughout the Bank’s District and to areas outside the Bank’s District served by members located in the Bank’s District.

C. Administration

The Bank's Community Investment Department is responsible for the administration of the AHP, with support provided by the Bank’s member sales, accounting, risk management and legal departments.

D. Marketing

The marketing strategies that the Bank uses to promote the AHP differ from those used for other Bank products and services, due to the AHP’s unique target audience.

The Community Investment Department has created high-quality promotional materials for the AHP and aggressively markets the AHP to both existing and potential members. In addition, the Bank's member sales department assists in marketing the AHP as part of the Bank's portfolio of products and services.

The AHP is marketed to members through telephone and personal contact, as well as through more traditional marketing methods such as Bank bulletins, special notices, brochures, pamphlets and copies of the AHP Regulations. The Bank’s various publications frequently feature timely articles about successful

housing financed with the help of AHP subsidies. Groups such as community-based and nonprofit organizations, local governments, housing finance agencies and housing authorities (“community investment partners”) are reached through informational meetings, conferences, and seminars sponsored by housing-related groups, as well as through seminars sponsored by the Bank.

E. Technical Assistance

The Bank's Community Investment Department provides technical assistance, support, and information for the AHP. It also:

- acts as a liaison for members and community investment partners to discuss mutually-beneficial affordable housing goals and objectives;
- helps members and community investment partners design programs or projects utilizing AHP subsidy;
- provides technical assistance to help community investment partners as they strive to serve their communities;
- promotes Community Reinvestment Act activities and requirements to the Bank’s members;
- provides information about successful housing and community revitalization programs from across the country that could be shared with other communities; and
- keeps abreast of new laws and regulations that facilitate or expand the provision of affordable housing.

F. Training

The Bank sponsors and/or participates in workshops and seminars and provides individual consultation to designated staff at members. These training sessions provide education and training about different affordable housing and community investment approaches that offer sound business opportunities and profitable returns on money and manpower. The Bank also makes special efforts to educate community investment partners about loan underwriting requirements, safety and soundness issues, regulatory requirements and profit goals of financial institutions.

G. Program Coordination

The Bank coordinates its community investment and affordable housing programs and resources with other Federal, state and local government programs for housing and community revitalization.

H. Advisory Council

In accordance with Section 10(j)(11) of the Federal Home Loan Bank Act (12 U.S.C § 1430(j)(11)) and Section 1291.4 of the AHP Regulations, the Bank’s Board of Directors appoints an Advisory Council to meet at least once per quarter with representatives of the Bank's Board of Directors and Bank staff to advise them on ways in which the Bank can better carry out its housing finance and community lending mission. The Advisory Council also advises and offers expertise on very low-, low- and moderate-income housing and community lending programs and needs in the Bank’s District, on overall policy issues, and on the utilization of AHP subsidies and other Bank credit products to serve these purposes. The goals of the Advisory Council are to advise or assist the Board of Directors with developing policies, disseminate information about the AHP and other housing and community development programs offered by the Bank, and encourage members, community investment partners and others interested in affordable housing to work together in developing and

submitting applications to participate in the AHP. The Advisory Council also advises the Bank on marketing approaches and other methods to strengthen and improve the AHP.

The Bank's Advisory Council is comprised of fourteen members. Twelve of these are appointed from community investment partners with representation allocated as follows: four from Texas and two each from Arkansas, Louisiana, Mississippi, and New Mexico. In addition, the Bank's Board of Directors appoints two "at large" representatives from state housing finance agencies. These state housing finance agency representatives may be from any state(s) in the Bank's District. The Bank's Board of Directors appoints Advisory Council members from a diverse range of organizations so that representatives of no one group constitute an undue proportion of the membership of the Advisory Council. Advisory Council members are appointed to serve terms of three years, not to exceed three full consecutive terms. While the Bank does pay the travel expenses incurred by Advisory Council members, there is no stipend or salary associated with these positions.

Prior to adoption of this Implementation Plan and any subsequent amendments thereto, the Bank's Board of Directors consults with and provides the Advisory Council with an opportunity to review this Implementation Plan and any subsequent amendments. The Advisory Council provides its recommendations on the Implementation Plan and any subsequent amendments to the Bank's Board of Directors.

I. Conflict of Interest Policy

In accordance with the requirements of Section 1291.10 of the AHP Regulations, the Board of Directors of the Bank adopts a policy regarding conflicts of interest in conjunction with the operations of the AHP. See Attachment B for the Conflict of Interest Policy.

J. No Delegation

The Bank's Board of Directors will not delegate to Bank officers or other Bank employees the responsibility for (i) appointing persons as members of the Advisory Council, (ii) consulting with the Advisory Council prior to adopting or amending this Implementation Plan, (iii) adopting or amending this Implementation Plan or (iv) meeting with the Advisory Council at least quarterly.

K. Amendments to the Implementation Plan

The Bank's Board of Directors may amend this Implementation Plan from time to time after consulting with and providing the Advisory Council an opportunity to review and provide recommendations on any amendments to this Implementation Plan. The Bank will notify the Finance Agency of any amendments to this Implementation Plan within thirty days after the date the Bank's Board of Directors approves such amendments.

L. Public Access

The Bank will publish its current Implementation Plan as amended from time to time on its web site (<http://www.fhlb.com>) within thirty days after the date the Bank's Board of Directors approves the Implementation Plan or any amendments.

II. AVAILABILITY OF AHP SUBSIDIES

The Bank will make available AHP subsidies in an amount equal to 10% of its prior year's net income, plus any amounts de-committed or recaptured from prior or current AHP funding periods. The amount of any AHP subsidies accrued from the prior year's net income will be equally divided between the two AHP Competitive Application Program funding periods after funds are set aside for the AHP Homeownership Set-Aside Programs. Under the AHP Homeownership Set-Aside Programs, AHP subsidies

will be provided as direct subsidies. Under the AHP Competitive Application Program, AHP subsidies will be provided either as direct subsidies or subsidized advances.

III. AHP HOMEOWNERSHIP SET-ASIDE PROGRAMS

The Bank may offer AHP homeownership set-aside programs in accordance with Section 1291.6 of the AHP Regulations. The Board of Directors after consultation with the Advisory Council will determine annually the amount of funds to be allocated to the Bank's homeownership set-aside programs. The set-aside shall not exceed the greater of \$4.5 million or 35% of the annual required AHP contribution. Additionally, at least one-third of the Bank's aggregate annual set-aside allocation will assist first-time homebuyers. See Attachment C for program details and requirements of the Bank's homeownership set-aside programs, the Homebuyer Equity Leverage Partnership Program ("HELP"), a program to assist first-time homebuyers, and the Special Needs Assistance Program ("SNAP"), a program to assist special needs households.

IV. AHP COMPETITIVE APPLICATION PROGRAM

A. General

The Bank conducts the AHP Competitive Application Program as a Bank District-wide competition under which the Bank awards and disburses AHP subsidy through a competitive application scoring process. All applicants compete for the available AHP subsidy based on the ability of each applicant's project to meet minimum AHP eligibility requirements and the Bank's scoring criteria in relation to other submitted projects. AHP subsidies will be provided either as direct subsidies or subsidized advances.

B. Funding Periods and Application Submissions

All requests for AHP subsidy must be submitted via the Bank's electronic AHP application. Applications for funding are accepted during two semi-annual funding periods. The first funding period will begin on February 1 and conclude on March 15 of each year and the second funding period will begin on August 1 and conclude on September 15 of each year. If either the starting or ending date(s) of a funding period falls on a weekend or holiday, the funding period will start or end on the following business day. The Community Investment Department will notify members, community investment partners and others when applications are available.

Calculations in the application or exhibits to the application must be free of errors and consistent throughout. Applications with submission errors, omissions or inconsistencies that result in an incomplete analysis of the application may not be scored, at the Bank's discretion.

C. Eligible Applicants

The Bank will accept AHP applications only from institutions that are members of the Bank at the time the application is submitted to the Bank. Community investment partners and others that seek AHP funding for projects will be advised to establish relationships with members in order to apply for AHP subsidy.

In the event a member's creditworthiness significantly deteriorates and the Bank determines that the member should be designated as a "restricted member" with a credit rating of "E*" in the Bank's customer information system, such member shall not be eligible to apply for AHP funds. With respect to a properly submitted application for AHP funds from a member to which the Bank has assigned an E* rating subsequent to the submission of such application but prior to the awarding of AHP funds, the staff of the Bank shall expressly call to the attention of the Bank's Board of Directors in the materials submitted in connection with the Board's consideration of such application the fact that such member has been assigned an E* rating.

D. Subsidized Advances

The Bank may provide AHP subsidy under the AHP Competitive Application Program as a subsidized advance. Members may request AHP subsidized advances with maturities of three months to thirty years. AHP subsidized advances will be made to members on a secured basis only, as outlined in the Bank's Member Products & Credit Policy. Members that prepay an AHP subsidized advance will be charged a prepayment fee, the amount of which will be determined by the Bank based on the applicable formula set forth in the Bank's Member Products & Credit Policy.

E. Restrictions on Certain Uses of AHP Subsidy

AHP subsidies may not be used to pay prepayment fees imposed by the Bank on a member in connection with the prepayment of a subsidized advance, unless (i) the project is in financial distress that cannot be remedied through a project modification pursuant to Section 1291.5(f) of the AHP Regulations, (ii) the prepayment of the subsidized advance is necessary to retain the project's affordability and income targeting requirements, (iii) subsequent to such prepayment, the project will continue to comply with the terms of the application for the AHP subsidy, as approved by the Bank, and the AHP Regulations for the duration of the original retention period, (iv) any unused AHP subsidy is returned to the Bank and made available for other AHP projects and (v) the amount of AHP subsidy used for the prepayment fee may not exceed the amount of the member's prepayment fee to the Bank.

AHP subsidy may not be used to pay for cancellation fees and penalties imposed by the Bank on a member for a subsidized advance commitment that is cancelled. AHP subsidy also may not be used to pay for processing fees charged by members for providing direct subsidies to a project.

If a project uses AHP subsidy to refinance an existing single-family or multifamily mortgage loan, the refinancing must produce equity proceeds and such equity proceeds up to the amount of the AHP subsidy in the project must be used only for the purchase, construction or rehabilitation of housing units meeting the eligibility requirements of Section 1291.5(c) of the AHP Regulations.

AHP subsidy cannot be used to pay for project reserves. AHP subsidy can be used to pay for project costs such as developer/consultant fees, infrastructure development, predevelopment costs, architect fees and engineering fees upon completion of 10% of the construction or rehabilitation of the project.

F. Scoring

All applicants will compete for the available AHP subsidy based on the ability of each applicant's project to meet minimum AHP eligibility requirements and the Bank's scoring criteria in relation to other submitted projects. The Bank, following an initial scoring of submitted applications, may, in its discretion, review only the applications that score high enough to be awarded AHP subsidy or to be an alternate for AHP funds, plus the Bank may in its discretion review a number of additional applications, to determine if those applications meet the minimum eligibility requirements found in Section 1291.5(c) of the AHP Regulations, some of which are discussed under "Minimum Eligibility Requirements" below. The Bank's current scoring guidelines are included in Attachment D to this Implementation Plan. After applications are reviewed and the scoring is confirmed, applications are ranked in descending order and funding is allocated beginning with the highest-scoring applications until all available AHP subsidy for the funding period, except for any amount insufficient to fund the next highest scoring application, is exhausted. The Bank's Community Investment Department will determine the scoring and ranking of eligible projects in accordance with the AHP Regulations and this Implementation Plan.

G. Minimum Eligibility Requirements

To be eligible to receive AHP subsidy initially and subsequently when the Bank disburses the AHP funds, projects must meet the minimum eligibility requirements found in Section 1291.5(c) of the AHP Regulations, some of which are discussed below. In particular, Section 1291.5(c), among other requirements,

requires that a project demonstrate a need for the AHP subsidy and be feasible. The Bank's specific requirements regarding demonstration of need and feasibility are discussed below.

1. *Owner-Occupied or Rental Housing*

AHP subsidy must be used exclusively for owner-occupied or rental housing. Owner-occupied housing involves the purchase, construction or rehabilitation of an owner-occupied project by or for very low-income or low- or moderate-income households. Rental housing involves 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.

2. *Need for Subsidy*

In order to qualify for AHP subsidy, a project must demonstrate need for the AHP subsidy. The difference between the project's sources of funds (excluding the AHP subsidy to be requested) 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. A project's estimated uses of funds must equal its estimated sources of funds (including the AHP subsidy being requested), as reflected in the project's development budget.

A project's sources of funds must include:

- 1) any cash contributions by the project sponsor;
- 2) any cash from sources other than the project sponsor;
- 3) estimates of any funds that the project sponsor intends to obtain from other sources but which have not yet been committed to the project; and
- 4) estimates of the market value of any in-kind donations and volunteer professional labor or services committed to the project, excluding the value of sweat-equity.

In the case of homeownership projects where the project sponsor extends permanent financing to the homebuyer, the project sponsor's cash contribution must include the present value of any payments the project sponsor is to receive from the homebuyer, which shall include any cash down payment from the homebuyer, plus the present value of any purchase note the project sponsor holds on the unit. If the note carries a market interest rate commensurate with the credit quality of the homebuyer, 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.

A project's uses of funds must include:

- 1) any actual outlay of cash needed to pay for materials, labor, and acquisition or other costs of completing the project and
- 2) estimates of the market value of any in-kind donations and volunteer professional labor or services committed to the project, excluding the value of sweat-equity.

See Attachment E for an example of an AHP need for subsidy analysis.

3. *Project Costs*

Project costs, as reflected in the project's development budget, must be reasonable in accordance with the Bank's project cost guidelines, including the Feasibility Guidelines below, taking into consideration the geographic location of the project, development conditions, and other non-financial household or project characteristics. Typically, project costs should not exceed the benchmarks discussed herein or indicated in the Feasibility Guidelines below unless an acceptable explanation is provided. In cases where individual line item expenses appear high, documentation or a detailed explanation to support the expenses will be requested (i.e. property tax assessment or insurance receipts). **Any variance from these project costs guidelines must be clearly explained. Applications that do not satisfactorily address variances from these project costs**

guidelines will be ineligible for further consideration. All variances on applications recommended for approval must be approved by the Bank's Board of Directors unless the variance is due to a requirement of the U.S. Department of Housing and Urban Development ("HUD"), a Low Income Housing Tax Credit program or a State Housing Finance Agency.

The Bank reserves the right to review all project costs, related expenses and fees, whether or not the items are discussed herein or listed as part of the Feasibility Guidelines below. Applications or disbursement requests may be rejected or disqualified for unexplained or excessive costs or fees. Any deviations in project cost or expenses to accommodate special needs populations must be outlined and justified. See Attachment A to this Implementation Plan for the definition of "special needs."

For rental projects involving new construction in Arkansas, Louisiana, Mississippi, and New Mexico, the Bank will utilize the respective State Housing Finance Agencies' criteria as a benchmark to determine reasonable project costs. For rental projects involving new construction in Texas, the Bank will utilize HUD 221(d)(3) maximum limits as a benchmark to determine reasonable project costs.

Rental rehabilitation projects must preserve affordable housing units or increase the number of affordable housing units. In addition, for rental rehabilitation projects, the Bank requires all of the following items:

- more than one independent bid for the cost of the rehabilitation
- a detailed plan of rehabilitation work to be completed
- if the project is currently occupied, the most recent rent roll and the most recent audited financial statements

In addition, for rental rehabilitation projects, the Bank may require any or all of the following items:

- Physical Needs Assessment*
- pictures illustrating the project's condition
- an independent appraisal "as-is"

*Physical Needs Assessment must identify and provide cost estimates for repairs, replacements and significant maintenance items which should be done immediately. As part of the process, instances of deferred maintenance are also identified. The Physical Needs Assessment is based on the evaluator's judgment of the actual condition of the improvements and the expected useful life of those improvements. It is understood that the conclusions presented are based upon the evaluator's professional judgment and that the actual performance of individual components may vary from a reasonably expected standard and will be affected by circumstances which occur or become known after the date of the Physical Needs Assessment as a result of actual rehabilitation.

At the time of application, for all owner-occupied projects involving new construction in which the project sponsor is also the developer or contractor of the project, the Bank will utilize Marshall & Swift's building cost data as a benchmark to determine reasonable project costs. The construction costs of a submitted project may not exceed Marshall & Swift's building cost data by more than 5%. At the time of disbursement, for all owner-occupied projects involving new construction in which the project sponsor is also the developer or contractor of the project, the Bank will utilize an appraisal as a benchmark to determine reasonable project costs. In the event an appraisal is not available, the Bank will utilize Marshall & Swift's building cost data as a benchmark to determine reasonable project costs. The construction costs of a submitted project may not exceed Marshall & Swift's building cost data by more than 5%.

At the time of application for all owner-occupied projects involving rehabilitation in which the project sponsor is also the developer or contractor of the project and the total project cost per home exceeds \$10,000, the Bank will utilize Marshall & Swift's building cost data or require two independent bids as a benchmark to determine reasonable project costs. The rehabilitation cost of a submitted project may not exceed Marshall & Swift's building cost data by more than 5%. At the time of disbursement for all homes, the Bank will obtain

invoices or signed cost estimates. Verification of the completed rehabilitation work is required if a signed cost estimate was utilized to disburse the funds.

For projects that are not located in the Bank's District, the Bank will utilize the applicable provisions of the implementation plan of the Federal Home Loan Bank for that Federal Home Loan Bank System district to determine reasonable project costs.

The purchase price of property or services, as reflected in the project's development budget, sold to the project by a member providing AHP subsidy to the project, or, in the case of property, upon which such member holds a mortgage or lien, may not exceed the market value of such property or services as of the date the purchase price for the property or services was agreed upon. In the case of real estate property owned by a member and sold to a project by such member that provides AHP subsidy to the project, or property sold to the project upon which the member holds a mortgage or lien, the market value of such property is deemed to be the "as-is" or "as-rehabilitated" value of the property, whichever is appropriate, as reflected in an independent appraisal of the property performed by a state certified or licensed appraiser, as defined in 12 C.F.R. § 564.2(j) and (k), within six months prior to the date the Bank disburses AHP subsidy to the project.

4. *Feasibility*

Applications submitted must meet minimum feasibility requirements before they are eligible to be awarded AHP subsidy and before the Bank can disburse any AHP subsidy to the project. The Bank's Community Investment Department evaluates applications and requests for disbursement of AHP funds as described in this "Feasibility" section, including using the Feasibility Guidelines below. These feasibility requirements and the Feasibility Guidelines are used as benchmarks for evaluating applications and disbursement requests and may be used as the basis for rejecting or disqualifying an application or disbursement request or reducing the amount of subsidy requested. Projects that vary from the feasibility requirements or from the Feasibility Guidelines below will be investigated further to establish the reasonableness of the variation. The project must be operationally feasible for a useful life that is at least as long as the retention period for that project.

Projects must be developmentally feasible, which means that the project must be likely to be completed and occupied based on relevant factors, including those contained in the Feasibility Guidelines. To determine if a project is developmentally feasible, the Bank will review the project's development budget, market analysis and the project sponsor's experience in providing the requested assistance to households. This review will encompass the qualifying characteristics of the application, the financial information contained in the application, the relevant exhibits, and the information submitted to support a disbursement request or to answer a Bank inquiry. Additional information such as the application's initial and subsequent sources and uses of funds information, the need for the requested subsidy, the project development budget and pro forma operating statements will be reviewed. Additionally, the Bank will review the readiness of the project to succeed, the completeness of the project's development program and its financing arrangements, including the sufficiency of funding to render the project feasible.

As stated above, as part of the developmental feasibility review, the Bank will determine the project sponsor's experience in providing the requested assistance to households. Please see Attachment A for the definition of "project sponsor." A project sponsor must be qualified and able to perform its responsibilities as committed to in the application. In determining a project sponsor's qualifications, abilities and experience, the Bank will inquire as to the project sponsor's and its principal employees' general experience with developing affordable housing, including whether any of the project sponsor's housing projects did not comply with any affordable housing program requirements. The Bank will review the history of the project sponsor in complying with the requirements of the Bank's AHP, including whether the project sponsor met its AHP commitments and completed other AHP projects in a timely manner. The Bank considers such history to be an indication of the performance of the project sponsor in complying with such requirements on any new application(s). The Bank will also consider the project sponsor's ability to secure other funding for the project as an indication of the project sponsor's qualifications and ability to perform its responsibilities as committed to in the application. The Bank will request the names of primary third parties involved in the project, such as

builders, architects, developers and consultants, to help the Bank assess the capacity of the project sponsor to complete the project. The Bank will consider the member's submission of the application as the member's determination that the project sponsor's capacity and development experience are sufficient for the successful completion of the project. If the proposed project involves any empowerment services, the Bank will consider the project sponsor's capacity and/or history in providing the empowerment services, or the capacity and/or history of a third-party service provider, if applicable.

The Bank will also, as part of its determination of developmental feasibility, review the history of the member submitting an application in complying with the requirements of the Bank's AHP. The Bank considers such history to be an indication of the performance of the member in complying with such requirements on any new application(s).

Rental projects must be operationally feasible, or able to operate in a financially sound manner, in accordance with the Bank's Feasibility Guidelines below, as projected in the project's operating pro forma. Additionally, cash flow for the rental project should be positive over the retention period for the project (fifteen years) and for each year of the retention period. Net cash flow as a percent of effective gross income should not exceed 13% for projects without debt. If management, professional, administrative and other expenses will exceed 25% of effective gross income, an explanation is required.

AHP staff will, at a minimum, analyze applications and disbursement requests for adherence to the following Feasibility Guidelines. **Any variance from these Feasibility Guidelines or from any of the requirements in this "Feasibility" section must be clearly explained. Applications that do not satisfactorily address variances from these Feasibility Guidelines or from any of the requirements in this "Feasibility" section will be ineligible for further consideration. All variances from the Feasibility Guidelines below on applications recommended for approval must be approved by the Bank's Board of Directors unless the variance is due to a requirement of HUD, a Low Income Housing Tax Credit program or a State Housing Finance Agency.**

Feasibility Guidelines

Rental Projects

15-year pro forma statements that meet the criteria below must be submitted with the project's application.

<u>Criteria</u>	<u>Ranges or Limits</u>
Debt Coverage Ratio	1.05 - 1.30 ⁽¹⁾
Vacancy Ratio	Less than or equal to 7.5% (up to 10% for special needs)
Annual Income and Expense Escalators	Income 1%-3% Expense 2%-4%
Replacement Reserves	New construction not to exceed the greater of \$200/unit/year or .006 of the structure cost; Rehabilitation not to exceed \$300/unit/year
Operating Reserves	Not to exceed 6 months ⁽²⁾
Operating Expenses	Less than \$4,000/unit/year in the first year of operation; in subsequent years, the operating expenses should not increase by more than the allowed Annual Expense Escalator
Management Fee	Not to exceed the greater of 10% of Gross Income or \$35 per unit per month
Soft construction cost	Not to exceed 30% of Total Development Cost
Hard cost contingency	New construction not to exceed 10% of hard construction costs Rehabilitation not to exceed 15% of hard construction costs

Developers' Fee	15% of Total Development Cost net of Developers' Fee ⁽³⁾
General Requirements, Builder Profit and Builder Overhead	14% Total Construction Cost ⁽³⁾
Sales Price of Tax Credits	Greater than \$0.80 on the dollar yield to the project
Rents	Not to exceed 30% of the area median income ⁽⁴⁾
Interest Rate, Fees, Points and Other Costs of Financing	Not to exceed the market rate for similar loans

Owner-Occupied Projects

Criteria

Subsidy Pass-Through
 Developers' Fee

 Interest Rate, Fees, Points and Other Costs of Financing
 Cash Back

Ranges or Limits

Must be clearly demonstrated
 15% of Total Development Cost net of Developers' Fee⁽³⁾
 Not to exceed the market rate for similar loans
 Homebuyers may not receive any cash back at closing

- (1) Debt coverage ratios in excess of 1.30 in the first year of operation will require an explanation of why this ratio is necessary for the feasibility of the project.
- (2) The development budget must include an operating reserve that does not exceed six months of projected operating expenses, debt service payments, and replacement reserves.
- (3) In cases where the contractor and the developer are affiliates, then the Bank will not allow the aggregate amount of the developer fees and builder's profit to exceed 18% of the Total Development Cost net of the developer fees.
- (4) For rental projects, the maximum rent charged to a household for a unit committed as "affordable" under AHP guidelines may not exceed 30% of the income of a household of maximum income and size expected, under the commitment made in the AHP application for the project, to occupy the unit (assuming occupancy of 1.5 persons per bedroom or 1.0 person per unit without a separate bedroom). Please also see Attachment A for the definition of "affordable." Ratios are calculated without utilities; therefore, rental project ratios are based on rent only unless utilities are included in the rent payment.

Regardless of the extent of the Bank's review of a project and the project's sponsor, members should use their own internal underwriting guidelines for determining project feasibility and viability and should not rely solely on the Bank's feasibility analysis for the underwriting of a project. The Bank expects that the member's senior management will review and approve an AHP application before the member submits the AHP application to the Bank. The member should evaluate and be satisfied with the project sponsor's and/or the borrower's credit standing, development experience and performance track record. The Bank will neither perform nor be responsible for the underwriting of the application by the member or the evaluation of the credit record or track record of the project sponsor or borrower by the member.

5. Financing Costs

The rate of interest, points, fees, and any other charges for all loans that are made for the project in conjunction with the AHP subsidy must not exceed a market rate of interest, points, fees and other charges for loans of similar maturity, terms, and risk.

6. Retention

Each AHP-assisted unit in an owner-occupied project must be subject to a five-year retention document. Each AHP-assisted rental project must be subject to a 15-year retention document. Please see Attachment F for the Bank's requirements for retention documents.

7. Fair Housing

The project, as proposed, must comply with applicable federal and state laws on fair housing and housing accessibility. Such laws include, but are 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. For example, to comply with the Fair Housing Act, for a multi-family rental project to be designated as housing for the elderly (i) the HUD Secretary must have determined that the project is specifically designed for and occupied by elderly persons under a Federal, State or local government program, (ii) the project must be occupied solely by persons who are 62 or older or (iii) the project must house at least one person who is 55 or older in at least 80 percent of the occupied units, and must adhere to a policy that demonstrates an intent to house persons who are 55 or older. The application also must demonstrate how the project will be affirmatively marketed.

H. Subsidy Limitation, Calculation & Funding

AHP subsidies will be limited to \$500,000 per project. Subsidy calculations computed for each application during the application review and approval process will determine the maximum subsidy available for that application. A new "Sources and Uses of Funds" statement will be obtained and evaluated at the time of funding, and in the case of rental projects, a new multi-year pro forma statement will be reviewed to verify the continued need for and amount of needed AHP funds. If applicable, verification of the sale of low-income housing tax credits will also be obtained.

The Bank will reduce the subsidy amount awarded to a project if a direct subsidy is to be used to write down prior to closing the principal amount or the interest rate on a loan to a project and 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 market interest rates between the time of approval and the time the lender commits to the interest rate to finance the project.

I. District Priorities

Each year, certain criteria determined by the Bank's Advisory Council to be of particular relevance during that funding period will be included on the AHP application for potential awarding of points. The Bank adopts these criteria - called first and second "District Priorities" - as authorized by Section 1291.5(d)(5)(vi) and (vii) of the AHP Regulations. The District Priorities are included in the scoring guidelines in Attachment D.

J. Approval of Application

Within 90 days after the close of each funding period, the Bank will forward as many of the highest-scoring applications as required to exhaust the available AHP funds (plus the next four highest-scoring projects as alternates) to the Bank's Board of Directors for approval.

K. Extension of Funding Period

If the President of the Bank determines that any event has substantially impaired the Bank's ability to conduct its business in accordance with its ordinary practices and procedures, he or she may extend for up to 30 days the deadline or time period applicable to any AHP funding period or any action with respect to an AHP application.

L. Disbursement Process and Procedures

Disbursements of AHP subsidies may only be provided to institutions that are members of the Bank at the time of the disbursement request. If an institution with an approved application for AHP subsidy loses its membership in the Bank, the Bank may disburse subsidies to a member of the Bank to which the institution has transferred its obligations under the approved AHP application, or the Bank may disburse subsidies

through another Federal Home Loan Bank to a member of that Federal Home Loan Bank that has assumed the institution's obligations under the approved AHP application.

A member of the Bank may request disbursement of all or part of the approved subsidy for an approved project. The Bank will process funding requests in accordance with the Bank's procedures and guidelines for funding of subsidies and applicable monitoring procedures. Calculations in the disbursement request must be free of errors and consistent throughout. Disbursement requests that are substantially incomplete or that contain submission errors, omissions or inconsistencies that result in an incomplete analysis of the disbursement request may be returned to the member for completion or may not be approved for disbursement of AHP funds, at the Bank's discretion.

Prior to receiving any disbursement of AHP subsidy for an approved project, the member and project sponsor/project owner must provide the Bank with 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 remains in compliance with the requirements of the AHP, including the minimum eligibility requirements in Section 1291.5(c) of the AHP Regulations, and the commitments made by the member, the project sponsor and, if applicable, the project owner in the application for the project. The member, in conjunction with the project sponsor/project owner, must complete and submit to the Bank all required or requested forms and documents, including the forms in the Bank's funding manuals, and provide updated information regarding the project to receive disbursement of AHP funds.

In processing disbursement requests for a project, the Bank reviews the information submitted with the disbursement request and any pertinent project information obtained from the member and project sponsor/project 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. 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 costs at the time of each requested disbursement of AHP subsidy.

M. Progress towards use of AHP Subsidy and Project Completion

The Bank reviews all projects to determine whether satisfactory progress is being made toward use of AHP subsidy and project completion. The Bank requires each project to submit semi-annual progress reports with sufficient information for the Bank to determine whether satisfactory progress is being made toward use of AHP subsidy and project completion. The Bank may cancel a project that does not demonstrate satisfactory progress toward meeting its designated completion date and recapture any AHP subsidy that the Bank previously disbursed to such project.

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.

The project must be completed within three years after the Bank's approval of the application, unless the project involves Native American project sponsors or is located on Native American lands. Projects involving Native American project sponsors or located on Native American land implicate tribal law and require the involvement of tribal governmental bodies. The requirement to comply with tribal law and to obtain approval of tribal governments routinely adds considerably to the time required in order to bring a project to completion. For this reason, such projects are allowed up to 5 years from the time of their approval until their completion. Not to allow this longer period of time would frustrate the purposes of the AHP with respect to Native American projects because such projects would not otherwise be able to meet the time set for completion of projects that do not involve Native American project sponsors or lands.

The Bank may consider and approve requests to extend the designated completion date for a project provided that the request is made to the Bank in writing and contains sufficient information for the Bank to

determine that the project continues to make satisfactory progress towards completion. The Bank may also choose to deny extension requests based upon the information provided. Project extension requests that exceed the 3-year or 5-year completion limit must (i) be requested in writing, (ii) include an updated project timeline, as well as updated financial information (sources/uses, pro forma, rental projects worksheet, etc.) if applicable, and (iii) demonstrate "good cause" for the extension to be granted. "Good cause" means a determination based on all the facts and circumstances relating to a project and the timing of its completion that the project substantially meets the objectives of the AHP notwithstanding any delay in the completion of the project. Project extension requests that the Bank chooses to approve and that exceed the 3-year or 5-year completion date must be approved by the Bank's Board of Directors.

In order for a project to be "completed," for owner-occupied projects involving acquisition or construction, all homeownership units of the project must be sold and occupied by eligible households. For owner-occupied projects involving rehabilitation, the rehabilitation must be complete for all units of such project. If the Bank disbursed AHP subsidy to the project based on bids for the rehabilitation costs, rather than invoices, the project sponsor must submit to the Bank verification of the completed rehabilitation work. For a rental project involving construction, a certificate of occupancy or similar document must be issued for the project. For a rental project involving rehabilitation, the rehabilitation of the project must be complete. For a rental project involving acquisition, the sale of the project must close. For all rental projects, the Bank also must receive a copy of the recorded deed restriction or other legally enforceable retention agreement or mechanism meeting the retention requirements of Section 1291.9(a)(8) of the AHP Regulations and the retention requirements included in Attachment F before the Bank will consider the project "completed."

N. Monitoring Requirements

The Bank, the member and the project sponsor/project owner are required to comply with monitoring requirements as outlined in Section 1291.7 of the AHP Regulations. The Bank's Community Investment Department staff is responsible for implementing all reporting and monitoring requirements. The Bank's Community Investment Department staff monitors projects through written reports to the Bank from members and project sponsors/project owners and/or on-site project reviews conducted together with staff of members and/or project sponsors/project owners.

The Bank will monitor each AHP owner-occupied and rental project prior to, and within the timeframes set forth below after, project completion to determine, at a minimum, whether:

- the project is making satisfactory progress towards completion, in compliance with the commitments made in the approved AHP application, Bank policies and the requirements of the AHP Regulations;
- following project completion, satisfactory progress is being made towards occupancy of the project by eligible households and
- within the timeframes set forth below after project completion, the project meets the following requirements, at a minimum:
 - the AHP subsidies were used for eligible purposes according to the commitments made in the approved AHP application;
 - the household incomes and rents comply with the income targeting and rent commitments made in the approved AHP application;
 - the project's actual costs were reasonable in accordance with the Bank's project cost guidelines, and the AHP subsidies were necessary for the completion of the project as currently structured;
 - each AHP-assisted unit of an owner-occupied project and each AHP-assisted rental project is subject to an AHP retention agreement that meets the requirements of Section 1291.9(a)(7) or (a)(8) of the AHP Regulations and the requirements of Attachment F and
 - the services and activities committed to in the approved AHP application, if any, have been provided in connection with the project.

The Bank will monitor completed AHP rental projects beginning in the second year after project completion to determine, at a minimum, whether during the full 15-year retention period, the household

incomes and rents comply with the income targeting and rent commitments, respectively, made in the approved AHP applications.

The project sponsor/project owner's requirements are:

Owner-Occupied Projects:

During the period of construction or rehabilitation of an owner-occupied project, the project sponsor must report to the member in writing semi-annually on whether satisfactory progress is being made toward timely project completion. If the project sponsor, the member or the Bank determines that satisfactory progress toward timely completion of the project is not being made, the project sponsor must promptly submit a corrective plan of action to the Bank.

As stated above, in order for an owner-occupied project to be "completed," for owner-occupied projects involving acquisition or construction, all homeownership units of the project must be sold and occupied by eligible households. For owner-occupied projects involving rehabilitation, the rehabilitation must be complete for all units of such project.

Within the first twelve months following the completion of an owner-occupied project, the project sponsor must certify to the Bank in writing that (i) the AHP subsidies were used for eligible purposes according to the commitments made in the approved AHP application; (ii) the household incomes comply with the income targeting commitments made in the approved AHP application; (iii) the project's actual costs were reasonable in accordance with the Bank's project cost guidelines, and the AHP subsidies were necessary for the completion of the project as currently structured; (iv) each AHP-assisted unit is subject to an AHP retention agreement that meets the requirements of Section 1291.9(a)(7) of the AHP Regulations and the requirements of Attachment F; and (v) the services and activities committed to in the approved AHP application, if any, have been provided in connection with the project.

The project sponsor must maintain documentation to support the above certification, including household income verification documentation, and make such documentation available for review by the member or the Bank upon the request of either the member or the Bank.

Rental Projects:

During the period of construction or rehabilitation of a rental project, the project owner/project sponsor must report to the member in writing semi-annually on whether satisfactory progress is being made toward timely project completion. If the project owner/project sponsor, the member or the Bank determines that satisfactory progress toward timely completion of the project is not being made, the project owner/project sponsor must promptly submit a corrective plan of action to the Bank.

Within the first twelve months following completion of a rental project that is not already occupied, the project owner/project sponsor must provide documentation, such as a rent roll, to the Bank to demonstrate that satisfactory progress is being made towards occupancy of the project by eligible households.

Within the first twelve months following completion of a rental project, the project owner/project sponsor must certify to the Bank in writing that (i) the AHP subsidies were used for eligible purposes according to the commitments made in the approved AHP application; (ii) the household incomes and rents comply with the income targeting and rent commitments made in the approved AHP application; (iii) the project's actual costs were reasonable in accordance with the Bank's project cost guidelines, and the AHP subsidies were necessary for the completion of the project as currently structured; (iv) the project is subject to an AHP retention agreement that meets the requirements of Section 1291.9(a)(8) of the AHP Regulations and the requirements of Attachment F; and (v) the services and activities committed to in the approved AHP application, if any, have been provided in connection with the project.

The project owner/project sponsor must maintain documentation to support the above certification, including documentation of actual tenant rents and incomes, and make such documentation available for review by the member and the Bank upon the request of either the member or the Bank.

Commencing in the second year after project completion, the project sponsor/project owner must certify to the Bank each year until the end of the 15-year retention period that household incomes and rents are in compliance with the commitments made in the approved AHP application. The project sponsor/project owner must maintain documentation to support these certifications and make such documentation available for review by the member or the Bank upon the request of either the member or the Bank.

The member's requirements are:

Owner-Occupied Projects:

During the period of construction or rehabilitation of an owner-occupied project, the member must take the necessary steps to determine whether satisfactory progress is being made toward timely project completion, including reviewing the semi-annual report received from the project sponsor, and must report to the Bank in writing semi-annually on whether satisfactory progress is being made toward timely project completion. If the member or the Bank determines that satisfactory progress toward timely completion of the project is not being made, the member must promptly submit a corrective plan of action to the Bank.

Rental Projects:

During the period of construction or rehabilitation of a rental project, the member must take the necessary steps to determine whether satisfactory progress is being made toward timely project completion, including reviewing the semi-annual report received from the project sponsor/project owner, and must report to the Bank in writing semi-annually on whether satisfactory progress is being made toward timely project completion. If the member or the Bank determines that satisfactory progress toward timely completion of the project is not being made, the member must promptly submit a corrective plan of action to the Bank.

The Bank's requirements are:

Owner-Occupied Projects:

The Bank will review the semi-annual reports received from the member to determine whether satisfactory progress is being made toward timely project completion. If the Bank determines that satisfactory progress toward timely completion of the project is not being made, the Bank may require the member or the project sponsor, or both, as the Bank determines is appropriate, to promptly submit a corrective plan of action to the Bank.

Within six months of receiving the certification described above from the project sponsor, the Bank will review back-up project documentation, including documentation regarding household incomes and, in the Bank's discretion, other documentation, for 20% of the units, but no less than 10 units, of each owner-occupied project to determine the following:

- the AHP subsidies were used for eligible purposes according to the commitments made in the approved AHP application;
- the household incomes comply with the income targeting commitments made in the approved AHP application;
- the project's actual costs were reasonable in accordance with the Bank's project cost guidelines, and the AHP subsidies were necessary for the completion of the project as currently structured;
- each AHP-assisted unit of an owner-occupied project is subject to an AHP retention agreement that meets the requirements of Section 1291.9(a)(7) of the AHP Regulations and the requirements of Attachment F and

- the services and activities committed to in the approved AHP application, if any, have been provided in connection with the project.

Rental Projects:

Progress toward Project Completion

The Bank will review the semi-annual reports received from the member to determine whether satisfactory progress is being made toward timely project completion. If the Bank determines that satisfactory progress towards timely completion of the project is not being made, the Bank may require any or all of the member, the project sponsor or the project owner, as the Bank determines is appropriate, to promptly submit a corrective plan of action to the Bank.

The Bank will also review the documentation provided by the project sponsor/project owner to determine whether satisfactory progress is being made towards occupancy of the project by eligible households. If the Bank determines that satisfactory progress towards occupancy of the project by eligible households is not being made, the Bank may require the project sponsor/project owner to promptly submit a corrective plan of action to the Bank.

Initial Monitoring

Within one year and six months after completion of a rental project, the Bank will review the certification from the project sponsor/project owner, and the Bank will determine whether:

- the AHP subsidies were used for eligible purposes according to the commitments made in the approved AHP application;
- the household incomes and rents comply with the income targeting and rent commitments made in the approved AHP application;
- the project's actual costs were reasonable in accordance with the Bank's project cost guidelines, and the AHP subsidies were necessary for the completion of the project as currently structured;
- the project is subject to an AHP retention agreement that meets the requirements of Section 1291.9(a)(8) of the AHP Regulations and the requirements of Attachment F and
- the services and activities committed to in the approved AHP application, if any, have been provided in connection with the project.

Long-Term Monitoring for Low-Income Housing Tax Credit Projects

For a completed AHP rental project that has been allocated federal Low-Income Housing Tax Credits (tax credits), the Bank will rely on the monitoring by the state designated housing credit agency administering the tax credits of the income targeting and rent requirements applicable under the Low-Income Housing Tax Credit Program. The Bank would not obtain and review reports from such agency or otherwise monitor the project's long-term AHP compliance. If, however, the member, project sponsor, project owner or other party involved with the project has been included on the Bank's AHP list of troublesome project participants (the "AHP Watch List"), the Bank will not rely on the agency's monitoring but will instead monitor the project itself. If the party is later removed from the Bank's AHP Watch List, and no other parties involved with the project are included on the Bank's AHP Watch List, the Bank will cease monitoring the project itself and will rely on the agency's monitoring.

Reliance on Other Long-Term Governmental Monitoring for Rental Projects

For completed AHP rental projects that received funds other than tax credits from federal, state, or local government entities, the Bank will rely on the monitoring by such entities of the income targeting and rent requirements applicable under their programs, provided that certain requirements in Section 1291.7(a)(3) of the AHP Regulations are met. If, however, the member, project sponsor, project owner or other party involved with the project has been included on the Bank's AHP Watch List, the Bank will not rely on the

entity's monitoring but will instead monitor the project itself. If the party is later removed from the Bank's AHP Watch List, and no other parties involved with the project are included on the Bank's AHP Watch List, the Bank will cease monitoring the project itself and will rely on the agency's monitoring.

Long-Term Monitoring by the Bank

The Bank will conduct long-term monitoring of all rental projects for which the Bank does not rely on monitoring by a state designated housing credit agency or governmental entity as set forth above.

Commencing in the second year after project completion, the Bank will review the annual certification received from the project sponsor/project owner.

For a rental project whose initial monitoring is completed by the Bank on or after January 1, 2007, within the first four years after the Bank completes initial monitoring of the project, the Bank will conduct two long-term monitoring reviews of the project. For the first long-term monitoring review, the Bank will review each project's rent roll or similar documentation to determine if the tenant rents and incomes are in compliance with the rent and income targeting commitments in the AHP application. For the second long-term monitoring review, the Bank will review the project's rent roll or similar documentation and supporting documentation to determine if the tenant rents and incomes are in compliance with the rent and income targeting commitments in the AHP application.

After the Bank completes the first two long-term monitoring reviews of a rental project, the Bank will complete a Monitoring Score Sheet for the project. The Bank will schedule each rental project for further long-term monitoring based on the number of monitoring points assigned to the project according to the Monitoring Schedule. See Attachment I for the Monitoring Score Sheet/Monitoring Schedule.

During subsequent long-term monitoring reviews, the Bank will review project documentation to determine if the tenant rents and incomes are in compliance with the rent and income targeting commitments in the AHP application. At the conclusion of each long-term monitoring review, the Bank may, in its discretion, rescore and reschedule the project using the Monitoring Score Sheet for future long-term monitoring reviews according to the Monitoring Schedule.

For each rental project for which the Bank was already conducting long-term monitoring as of January 1, 2007, the Bank will conduct the next scheduled long-term monitoring review for that project. Based on that review, the Bank will complete a Monitoring Score Sheet for the project. The Bank will schedule that rental project for further long-term monitoring, if any, based on the number of monitoring points assigned to the project according to the Monitoring Schedule.

For each rental project, the Bank will review back-up project documentation, including documentation regarding household incomes and rents and, in the Bank's discretion, other documentation, for 20% of the units of the rental project, but no less than 10 units.

V. GENERAL REQUIREMENTS FOR THE AHP HOMEOWNERSHIP SET-ASIDE PROGRAMS AND THE AHP COMPETITIVE APPLICATION PROGRAM

A. Counseling Costs

Up to \$500.00 of homebuyer counseling or training costs may be paid with AHP, HELP or SNAP funds only if (i) the costs are not paid by any other source (including the member) and (ii) the homebuyer receiving the cost assistance (A) purchases an AHP- or HELP-assisted unit or (B) utilizes SNAP funds to rehabilitate its home.

B. Income Guidelines

The Bank's income guidelines are based on the median income for the area as published annually by HUD (adjusted for family size). Additionally, members and project sponsors should use the guidelines in Attachment G to determine and verify the income of households who have been approved to purchase and/or occupy AHP, HELP, and SNAP units. The median income for an applicable definable geographic area, as published by a Federal, state, or local government entity, and approved by the Finance Agency at the Bank's request (after the Bank consults with the Bank's Advisory Council), may also be used. Prior to requesting approval of an alternative median income standard, the Bank shall amend this Implementation Plan to permit the use of such standard, conditioned on the approval of the Finance Agency.

C. Arbitrage

Investment of AHP, HELP or SNAP funds for purposes of earning income from the AHP, HELP or SNAP funds is deemed to be arbitrage of AHP, HELP or SNAP funds and is not permitted.

D. Remedial Actions for Noncompliance

A member must repay to the Bank the amount of any AHP subsidy that, as a result of the member's acts or omissions, is not used in compliance with the terms of the application for the subsidy, as approved by the Bank, the requirements of the AHP Regulations or the requirements of this Implementation Plan (including the Monitoring Requirements set forth above), unless (1) the member cures the noncompliance within a reasonable period of time or (2) the circumstances of noncompliance are eliminated through a modification of the terms of the application for the subsidy pursuant to Section 1291.5(f) of the AHP Regulations.

A project sponsor or a project owner shall repay to the Bank or the member, as determined by the Bank, the amount of any AHP subsidy that, as a result of the project sponsor's or project owner's actions or omissions, is not used in compliance with the terms of the application for the subsidy, as approved by the Bank, the requirements of the AHP Regulations or the requirements of this Implementation Plan (including the Monitoring Requirements set forth above), unless (1) the project sponsor or project owner cures the noncompliance within a reasonable period of time or (2) the circumstances of noncompliance are eliminated through a modification of the terms of the application for the subsidy pursuant to Section 1291.5(f) of the AHP Regulations. If the Bank determines that the member must recover the subsidies from the project sponsor or project owner, the member must recover such subsidies from the project sponsor or project owner and repay such subsidies to the Bank. The member shall not be liable to the Bank for the return of subsidies that cannot be recovered from the project sponsor or project owner through reasonable collection efforts by the member.

If an AHP project approved under the AHP Competitive Application Program is not fully completed as specified in the application for the project, the project may no longer score high enough to have been approved in the funding period in which it was originally scored and approved by the Bank. For example, if the application for a project specifies that the project will consist of twelve owner-occupied units and only five of those owner-occupied units are completed, the project may no longer score high enough to have been approved in the funding period in which it was originally scored and approved by the Bank because the Bank's scoring and approval was based on the project's completing twelve owner-occupied units rather than five. Depending on the facts and circumstances, the Bank may be required, pursuant to Section 1291.8 of the AHP Regulations, to recapture the entire amount of the AHP funds disbursed to such project rather than a prorated amount to reflect partial completion.

E. Returned or Recaptured Subsidy

The Bank may fund alternate applications if any previously committed AHP subsidy is returned or recaptured. If no alternate applications are eligible for funding at the time funds are returned or recaptured, the Bank will make those funds available for the pool of funds for the next AHP calendar year. The funds will be split evenly between the two AHP Competitive Application Program funding periods for that calendar year.

F. Suspension and Debarment

Pursuant to Section 1291.8(g) of the AHP Regulations, the Bank may, or the Finance Agency may order a Bank to, suspend or debar a member, project sponsor, or project owner from participation in the AHP, HELP or SNAP if such party shows a pattern of noncompliance, or engages in a single instance of flagrant noncompliance, with the terms of an approved application for AHP subsidy or the AHP Regulations, including those provisions governing ongoing monitoring and compliance.

G. Parties to Enforcement Proceedings

The Bank will require a member, project sponsor or project owner to enter into a written agreement with the Bank under which such member, project sponsor or project owner consents to be a party to any enforcement proceeding initiated by the Finance Agency regarding the repayment of AHP subsidies received by such member, project sponsor or project owner, or the suspension or debarment of such parties, provided that the member, project sponsor or project owner has agreed to be bound by the Finance Agency's final determination in the enforcement proceeding.

H. Disaster Relief Guidelines

In the event of a Federally-declared disaster, the Bank may take certain actions with respect to any AHP projects or households that are adversely impacted by the disaster. See Attachment H for details.

This Implementation Plan was reviewed and approved by the Bank's Board of Directors on December 10, 2008.

DEFINITIONS

Affordable means that:

- the rent charged to a household for a unit that is to be reserved for occupancy by a household with an income at or below 80% of the median income for the area, does not exceed 30% of the income of a household of the maximum income and size expected, under the commitment made in the AHP application, to occupy the unit (assuming occupancy of 1.5 persons per bedroom or 1.0 person per unit without a separate bedroom); or
- 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 where the rents are charged in the same way as under the Section 8 program, if the rent complied with this definition of Affordable 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.

Debt Coverage Ratio or debt service coverage ratio means the ratio of a project's annual net operating income divided by the total annual debt service (principal plus interest).

Direct Subsidy means an AHP subsidy in the form of a direct cash payment.

Displaced Homemaker means an individual who is an adult and

- has not worked full-time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family and
- is not employed or is underemployed and is experiencing difficulty obtaining or upgrading employment.

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

Elderly means an individual who is fifty-five years of age or older.

Eligible Household means a household that meets the income limits and other requirements specified by the Bank for the AHP Competitive Application Program and the AHP Homeownership Set-Aside Programs, provided that:

- in the case of owner-occupied housing, the household's income may not exceed 80% of the median income for the area; and
- 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.

First-Time Homebuyer means an individual and his or her spouse (if any) who have not owned a home during the three-year period prior to the purchase of a home with AHP assistance, except that -

- any individual who is a displaced homemaker may not be excluded from consideration as a first-time homebuyer under this paragraph on the basis that the individual, while a homemaker, owned a home with his or her spouse or resided in a residence owned by his or her spouse;
- any individual who is a single parent may not be excluded from consideration as a first-time homebuyer under this paragraph on the basis that the individual, while married, owned a home with his or her spouse or resided in a residence owned by his or her spouse; and

- an individual shall not be excluded from consideration as a first-time homebuyer under this paragraph on the basis that the individual owns or owned, as a principal residence during such three-year period, a dwelling unit -
 - whose structure is not permanently affixed to a permanent foundation in accordance with local or other applicable regulations, or
 - whose structure is 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; or
 - that was substantially destroyed due to a natural disaster or other event of catastrophic loss.

Hard Construction Costs means the costs of purchasing the property and making improvements to the property (acquisition and construction costs).

Hard Cost Contingency means funds budgeted for unforeseen hard costs, such as additional labor and materials.

Homeless Household means a household made up of one or more individuals, other than individuals imprisoned or otherwise detained pursuant to state or Federal law, that

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

Low- or Moderate-Income Household means a household that has an income of 80% or less 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, unless such median income standard has no household size adjustment methodology.

MSA means a Metropolitan Statistical Area as designated by the Office of Management and Budget.

Minor Child means (i) a child under age 18 or (ii) a child age 18 or older who is not engaging in substantial gainful activity due to a physical or mental condition(s) that very seriously limits his or her activities and the condition(s) has lasted, or is expected to last, at least one year.

Operating Reserves means funds set aside by the project sponsor to cover unexpected fluctuations in actual operating expenses during the year.

Owner-Occupied Project means, for purposes of the AHP Competitive Application Program, one or more owner-occupied units in a single-family or multifamily building, including condominiums, cooperative housing and manufactured housing.

Owner-Occupied Unit means a dwelling unit occupied by the owner of the unit. Housing with 2 to 4 dwelling units consisting of one owner-occupied unit and one or more rental units is considered a single owner-occupied unit.

Project Sponsor means a not-for-profit or for-profit organization or public entity that:

- has an ownership interest in a rental project or
- is integrally involved in an owner-occupied project.

For purposes of the definition of project sponsor, “ownership interest” means that (i) the project sponsor is the owner of the rental project or (ii) the project sponsor has an ownership interest (including any partnership interest) in the entity that is the owner of the rental project. For purposes of the definition of project sponsor, “integrally involved” means that the project sponsor (i) exercises control over the planning, development or management of the owner-occupied project or (ii) qualifies borrowers and provides or arranges financing for the owners of the owner-occupied units.

Rental Project means, for purposes of the AHP Competitive Application Program, one or more dwelling units for occupancy by households that are not owner-occupants, including overnight and emergency shelters, transitional housing for homeless households, mutual housing, single-room occupancy housing and manufactured housing.

Replacement Reserves means funds set aside by the project owner to cover some or all of the cost to replace assets as they are used up (e.g., roof, plumbing, appliances).

Retention Period means

- five years from closing for an AHP-assisted owner-occupied unit, or in the case of rehabilitation of a unit currently occupied by the owner where there is no closing, five years from the date of the disbursement of the direct subsidy by the Bank to the member; and
- fifteen years from the date of project completion for a rental project.

Rural means

- a unit of general local government with a population of 25,000 or less;
- an unincorporated area outside an MSA;
- an unincorporated area within an MSA that qualifies for housing or economic development assistance from the United States Department of Agriculture; or
- any other area that qualifies for housing or economic development assistance from the United States Department of Agriculture.

Single Parent means an individual who is

- unmarried or legally separated from a spouse and
- has one or more minor children for whom the individual has custody or joint custody or is pregnant (at point the individual occupies the property).

Special Needs means households with elderly, mentally or physically disabled persons, persons recovering from physical, alcohol or drug abuse, or persons with HIV/AIDS.

Subsidized Advance means an advance to a member at an interest rate reduced below the Bank’s cost of funds by use of a subsidy.

Very Low-Income Household means a household that has an income at or below 50% 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, unless such median income standard has no household size adjustment methodology.

AFFORDABLE HOUSING PROGRAM CONFLICT OF INTEREST POLICY

I. Philosophy

The Federal Home Loan Bank of Dallas (FHLB Dallas) adopts this policy in order to ensure compliance with applicable regulations at 12 CFR 1291.10 and to promote fair and equitable administration of its Affordable Housing Program.

II. Definitions

“Affiliate” of an organization means any person or entity that controls, is controlled by, or is under common control with, such organization.

“Control” means the ability to direct the business and affairs of an entity whether by ownership, voting power, contract or otherwise.

“Family member” means an individual related to a person by blood, marriage or adoption.

III. Limits and Controls

Participation/Influence FHLB Dallas Advisory Council members, directors and employees shall not participate in or attempt to influence decisions by FHLB Dallas regarding the evaluation, approval, funding, monitoring, or any remedial process for an AHP project that is the subject of a pending or approved AHP application if such Advisory Council member, director or employee, or a family member of such individual, has a financial interest in, or is a director, officer or employee of an organization (or an affiliate thereof) involved in, such project.

Notification/Recusal FHLB Dallas Advisory Council members, directors and employees shall promptly notify the Director, Community Investment in writing of any potential conflicts of interest and shall recuse themselves from any discussion of the subject project.

Annual Certification FHLB Dallas Advisory Council members, directors and employees shall provide an annual certification of compliance with this policy.

IV. Roles and Responsibilities

FHLB Dallas Advisory Council members, directors and employees shall avoid conflicts of interest in the administration of the Affordable Housing Program and shall comply with this policy.

If the Director, Community Investment requests, the General Counsel shall review a notification of a potential conflict and opine on whether recusal is appropriate given the facts and circumstances.

Director, Community Investment shall ensure the annual compliance certification is provided by each Advisory Council member.

Director, Human Resources shall ensure annual compliance certification is provided by each director and employee. (See related policies below.)

V. Compliance

Violations of this policy will result in appropriate remedial action in accordance with the policies and procedures of FHLBDallas.

Director, Community Investment shall report any instance of non-compliance to Chief Financial Officer, General Counsel and Director, Internal Audit.

Director, Internal Audit shall report any material instance of non-compliance to the Audit Committee.

VI. Related policies

Conflict of Interest Policy for Directors (Corporate Secretary)

Code of Conduct and Ethics for Employees and Directors (Human Resources)

Code of Ethics for Senior Financial Officers (Human Resources)

Rules of Conduct (Human Resources)

AHP Homeownership Set-Aside Programs

HELP Purpose and Overview:

The Bank may offer the Homebuyer Equity Leverage Partnership Program (“HELP”) as an AHP homeownership set-aside program under which the Bank disburses AHP direct subsidy to (i) assist with the payment of down payment and/or closing costs for first-time homebuyers for the purchase of an existing or newly-constructed single-family home to be used as the household’s primary residence and/or (ii) to pay for counseling costs for first-time homebuyers in accordance with “Counseling Costs” in Section V.A. of this Implementation Plan. See Attachment A for the definition of “first-time homebuyer.” HELP funds will be available to all current members in good standing that have enrolled in HELP and executed a Homebuyer Equity Leverage Partnership Program Agreement (a “HELP Agreement”). The Bank disburses HELP funds on a homebuyer-by-homebuyer, first-come, first-served basis during an annual offering cycle beginning January 1 of each year and continuing until the amount of funds allocated to HELP for that year is exhausted or the following December 31, whichever occurs first. Any unused HELP funds will be reallocated to the general pool of AHP funds at the end of the calendar year.

Member Eligibility Requirements:

1. Members must complete a one-time registration process and execute a HELP Agreement.
2. No one member may utilize more than \$60,000 of HELP funds for every \$1,000,000 of HELP funds offered by the Bank (“member cap”). If, however, a single disbursement of HELP funds would cause the member to exceed the member cap, the Bank, in its discretion, may allow the member to exceed the member cap in order to receive that single disbursement of HELP funds. If by August 31 of a calendar year, 75% of the HELP funds allocated for that calendar year have not been disbursed to members, the Bank, at its discretion, may remove the member cap for the remainder of that calendar year.
3. The rate of interest, points, fees and any other charges for a loan made in conjunction with the HELP subsidy must not exceed a reasonable market rate of interest, points, fees and other charges for a loan of similar maturity, terms and risk.
4. The member may not request HELP funds in an amount exceeding \$5,000/homebuyer, except that the member may request up to \$7,000/homebuyer if the member or another mortgage lender contributes at least at least \$350 toward financial or other concessions in connection with providing the mortgage financing to the homebuyer. “Financial or other concessions” means payment by the member or another mortgage lender of homebuyer counseling costs or waiver or reduction of points or closing costs.
5. The member may not use HELP funds in conjunction with any other approved AHP or homeownership set-aside funds awarded by any Federal Home Loan Bank.
6. The member must pass on the full amount of the HELP funds as a grant to the household for which the HELP funds were approved, which fact must be documented on the applicable final HUD-1 Settlement Statement.
7. The member, or its designee, will be responsible for ensuring that the HELP-assisted unit is subject to a retention document that meets the requirements of Section 1291.9(a)(7) of the AHP Regulations and the retention requirements included in Attachment F.

Homebuyer Eligibility Requirements:

1. Only first-time homebuyers are eligible. Please see Attachment A for the definition of “first-time homebuyer.”
2. HELP funds may not exceed \$7,000 per homebuyer.
3. Households must have a family income of 80% or less of the median income for the area at the time the household is accepted for enrollment by the member in the Bank’s homeownership set-aside program. The Bank considers the time of enrollment of a household by the member in HELP to be the date on which the member determines the household is income-qualified to participate in HELP.

4. Homebuyers are required to complete a homebuyer or homeowner counseling program provided by, or based on one provided by, an organization experienced in homebuyer counseling, and a copy of a certificate or similar document evidencing the homebuyer's completion of the homebuyer or homeowner counseling program must be provided to the Bank.
5. Homebuyers must contribute at least \$500 of their own funds toward the required down payment or toward closing costs, which fact must be documented on the applicable final HUD-1 Settlement Statement.
6. Homebuyers may not receive any cash back at closing.
7. The homebuyer must sign a five-year retention agreement that meets the requirements of Section 1291.9(a)(7) of the AHP Regulations and the retention requirements included in Attachment F.

Disbursement Procedures:

Disbursements of HELP direct subsidies may only be provided to institutions that are members of the Bank at the time of the disbursement request. If an institution with an approved disbursement request for HELP direct subsidy loses its membership in the Bank, the Bank may disburse subsidies to a member of the Bank to which the institution has transferred its obligations under the approved disbursement request, or the Bank may disburse subsidies through another Federal Home Loan Bank to a member of that Federal Home Loan Bank that has assumed the institution's obligations under the approved disbursement request.

Before requesting HELP funds for a household, the member must provide to the Bank an executed copy of the HELP Agreement. This is a one-time submission; a member need not execute multiple HELP Agreements for HELP funds for multiple households. The member must also submit for each household either a preliminary HUD-1 Settlement Statement or a Good Faith Estimate containing substantially the same information as a preliminary HUD-1 Settlement Statement and a draft of the retention agreement that shows that such documentation complies with the AHP Regulations and the requirements of this Implementation Plan. The Bank will only disburse HELP funds to a member for a household that is preparing to close or has closed on the purchase of a single-family home to be used as the household's primary residence. The member must verify that the HELP funds will be provided in compliance with all applicable eligibility requirements in Section 1291.6(c) of the AHP Regulations, including the income eligibility of the household that will receive the HELP funds.

To request HELP funds, the member must complete all documents required by the Bank and submit any documents the Bank requests in connection with the request for disbursement of HELP funds. As part of the required documents, the member must certify that the HELP funds will be provided in compliance with all applicable eligibility requirements in Section 1291.6(c) of the AHP Regulations. The member must maintain documentation to support this certification and make such documentation available for review by the Bank upon the request of the Bank.

Monitoring:

The Bank shall monitor compliance with the requirements of HELP. The Bank through this monitoring will determine, at a minimum, whether (i) the HELP funds were provided to households meeting all applicable eligibility requirements in Section 1291.6(c)(2) of the AHP Regulations and the Bank's HELP policies and (ii) all other applicable eligibility requirements in Section 1291.6(c) of the AHP Regulations and the Bank's policies are met, including that the assisted units are subject to retention agreements that meet the requirements of Section 1291.9(a)(7) of the AHP Regulations and the retention requirements included in Attachment F.

As part of its monitoring, the Bank will review the member certification discussed above under "Disbursement Procedures" for each household.

The Bank will also review for a sample of HELP households back-up documentation regarding household incomes maintained by the member and may review other documentation in the Bank's discretion.

SNAP Purpose and Overview:

The Bank may offer the Special Needs Assistance Program (“SNAP”) as an AHP homeownership set-aside program under which the Bank disburses AHP direct subsidy to rehabilitate a single-family home that is used as a special need household’s primary residence. See Attachment A for the definition of “special needs.” SNAP funds will be available to all current members in good standing that have enrolled in SNAP and executed a Special Needs Assistance Program Agreement (a “SNAP Agreement”). The Bank disburses SNAP funds on a homeowner-by-homeowner, first-come, first-served basis during an annual offering cycle beginning January 1 of each year and continuing until the amount of funds allocated to SNAP for that year is exhausted or the following December 31, whichever occurs first. Any unused SNAP funds will be reallocated to the general pool of AHP funds at the end of the calendar year.

Member Eligibility Requirements:

1. Members must complete a one-time registration process and execute a SNAP Agreement.
2. No one member may utilize more than \$60,000 of SNAP funds for every \$1,000,000 of SNAP funds offered by the Bank (“member cap”). If however, a single disbursement of SNAP funds would cause the member to exceed the member cap, the Bank, in its discretion, may allow the member to exceed the member cap in order to receive that single disbursement of SNAP funds. If by August 31 of a calendar year, 75% of the SNAP funds allocated for that calendar year have not been disbursed to members, the Bank, at its discretion, may remove the member cap for the remainder of that calendar year.
3. The rate of interest, points, fees and any other charges for a loan made in conjunction with the SNAP subsidy must not exceed a reasonable market rate of interest, points, fees and other charges for a loan of similar maturity, terms and risk.
4. The member may not request SNAP funds in an amount exceeding \$5,000/household, except that the member may request up to \$7,000/household if the member or another lender contributes at least at least \$350 toward financial or other concessions in connection with the rehabilitation. “Financial or other concessions” means payment by the member or another lender of rehabilitation costs, homeowner training or counseling costs or waiver or reduction of points or closing costs in conjunction with the financing of the rehabilitation.
5. The member may not use SNAP funds in conjunction with any other approved AHP or homeownership set-aside funds awarded by any Federal Home Loan Bank.
6. The member must pass on the full amount of the SNAP funds as a grant to the household for which the SNAP funds were approved.
7. Actual invoices or signed cost estimates will be required evidencing the amount of SNAP funds requested. Verification of the completed rehabilitation work will be required within 60 days of funding if a signed cost estimate was utilized to disburse the funds.
8. The member, or its designee, will be responsible for ensuring that the SNAP-assisted unit is subject to a retention document that meets the requirements of Section 1291.9(a)(7) of the AHP Regulations and the retention requirements included in Attachment F.

Homeowner Eligibility Requirements:

1. Only special needs households are eligible. Please see Attachment A for the definition of “special needs.” The household will qualify if at least one household member meets the special needs definition.
2. SNAP funds may not exceed \$7,000 per household.
3. Households must have a family income of 80% or less of the median income for the area at the time the household is accepted for enrollment by the member in the Bank’s homeownership set-aside program. The Bank considers the time of enrollment of a household by the member in SNAP to be the date on which the member determines the household is income-qualified to participate in SNAP.
4. The homeowner must sign a five-year retention agreement that meets the requirements of Section 1291.9(a)(7) of the AHP Regulations and the retention requirements included in Attachment F.

5. Households may not receive any cash back from the rehabilitation.
6. If households receive financial counseling or other homeownership training that is sufficiently documented to the Bank, up to \$500 in counseling or training costs may be paid with SNAP funds.

Disbursement Procedures:

Disbursements of SNAP direct subsidies may only be provided to institutions that are members of the Bank at the time of the disbursement request. If an institution with an approved disbursement request for SNAP direct subsidy loses its membership in the Bank, the Bank may disburse subsidies to a member of the Bank to which the institution has transferred its obligations under the approved disbursement request, or the Bank may disburse subsidies through another Federal Home Loan Bank to a member of that Federal Home Loan Bank that has assumed the institution's obligations under the approved disbursement request.

Before requesting SNAP funds for a household, the member must provide to the Bank an executed copy of the SNAP Agreement. This is a one-time submission; a member need not execute multiple SNAP Agreements for SNAP funds for multiple households. The member must also submit for each household actual invoices or signed cost estimates and a draft of the retention agreement that shows that such documentation complies with the AHP Regulations and the requirements of this Implementation Plan. The Bank will only disburse SNAP funds to a member for a special needs household that is preparing to rehabilitate, is currently rehabilitating or has recently rehabilitated its home. The member must verify that the SNAP funds will be provided in compliance with all applicable eligibility requirements in Section 1291.6(c) of the AHP Regulations, including the income eligibility of the household that will receive the SNAP funds.

To request SNAP funds, the member must complete all documents required by the Bank and submit any documents the Bank requests in connection with the request for disbursement of SNAP funds. As part of the required documents, the member must certify that the SNAP funds will be provided in compliance with all applicable eligibility requirements in Section 1291.6(c) of the AHP Regulations. The member must maintain documentation to support this certification and make such documentation available for review by the Bank upon the request of the Bank.

Monitoring:

The Bank shall monitor compliance with the requirements of SNAP. The Bank through this monitoring will determine, at a minimum, whether (i) the SNAP funds were provided to households meeting all applicable eligibility requirements in Section 1291.6(c)(2) of the AHP Regulations and the Bank's SNAP policies and (ii) all other applicable eligibility requirements in Section 1291.6(c) of the AHP Regulations and the Bank's policies are met, including that the assisted units are subject to retention agreements that meet the requirements of Section 1291.9(a)(7) of the AHP Regulations and the retention requirements included in Attachment F.

As part of its monitoring, the Bank will review the member certification discussed above under "Disbursement Procedures" for each household.

The Bank will also review for a sample of SNAP households back-up documentation regarding household incomes maintained by the member and may review other documentation in the Bank's discretion.

AFFORDABLE HOUSING PROGRAM SCORING GUIDELINES

The Bank's AHP Competitive Application Program operates through a Bank District-wide competition. Applications are scored according to the nine criteria outlined in Section 1291.5(d)(5) of the AHP Regulations as outlined and explained below using a 100-point scoring system. After scoring, applications are ranked in descending order. The highest-ranking projects receive funding until all available AHP funds are exhausted.

All applicants will compete for the available AHP funds based on the ability of each applicant's project to meet minimum AHP eligibility requirements and the Bank's scoring guidelines below in relation to other submitted projects. The Bank, following an initial scoring of submitted applications, may review only the applications that score high enough to be awarded AHP funds or to be an alternate for AHP funds, plus the Bank may in its discretion review a number of additional applications, to determine if those applications meet the minimum eligibility requirements discussed under "Minimum Eligibility Requirements" in this Implementation Plan.

Point Allocations

<u>Criteria</u>	<u>Max. Points Available</u>
<p>1. Use of donated or conveyed government-owned or other properties - The creation of housing opportunities using a significant proportion (at least 20%) of: 1) units or land donated or conveyed by the Federal government or any agency or instrumentality thereof; or 2) units or land donated or conveyed by any other party for an amount that is significantly (at least 20%) below the fair market value of the property.</p> <ul style="list-style-type: none"> - For units or land donated or conveyed by the Federal government or any agency or instrumentality thereof, evidence of donation or conveyance of the property must be included as an attachment to the application to receive points. Points are awarded based on the following formula: (# of units or land donated/total # of units or land) *5. - For properties donated or conveyed at a discount to fair market value, a recent appraisal or other documentation acceptable to the Bank that evidences the fair market value of the property must be included as an exhibit to the application to receive points. Points are awarded based on the following formula: (fair market value – conveyed amount) / fair market value *5. 	<p>VARIABLE up to 5 points</p>
<p>2. The project sponsor (as defined in Attachment A) is a nonprofit 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.</p> <p>- For owner-occupied projects, if the project sponsor is one of the above-described entities, five (5) points will be awarded. For rental projects, the project sponsor must receive at least 25% of the developer's fee to receive five (5) points. If the project sponsor does not receive at least 25% of the developer's fee, two (2) points will be awarded.</p>	<p>VARIABLE up to 5 points</p>

3. **Targeting** - The extent to which a project creates housing for very low- and low- or moderate-income households. For purposes of this scoring criterion, the Bank will score rental projects and owner-occupied projects separately.

Rental projects that target 60% or more of the total units to very low-income households shall be awarded the maximum (25) points. Rental projects targeting fewer than 60% of the total units to very low-income households, as well as all owner-occupied project applications, will receive points according to the following formula:

- Each very low-income (VLI) unit (i.e., less than or equal to 50% of the area median income or AMI) will be weighted at five (5) points.
 - Each low-income (LI) unit (greater than 50% but less than or equal to 60% AMI) will be weighted at three (3) points.
 - Each moderate-income (MOD) unit (greater than 60% but less than or equal to 80% AMI) will be weighted at one (1) point.
1. Multiply the number of VLI units by 5.
 2. Multiply the number of LI units by 3.
 3. Multiply the number of MOD units by 1.
 4. Add these together.
 5. Divide the total by the total number of units (for rental projects, include any units targeted to income groups above 80% AMI).
 6. Divide this number by 5.
 7. Multiply the end result by the total points available (25).

Examples:

Type	Units	Type	Units	Type	Units
VLI Units	25	VLI	50	VLI	45
LI Units	20	LI	50	LI	50
MOD Units	15	MOD	0	MOD	10
*Other	10	Other	0	Other	10
Total Units	70	Total	100	Total	115

* Owner-occupied units must fall in the VLI, LI or MOD categories. Owner-occupied projects that target households in the "other" category are not eligible for AHP subsidies.

1. $25 * 5 = 125$	1. $50 * 5 = 250$	1. $45 * 5 = 225$
2. $20 * 3 = 60$	2. $50 * 3 = 150$	2. $50 * 3 = 150$
3. $15 * 1 = 15$	3. $0 * 1 = 0$	3. $10 * 1 = 10$
4. $125+60+15=200$	4. $250+150 = 400$	4. $225+150+10=385$
5. $200 / 70 = 2.86$	5. $400 / 100 = 4.0$	5. $385 / 115 = 3.35$
6. $2.86 / 5 = 0.57$	6. $4.0 / 5 = 0.80$	6. $3.35 / 5 = 0.67$
7. $0.57 * 25 = 14.25$	7. $0.80 * 25 = 20.00$	7. $0.67 * 25 = 16.74$

Housing for the homeless - The creation of: A) Rental housing, excluding overnight shelters, reserving at least 20% of the units for homeless households, or B) Transitional housing for homeless households permitting a minimum of six months occupancy or C) Permanent owner-occupied housing reserving at least 20% of the units for homeless households. See Attachment A for the definition of "homeless household." Projects that reserve units for homeless households will receive points on a sliding scale as listed below:

VARIABLE
up to 25 points

VARIABLE
Up to 5 points

Greater than or equal to 20% but less than 30% reserved units	1
Greater than or equal to 30% but less than 40% reserved units	2
Greater than or equal to 40% but less than 50% reserved units	3
Greater than or equal to 50% but less than 60% reserved units	4
Greater than or equal to 60% reserved units	5
<p>5. Promotion of empowerment - The provision of housing in combination with a program offering any of the items below that assist residents to move toward better economic opportunities. Projects that include at least one of the items below will receive five (5) points.</p> <ul style="list-style-type: none"> - Employment (apprenticeships, job search or resume writing assistance) - Education (GED, ESL, or other educational certification) - Training (computer, household maintenance, or financial/budgetary) - Homebuyer, homeownership, or tenant counseling - Daycare services - Resident involvement in decision making affecting the creation or operation of the project - Welfare-to-work initiatives - Sweat Equity (a minimum of 300 hours spent assisting in the construction or rehabilitation of project units) 	<p>FIXED 5 points</p>
<p>6. First District Priority - The Bank's Advisory Council and Board of Directors has approved the following scoring criteria as First District Priorities and allocation of points for them as follows:</p> <ol style="list-style-type: none"> a. The project is located in a rural area. Please see Attachment A for the definition of "rural." This is a variable point score. Points will be allocated based on the percentage of units that are rural. A maximum of five (5) points is available. Points are awarded based on the following formula: rural units / total units * 5. b. The project is targeted to first-time homebuyers. Projects that target at least 50% but less than 100% of the units to first-time homebuyers will receive five (5) points. Projects that target 100% of the units to first-time homebuyers will receive ten (10) points. Please see Attachment A for the definition of "first-time homebuyer." c. The creation of housing in which at least 20% of the units are reserved for occupancy by households with special needs. Please see Attachment A for the definition of "special needs." The housing must comply with any applicable federal and state laws on fair housing (as specified in Section IV.G.7 of this Implementation Plan). Projects that reserve units for occupancy by households with special needs will receive points on a sliding scale as listed below: 	<p>VARIABLE up to 30 points</p>
Greater than or equal to 20% but less than 30% reserved units	1 point
Greater than or equal to 30% but less than 40% reserved units	2 points
Greater than or equal to 40% but less than 50% reserved units	3 points
Greater than or equal to 50% but less than 60% reserved units	4 points
Greater than or equal to 60% reserved units	5 points

<p>d. A project located in a census tract where the median income is no more than 80% of the median income of the MSA in which such census tract is located and in which at least 20% of the units are market-rate units will receive five (5) points. A project located in a census tract where the median income is at least 100% of the median income of the MSA in which such census tract is located and in which at least 20% of the units are reserved for very low-, low-, or moderate-income households will receive five (5) points.</p> <p>e. A project is located within the states of Arkansas, Louisiana, Mississippi, New Mexico and Texas (the “Bank’s District”). This is a variable point score. Points will be allocated based on the percentage of units that are within the Bank’s District. A maximum of five (5) points is available. Points are awarded based on the following formula: Bank’s District units / total units * 5.</p>																																	
<p>7. Second District Priority - The Bank’s Advisory Council and Board of Directors has approved the following criterion and allocation of points for projects located in the Hurricane Katrina or Rita Federal disaster areas or located in any other major federally declared disaster area for 2008 and forward. Projects will receive five (5) points multiplied by the percentage of AHP-assisted units that are located in designated counties that are eligible for FEMA Individual Assistance because of Hurricane Katrina or Rita or any other major federally declared disaster area for 2008 and forward.</p>	<p>VARIABLE up to 5 points</p>																																
<p>8. AHP subsidy per unit - Points will be awarded based on the extent to which a project proposes to use the least amount of AHP subsidy per AHP-targeted unit. Points are awarded on a sliding scale as listed below:</p> <table border="1" data-bbox="131 1108 1312 1801"> <tr> <td>\$7,000 or less</td> <td>15</td> </tr> <tr> <td>\$7,001 - \$8,000</td> <td>14</td> </tr> <tr> <td>\$8,001 - \$9,000</td> <td>13</td> </tr> <tr> <td>\$9,001 - \$10,000</td> <td>12</td> </tr> <tr> <td>\$10,001 - \$11,000</td> <td>11</td> </tr> <tr> <td>\$11,001 - \$12,000</td> <td>10</td> </tr> <tr> <td>\$12,001 - \$13,000</td> <td>9</td> </tr> <tr> <td>\$13,001 - \$14,000</td> <td>8</td> </tr> <tr> <td>\$14,001 - \$15,000</td> <td>7</td> </tr> <tr> <td>\$15,001 - \$16,000</td> <td>6</td> </tr> <tr> <td>\$16,001 - \$17,000</td> <td>5</td> </tr> <tr> <td>\$17,001 - \$18,000</td> <td>4</td> </tr> <tr> <td>\$18,001 - \$19,000</td> <td>3</td> </tr> <tr> <td>\$19,001 - \$20,000</td> <td>2</td> </tr> <tr> <td>\$20,001 - \$21,000</td> <td>1</td> </tr> <tr> <td>Greater than \$21,000</td> <td>0</td> </tr> </table>	\$7,000 or less	15	\$7,001 - \$8,000	14	\$8,001 - \$9,000	13	\$9,001 - \$10,000	12	\$10,001 - \$11,000	11	\$11,001 - \$12,000	10	\$12,001 - \$13,000	9	\$13,001 - \$14,000	8	\$14,001 - \$15,000	7	\$15,001 - \$16,000	6	\$16,001 - \$17,000	5	\$17,001 - \$18,000	4	\$18,001 - \$19,000	3	\$19,001 - \$20,000	2	\$20,001 - \$21,000	1	Greater than \$21,000	0	<p>VARIABLE up to 15 points</p>
\$7,000 or less	15																																
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\$20,001 - \$21,000	1																																
Greater than \$21,000	0																																
<p>9. Community Stability - Points are awarded for the following activities that promote community stability:</p>	<p>VARIABLE up to 5 points</p>																																

- Projects that rehabilitate vacant or abandoned properties that result in those properties meeting or exceeding local building codes, the Southern Building Code or Council of American Building Officials (CABO) standards or projects that demolish vacant or abandoned properties and rebuild with new construction will receive four (4) points.
- Projects that are currently occupied and that involve no displacement of low- or moderate-income households occupying the project or that provide assistance to minimize the impact of any displacement will receive one (1) point.

AHP NEED FOR SUBSIDY ANALYSIS

Step 1

Calculate the present value of the buyer's financial commitment. For example, if the buyer of the unit is expected to repay the project sponsor a \$25,000 promissory note in monthly installments over 20 years at 0% interest, you should value that commitment as follows:

Present value of buyer's payments to project sponsor:	
1. Mortgage Term in Years	20
2. Actual Monthly Mortgage P&I Payment	\$104.17
3. Assuming an Annual Market Rate of	9.00%*
Present Value of Buyer's Contribution	\$11,578

*The appropriate discount rate used in this calculation is determined by the Bank (a reasonable market rate plus an adjustment to reflect the credit quality of the borrower). The Bank uses the Community Investment Program Rate + 300 points. Members submitting applications or requesting disbursement of AHP subsidy should contact the Community Investment Department for the appropriate rate for a project.

The value of the buyer's contribution is considered a source of cash and must be included in the project sponsor's contribution.

Step 2

Calculate the maximum potential funding gap by outlining all sources (excluding AHP funds) and comparing those to uses.

SOURCES		USES	
Other Cash Sources	13,000	Developer's Fee	3,000
Project Sponsor's Cash Contribution*	11,578	Costs requiring cash payments	26,578
Estimates of the market value of in-kind donations and volunteer professional labor or services committed to the project, excluding the value of sweat-equity	5,000	Estimates of the market value of in-kind donations and volunteer professional labor or services committed to the project, excluding the value of sweat-equity	5,000
Total sources excluding AHP	\$ 29,578	Total cost of unit	\$ 34,578

*The project sponsor's cash contribution must include the present value of any payments the buyer is required to make to the project sponsor, in connection with the purchase of the unit.

Uses should include all costs requiring cash payments and estimates of the market value of in-kind donations and volunteer professional labor or services committed to the project, excluding the value of sweat-equity. In sum, they should equal the total cost of the unit/project. The gap potentially qualifying for AHP subsidy in the above example is \$5,000.

Retention Document Requirements

The following are the Bank's requirements for retention documents for projects and households under the AHP Competitive Application Program and the AHP Homeownership Set-Aside Programs:

1. The retention document must include the amount of AHP subsidy for the project or household.
2. The retention document must include the number of years of the retention period. **The retention period for owner-occupied units (including units with AHP subsidy from the AHP Homeownership Set-Aside Programs) must be 5 years. The retention period for rental projects must be 15 years.**
3. Please include substantially the following statements in your retention document:

Retention agreements for owner-occupied units (including units with AHP subsidy from the AHP Homeownership Set-Aside Programs) (5 year retention period).

The member shall ensure that an owner-occupied unit financed by the proceeds of an AHP direct subsidy is subject to a deed restriction or other legally enforceable retention agreement or mechanism requiring that:

- The Bank's Community Investment Department or its designee (member institution) is to be given notice of any sale or refinancing of the unit occurring prior to the end of the retention period;
- In the case of a sale of the unit prior to the end of the retention period, an amount equal to a pro rata share of the direct subsidy, reduced by 1/60 for every month the seller owned the unit, shall be repaid to the Bank from any net gain realized upon the sale of the unit, after deduction for sales expenses, unless the purchaser is a very low- or low- or moderate-income household;
- In the case of a refinancing of the unit prior to the end of the retention period, an amount equal to a pro rata share of the direct subsidy, reduced by 1/60 for every month the occupying household has owned the unit, shall be repaid to the Bank from any net gain realized upon the refinancing, unless the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism described in these Retention Document Requirements; and
- The obligation to repay AHP subsidy to the Bank shall terminate after any foreclosure.

Retention agreements for rental projects (15 year retention period).

The member shall ensure that a rental project financed by the proceeds of an AHP 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 or its designee (member institution) is to be given notice of any sale or refinancing of the project occurring prior to the end of the retention period;
- 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 AHP subsidy received by the owner 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 income-eligibility and affordability restrictions applicable to the project will terminate after any foreclosure.

4. The retention document does not have to be signed and recorded prior to receiving AHP subsidy. A draft will be acceptable. The Bank must receive, however, a copy of the signed and recorded deed restriction after the following date, as applicable:
 - for owner-occupied units involving acquisition or construction (including units with AHP subsidy from HELP), the date of the closing of the sale of the property to the homebuyer, if the property was purchased or constructed;
 - for owner-occupied units involving rehabilitation (including units with AHP subsidy from SNAP), the final date of disbursement of the AHP subsidy by the Bank to the member if the property was rehabilitated;
 - for rental projects involving construction, the date the certificate of occupancy or similar document was issued;
 - for rental projects involving acquisition, the date of the closing of the sale of the project; or
 - for rental projects involving rehabilitation, the date of completion of the rehabilitation of the project.
5. The Bank has provided sample retention documents in the funding manuals on its website at www.fhfb.com. While the Bank does not require that a member use the sample retention documents, if a retention document will differ substantially from the Bank's sample retention documents, the member should contact the Bank.

GUIDELINES FOR DETERMINING INCOME ELIGIBILITY

The Bank will request and review current and verifiable documents that members or project sponsors obtain regarding the amount and sources of income of households participating in any AHP project or receiving HELP or SNAP funds. The Bank will implement the following guidelines in order to confirm the annual earnings and eligibility of households who have been approved to purchase and/or occupy AHP-, HELP- or SNAP- assisted units as well as a project's overall ability to achieve the occupancy targets that were committed to in AHP applications. These guidelines also apply to any homeownership set-aside programs of the Bank, including HELP or SNAP.

What constitutes "income"?

According to §5.609 of the U. S. Department of Housing and Urban Development ("HUD") regulations (24 C.F.R. § 5.609), annual income shall include, but is not limited to:

- Anticipated total income from all sources received by the family head and spouse (even if temporarily absent) and by each additional member of the family over the age of 18 years (please note that income of co-habiting partners/spouses must be combined, even if only one of the partners/spouses is on the application, mortgage or note);
- The full amount (before any payroll deductions) of all wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- The net income derived from operation of a business or profession;
- Interest, dividends, and other net income of any kind from real or personal property;
- The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump sum payment for the delayed start of a periodic payment;
- Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay;
- Welfare assistance payments;
- Alimony and child support payments if received regularly; and
- All regular pay, special pay and allowances of a member of the Armed Forces.

What does *not* constitute "income"?

According to §5.609 of the HUD regulations (24 C.F.R. §5.609), annual income does not include the following:

- Income from the employment of children (including foster children) under the age of 18 years;
- Payments received for the care of foster children or foster adults;
- Lump sum additions to family assets (e.g., inheritances, capital gains, insurance policy death benefit payments, settlement for personal/property losses, medical expense reimbursements);

- Income of a live-in aide;
- Educational scholarships paid directly to a student, educational institution, or a veteran;
- The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
- Earned income tax credits;
- Unreliable and non-recurring income (e.g., gifts, employee stock option buyouts, etc. As indicated earlier, overtime pay, commissions, fees, tips and bonuses do not constitute unreliable and non-recurring income as defined here.); and
- The value of food stamp allotments.

Criteria for determining household income eligibility

Although it is not the intention of the Bank to dictate loan underwriting policies to its members or project sponsors, the Bank is responsible for enforcing the AHP Regulations in regard to the income eligibility of households who are selected to purchase and/or occupy AHP-assisted units. As such, members and project sponsors are required to utilize the following guidelines whenever qualifying households for AHP-assisted projects or households:

Owner-occupied units

For purposes of owner-occupied units under the AHP Competitive Application Program, the AHP Regulations specify that households must be determined to be income-eligible at the time that the project sponsor has qualified said households to participate in the project. For purposes of owner-occupied units under the Bank's HELP or SNAP, households must be determined to be income-eligible at the time the household is accepted for enrollment by the member in the Bank's homeownership set-aside programs. The Bank considers the time of enrollment of a household by the member in the Bank's homeownership set-aside programs to be the date on which the member determines the household is income-qualified to participate in HELP or SNAP.

Currently occupied rental projects

For rental projects involving the acquisition or rehabilitation of occupied rental housing, the AHP Regulations specify that households must be determined to be income-eligible at the time the application for AHP subsidy is submitted to the Bank for approval. The Bank requires when the application for such project is submitted and when a request for disbursement of AHP funds for such project is made a copy of the project's most recent rent roll or a similar document containing at least each tenant's income and the rent each tenant will be paying. The Bank during long-term monitoring of a project requests income documentation in accordance with the Bank's long-term monitoring requirements.

Rental housing created through new construction or rehabilitation of vacant buildings

The determination of income eligibility shall be made at the time that the household initially occupies the project unit.

Income Source Documents

Acceptable forms of income source documents may include the following:

- Completed and signed U.S. Individual Income Tax Returns (i.e., Internal Revenue Service 1040 Forms); to use this, the household must be income qualified within the first 3 months of the year, or the applicant must be self-employed or a seasonal worker.

- Year-End Wage and Tax Statements (i.e., Internal Revenue Service W-2 Forms) (if employed on a reasonable basis, the prior year's W-2s are acceptable); to use this, the household must be income qualified within the first 3 months of the year, or the applicant must be self-employed or a seasonal worker.
- Paychecks with accompanying earnings/deductions statements (must include person's name for verification and must be dated within three months prior to the date the household was income qualified, as set forth above under "Criteria for determining household income eligibility")
- Completed and properly executed verification of employment letters (must include person's name for verification and must be dated within three months prior to the date the household was income qualified, as set forth above under "Criteria for determining household income eligibility")
- Social Security Supplemental Income notices
- Financial statements verifying payments received from annuities, pensions, insurance policies, etc.
- Financial statements verifying stock portfolio earnings, dividends, and other interest income
- Letters or case management forms from public assistance agencies
- Approved HUD Section 8 certificates
- State housing agency (e.g., Department of Community Affairs) verifications of income
- Court orders verifying alimony awards and child support payments

The Bank reserves the right to request more current income documentation if the income documentation is more than three months old. The Bank generally does not accept multiyear averages of income, except that if all or a portion of an individual's income is net income derived from operation of a business or profession the Bank may review and average such income over at least a two-year period.

DISASTER RELIEF GUIDELINES

If the President of the United States determines that the damage in an area (a “Disaster Area”) that is part of the Bank’s District is of sufficient severity and magnitude to warrant a major disaster declaration under the authority of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. §§ 5121-5206 (a “Disaster Declaration”), then the Bank may take the following actions regarding any AHP project or household that is located in a Disaster Area and that is adversely impacted as a result of the event giving rise to the Disaster Declaration:

1. The Director, Community Investment may extend by up to 12 months the time period required by the AHP Regulations to be specified in this Implementation Plan within which (i) an AHP subsidy otherwise must be drawn down or (ii) other financing commitments must be procured for the AHP project.
2. The Director, Community Investment may extend by up to 24 months the time period required by the AHP Regulations to be specified in this Implementation Plan within which an AHP project must be completed.

MONITORING SCORE SHEET / MONITORING SCHEDULE

Monitoring Score Sheet

Record of Compliance

- 0 instances of non-compliance = 0 points
- 1-3 instances of non-compliance = 3 points
- 4-7 instances of non-compliance = 5 points
- 8-11 instances of non-compliance = 7 points
- 12-15 instances of non-compliance = 9 points

Projects that exceed 15 instances of non-compliance will be monitored on site at the project at least once every two years.

An instance of non compliance is defined to be one of the following occurrences:

1. A tenant is income ineligible
2. A unit's rent exceeds the maximum affordability limit
3. Certification not submitted timely by project sponsor/project owner
4. Required back-up and other documentation (i.e., rent roll) not submitted timely

Record of Compliance Total

Amount of Subsidy

- < \$50,001 = 0 points
- \$50,001 - \$250,000 = 5 points
- \$250,001 - \$500,000 = 7 points
- > \$500,000 - ***The Bank will conduct an onsite review at the project for a sample of the project units every 2 years***

Amount of Subsidy Total

Financial Structure

Monitoring by other entities

1. Project involves monitoring by federal, state or local government entities = 1 point
2. Project does not involve monitoring by federal, state or local government entities = 3 points
3. Project does not involve monitoring by a state-designated housing credit agency under a Low-Income Housing Tax Credit Program and the project sponsor is a for-profit entity = 3 points

Ratio of Subsidy

1. Ratio of AHP Subsidy to Total Development Cost < 30% = 1 point
2. Ratio of AHP Subsidy to Total Development Cost 30% - 50% = 3 points
3. Ratio of AHP Subsidy to Total Development Cost >50% = 5 points

Projects involving the acquisition of existing projects = 9 points

Financial Structure Total

Organizational and Staff capacity

Capacity of Sponsor to own and manage project

1. Less than one year of experience = 5 points
2. One to three years of experience = 3 points

3. Three or more years of experience = 1 point

Experience of the sponsor's staff at managing and leasing affordable housing units

1. Less than one year of experience = 3 points
2. One to three years of experience = 2 points
3. Three or more years of experience = 1 point

Organizational and Staff Capacity Total

Total Score: _____

Monitoring Schedule

- 1) Projects that accrue fewer than 18 points will be monitored at least once every 6 years
- 2) Projects that accrue 18 to 23 points will be monitored at least once every 4 years
- 3) Projects with 24 points or more will be monitored at least once every 2 years
- 4) If the amount of AHP subsidy funded to the project is greater than \$500,000, the Bank will conduct long-term monitoring reviews for the project at the project site every 2 years
- 5) If a project has 15 or more instances of non-compliance (as defined above), the project will be monitored at least once every two years at the project site