

Member driven.
Community focused.

Affordable Housing Program
2026 Implementation Plan

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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"). 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 promulgates the AHP Regulations and also issues guidance regarding application of the AHP Regulations.

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 consists of the states of Arkansas, Louisiana, Mississippi, New Mexico and Texas. The Bank provides resources and technical assistance to members and to community groups located throughout the Bank's District and in areas outside the Bank's District served by the Bank's members.

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, Member Services, Accounting, Risk 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, email, social media, the Bank's website and personal contact, as well as through more traditional marketing methods such as Bank bulletins, special notices, brochures, and pamphlets. The Bank's various publications frequently feature timely articles about successful housing financed with the help of AHP subsidies. Groups such as community-based, for profit 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 and webinars 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;
- provides technical assistance to help community investment partners as they strive to serve their communities;
- conducts workshops throughout the Bank's District, as well as webinars, to provide information and training on all of the community investment products;
- promotes Community Reinvestment Act activities and requirements to the Bank's members;
- provides information about successful housing and community revitalization programs 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. From time to time, the Bank also makes special efforts to educate community investment partners about disbursements requirements, calculation of income and, regulatory requirements.

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 to the greatest extent possible under the AHP Regulations.

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 1291.14 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 and 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 one "at large" representative from a state housing finance agency who must be an executive level employee of that state housing finance agency. The state housing finance agency representative may be from any state in the Bank's District. The Board will also appoint one "at large" representative of a tribal housing organization located in the district who must be in an executive or senior management position of that organization. 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. The Bank pays the travel expenses incurred by Advisory Council members. In addition, the Bank compensates Advisory Council members for each attended meeting. The compensation amounts are detailed in the Advisory Council Charter.

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) No Delegation

The Bank's Board of Directors will not delegate to a committee of the Board, Bank officers or other Bank employees its responsibilities as set forth in the AHP Regulation.

J) 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.

K) 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 AHP funding rounds. The Bank may also include any amounts de-committed or recaptured from the current AHP funding round. Under the AHP Homeownership Set-Aside Programs, AHP subsidies will be provided as direct subsidies. Under the AHP General Fund, AHP subsidies will be provided either as direct subsidies or subsidized advances.

III) AHP HOMEOWNERSHIP SET-ASIDE PROGRAMS

The Bank may establish AHP Homeownership Set-aside Programs in accordance with Section 1291 Subpart D 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 each of 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. 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, the Special Needs Assistance Program ("SNAP"), a program to assist special needs households, and the Disaster Rebuilding Assistance Program ("DRA"), a program to assist households affected by a federally declared disaster. A minimum of $17 million will be allocated to HELP, a minimum of $1.8 million will be allocated to SNAP, and a minimum of $3.5 million will be allocated to DRA.

IV) AHP GENERAL FUND

A) General

The Bank conducts the AHP General Fund as a Bank District-wide competition under which the Bank awards and disburses AHP subsidy through a scoring methodology. 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 round and Application Submission

All requests for AHP subsidy must be submitted via the Bank's electronic AHP application. Applications for funding are accepted during an annual funding round. The funding round will begin on March 31, 2026 and conclude on April 30, 2026. 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 accepted, 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 General Fund as a subsidized advance. Members may request AHP amortizing subsidized advances (loans) with terms of 10 years or greater, up to a term of 20 years with an amortization of 30 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 1291.29 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 or households 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 the AHP Regulations.

AHP subsidy cannot be used to pay for capitalized reserves, periodic deposits to reserve accounts, operating expenses, or supportive services expenses. 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, 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 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 round, except for any amount insufficient to fund the next highest scoring application, is exhausted. In the event that two or more applications have identical scores and there is insufficient AHP subsidy to approve all of the tied applications, then the tie-breaking methodology as detailed in Attachment D to this Implementation Plan will be utilized. 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 the AHP Regulations, some of which are discussed below. In particular, the AHP Regulations, 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, where the housing is to be used as the household's primary residence. 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:

a. any cash contributions by the project sponsor;
b. any cash from sources other than the project sponsor;
c. 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
d. 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:

a. any actual outlay of cash needed to pay for materials, labor, and acquisition or other costs of completing the project and
b. 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 and determined to be reasonable by the Bank. 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"), U.S. Department of Agriculture ("USDA"), 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 projects that are not located in the Bank's District, the Bank will utilize the project state's Qualified Allocation Plan (QAP). If a QAP is not available, the applicable provisions of the implementation plan of the Federal Home Loan Bank for that Federal Home Loan Bank System district will be used to determine reasonable project costs.

For rental projects involving new construction or rehabilitation 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 in Texas, the Bank will obtain the prior year average total development cost for new construction projects from the Texas State Housing Finance Agency (Texas Department of Housing & Community Affairs) and multiply it by 130 percent to utilize 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:

a) one independent bid for the cost of the rehabilitation or a Physical Needs Assessment*

b) a detailed scope of the rehabilitation work to be completed
c) if the project is currently occupied, the most recent rent roll and the property's most recent audited financial statements
d) pictures illustrating the project's condition
e) pre- and post-inspection conducted by a qualified independent third party not related to the owner, sponsor, developer or contractor and approved by the member. (Only required if AHP funds represent the majority of the funding source excluding any owner or charitable contributions.)

In addition, for rental rehabilitation projects, the Bank may require the following item as a condition of funding the AHP subsidy:

a) 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 RSMeans construction cost data as a benchmark to determine reasonable project costs. The construction costs of a submitted project may not exceed RSMeans construction 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 the cost approach within an appraisal as a benchmark to determine reasonable project costs. In the event an appraisal containing sufficient information is not available, the Bank will utilize RSMeans construction cost data as a benchmark to determine reasonable project costs. The construction costs of a submitted project may not exceed RSMeans construction 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 $15,000, the Bank will utilize RSMeans construction 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 RSMeans construction cost data by more than 5%. For all other owner-occupied projects involving rehabilitation, the Bank will review the rehabilitation budget to determine if the costs appear reasonable. At the time of disbursement for all homes, the Bank will obtain invoices or signed cost estimates. Verification of the completed rehabilitation work and an invoice is required if a signed cost estimate was utilized to disburse the funds.

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 (including proper zoning and site control, as applicable), 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. The project sponsor must also certify that it has not engaged in, and is not engaging in, covered misconduct as defined in the Finance Agency's Suspended Counterparty Program regulation (12 CFR part 1227). 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.

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 and determined to be reasonable by the Bank. 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, USDA, 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.

Criteria	**Ranges or Limits**
Debt Coverage Ratio	1.15 minimum
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 for all other properties is not to exceed $400/unit/year. Rehabilitation is not to exceed $500/unit/year
Operating Reserves	Not to exceed 6 months (1)
Operating Expenses	No less than $2,500/unit/year excluding property taxes in the first year of operation; in subsequent years, the operating expenses should not increase by more than the allowed Annual Expense Escalator
Soft cost	Not to exceed 30% of Total Development Cost
Hard cost contingency	New construction not to exceed 10% of hard construction costs net of hard cost contingency Rehabilitation not to exceed 15% of hard construction costs net of hard cost contingency
Developers' Fee	15% of Total Development Cost net of Developers' Fee (2) Acquisition/Rehabilitation: 15% of Total Development Cost net of Developers' Fee and Acquisition Cost
General Requirements (6%), Builder Profit (6%) and Builder Overhead (2%)	14% Total Construction Cost (2)
Rents	Not to exceed 30% of the area median income (3)
Interest Rate, Fees, Points and Other Costs of Financing	Not to exceed the market rate for similar loans

Owner-Occupied Projects

Criteria	Ranges or Limits
Subsidy Pass-Through	Must be clearly demonstrated
General requirements (6%), Builder Profit (6%) and Builder Overhead (2%) for new construction projects where the sponsor is selling the home	14% Total Construction Cost [4]
Developers' Fee, profit and inspection fees	The developer fee may not exceed 10% of the FHLB subsidy amount [2][4]
Interest Rate, Fees, Points and Other Costs of Financing	Not to exceed the market rate for similar loans
Cash Back	Homebuyers may not receive any cash back at closing
Hard cost contingency	New construction not to exceed 10% of hard construction costs net of hard cost contingency Rehabilitation not to exceed 15% of hard construction costs net of hard cost contingency
Mortgage Term and Amortization Term	Not less than 5 years and 15 years respectively
Rehabilitation Pre- and Post- Inspections[4]	Not to exceed 15% of Rehabilitation Costs [4]

1. If the project includes an operating reserve, it should not exceed six months of projected operating expenses, debt service payments, and replacement reserves. This is the maximum amount; the full six-month reserve is not required.
2. 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 and builder's profit, where applicable.
3. 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.
4. For owner-occupied rehabilitation projects, pre- and post-inspections of the rehabilitation work are required and must be conducted by an independent third party selected by the member. Unless the sponsor is a government-controlled entity, the third-party inspector must not be related to the sponsor. AHP funds may be used to cover the cost of the pre- and post-inspections.

   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) *Relocation of Occupants*

For rental projects involving purchase or rehabilitation that are occupied at the time of AHP application and are incorporating a strategy that requires displacement (either temporary or permanent) of the existing occupants, a relocation plan is required. The relocation plan may be (i) any plan that is approved by any federal, state, or local government funder(s) involved in the financing of the project or (ii) a plan approved by the Bank that at a minimum meets the following:

- Takes reasonable steps to minimize displacement;
- Articulates a resident notification plan of the displacement with appropriate lead time commensurate with the extent of the relocation;
- Provides temporary displacement planning, if applicable, such as: moving within the property to a fully renovated unit (permanently or temporarily), storage of personal property on-site, moving to a hotel for a designated period of time, or some other alternative;
- Details what accommodations, if any, are planned for if an occupant elects permanent relocation; and
- Provides a payment for actual reasonable moving and related expenses or a fixed payment for moving expenses.

Regardless of the type of relocation plan submitted, a relocation budget categorizing the line item relocation costs in total and an anticipated average cost per household is required. In addition, general assumptions articulating how the relocation cost estimates were determined should be narrated within the relocation plan.

6) *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.

7) *Retention*

An owner-occupied unit constructed, purchased, or purchased in conjunction with rehabilitation, using AHP direct subsidy 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.

8) *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. The application also must demonstrate how the project will be affirmatively marketed.

H) Subsidy Limitation, Calculation & Funding

AHP subsidies will be limited to $1,750,000 per project and $45,000 per AHP eligible unit. The Bank determines, in its sole discretion, what constitutes a "project". Factors the Bank may consider include how the final legally enforceable retention agreement is attached to the real property, how other funders are defining a project and how costs are allocated and accounted for (e.g. only one cost certification). Scattered site rental properties that include single or multi-family housing units located in multiple non-contiguous sites may be grouped into a single project so long as all sites are located within the same county or parish.

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 and approved by the Bank's Board of Directors to be of particular relevance during that funding round will be included on the AHP application for potential awarding of points. The Bank adopts these criteria - called Bank District priorities" - as authorized by Section 1291.26(h) of the AHP Regulations. The Bank District Priorities are included in the scoring guidelines in Attachment D.

J) Approval of Application

The Bank will forward as many of the highest-scoring applications as required to exhaust the available AHP funds to the Bank's Board of Directors for approval.

K) Extension of Funding Round

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 round 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 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. In addition, the project sponsor will certify that it continues to meet the project sponsor qualifications attested to in the application and that the sponsor has not engaged in, and is not engaging in, covered misconduct as defined by the Finance Agencies Suspended Counterparty Program regulation (12 CFR part 1227). 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, Project Completion and Project Occupancy

Progress toward Project Completion

Some or all of the AHP subsidy must be likely to be drawn down by the project or used by the project to procure other financing commitments within 12 months of the date of the Bank's approval of the application. At the conclusion of the 12 months, the project commitment will expire. The Bank may consider and approve requests to extend the expiration 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 toward completion. The Bank may also choose to deny extension requests based upon the information provided. The Bank may cancel a project that does not demonstrate satisfactory progress toward meeting the designated completion date and recapture any AHP subsidy that the Bank previously disbursed to such project.

During the period of construction or rehabilitation of a project, the project sponsor must report to the member in writing annually on whether satisfactory progress is being made toward timely project completion. The member must take the necessary steps to determine whether satisfactory progress is being made toward timely project completion, including reviewing both the annual report received from the project sponsor, and written requests for project extensions, and must report to the Bank in writing 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 or the member, or both, as appropriate, must promptly submit a corrective plan of action to the Bank.

Project Completion

The project must be completed within four 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, which may require additional time to complete a project. For this reason, such projects are allowed up to six years from the time of their approval until their completion. Not to allow this longer period of time might frustrate the purposes of the AHP with respect to Native American projects because such projects might not otherwise be able to meet the time set for the completion of projects that do not involve Native American project sponsors or lands.

Project completion extension requests that exceed the four-year or six-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. The Bank may also choose to deny extension requests based upon the information provided. Project completion extension requests that the Bank chooses to approve and that exceed the four-year or six-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 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 the AHP Regulations and the retention requirements included in Attachment F before the Bank will consider the project "completed."

Project Occupancy

Following completion of a project, the Bank determines whether satisfactory progress is being made towards occupancy of the project by eligible households.

For rental projects, 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. 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. Within one year after the respective four-year or six-year completion deadline for a rental project, the rental project must reach at least a 75% occupancy level. Once the rental project reaches at least a 75% occupancy level, the rental project will be eligible for initial monitoring. Any requests to extend the occupancy-level deadline that the Bank chooses to approve must be approved by the Board of Directors.

N) Monitoring Requirements

The Bank, the member and the project sponsor/project owner are required to comply with monitoring requirements as outlined below. 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.

Owner-Occupied Projects:

After an owner-occupied project becomes eligible for initial monitoring, 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, as determined pursuant to Section 1291.24(a)(4) of the AHP Regulations; (iv) each AHP-assisted unit constructed, purchased, or purchased in conjunction with rehabilitation, is subject to an AHP retention agreement that meets the requirements of Section 1291.15(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.

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.

Within one year and six months after the project become eligible for initial monitoring, the Bank will review back-up project documentation, including documentation regarding household incomes and, in the Bank's discretion, other documentation, for each owner-occupied project to determine if the documentation supports the certification.

Rental Projects:

Initial Monitoring

After a rental project becomes eligible for initial monitoring, 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, as determined pursuant to Section 1291.24(a)(4) of the AHP Regulations; (iv) the project is subject to an AHP retention agreement that meets the requirements of Section 1291.15(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.

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. A third-party cost certification of project costs is required for rental projects.

For those projects that received funds from other federal, state or local government entities whose programs are specified in separate Finance Agency guidance, or projects that have been allocated Low-Income Housing Tax Credits (LIHTC), the Bank may choose not to review the back-up documentation of actual tenant rents and incomes.

Within one year and six months after the project becomes eligible for initial monitoring, the Bank will review back-up project documentation, including documentation regarding household incomes and, in the Bank's discretion, other documentation, for 10% of the units, but no less than 5 units, of each rental project to determine if the documentation supports the certification.

Long-Term Monitoring for LIHTC Projects

For a completed AHP rental project that has been allocated LIHTC, the Bank will rely on the monitoring by the agency administering the LIHTC of the income targeting and rent requirements applicable under the LIHTC Program. The Bank will not obtain and review reports from such agency or otherwise monitor the project's long-term AHP compliance; however, the project owner must report any material unresolved non-compliance to the Bank. Additionally, if any party involved with the project has been included on the Bank's list of project parties that are not in compliance with the AHP Regulations or the Bank's AHP policies (the "AHP Watch List"), the Bank will verify that the issue is resolved. If the Bank later removes the party from the AHP Watch List, and no other parties involved with the project are included on the AHP Watch List, the Bank will resume reliance on the agency's monitoring.

Reliance on Other Agencies for Long-Term Monitoring for Rental Projects

For completed AHP rental projects that received funds other than LIHTC from federal, state, or local government entities whose programs are specified in separate Finance Agency guidance (HUD 202, HUD 811, USDA 514, and USDA 515), 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 1291.50(b) 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 applicable 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 applicable entity's monitoring.

Long-Term Monitoring of Rental Projects by the Bank

Commencing in the year after a rental project has become eligible for initial monitoring, the project sponsor/project owner must certify to the Bank each year (excluding projects allocated LIHTC) 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, and provide information on the ongoing financial viability of the project, including whether the project is current on its property taxes and loan payments, its vacancy rate, and whether it is in compliance with its commitments to other funding sources. 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 Bank will review this annual certification received from the project sponsor/project owner.

The Bank will conduct long-term monitoring of all rental projects as set forth below for which the Bank does not rely on other monitoring agencies as noted above.

The Bank will review back-up project documentation, including documentation regarding household incomes and rents and, in the Bank's discretion, other documentation, for 10% of the units of the rental project, but no less than 5 units as follows:

- For projects receiving $75,001 - $400,000 in AHP subsidy, the Bank will review project documentation every six years;
- For projects receiving $400,001 - $750,000 in AHP subsidy and the subsidy is less than or equal to 10% of the total development costs, the Bank will review project documentation every six years;
- For projects receiving $400,001 - $750,000 in AHP subsidy and the subsidy is greater than 10% of the total development costs, the Bank will review project documentation every four years;
- For projects receiving more than $750,000 in AHP subsidy and the subsidy is less than or equal to 15% of the total development costs, the Bank will review project documentation every four years.
- For projects receiving more than $750,000 in AHP subsidy and the subsidy is greater than 15% of the total development costs, the Bank will review project documentation every two years.
- The Bank, in its sole discretion, may monitor projects more frequently including on-site project reviews as deemed necessary.

O) On-Site Visits

In addition to the on-site project reviews conducted as a part of the Bank's monitoring requirements, the Bank's staff may, at any time, in its discretion, conduct on-site project reviews either independently or together with staff of members and/or project sponsors/project owners.

V. General Requirements for the AHP Home Ownership Set Aside Programs and the AHP General Fund

A) Counseling Costs

Up to $500.00 of homebuyer counseling costs may be paid with AHP or HELP funds only if (i) the costs are not paid by any other source (including the member) and (ii) the homebuyer receiving the cost assistance purchases an AHP- or HELP-assisted unit. The member must provide documentation sufficient to the Bank to evidence the household's participation in homebuyer counseling.

B) Income Guidelines

The Bank's income guidelines are based on the median income (adjusted for family size) for the area as published annually by HUD which includes but is not limited to section 8 and non-metropolitan median income tables or the incomes as outlined under the Native American Housing Assistance and Self-Determination Act for projects located within a Native American Service Area, as the case may be. 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, SNAP, and DRA 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, SNAP or DRA funds for purposes of earning income from the AHP, HELP, SNAP, or DRA funds is deemed to be arbitrage of AHP, HELP, SNAP, or DRA funds and is not permitted.

D) Remedial Actions for Noncompliance

In the event of noncompliance by an AHP-assisted project with the commitments made in its application for AHP subsidies and the requirements of the AHP Regulations, including any use of AHP by the project sponsor or owner for purposes other than those committed to in the AHP application, the requirements are as follows in sequential order:

- The Bank shall request that the project sponsor or owner make a reasonable effort to cure the noncompliance within a reasonable amount of time as determined by the Bank. If the noncompliance cannot be cured within a reasonable amount of time, the requirements for project modification shall apply.
- The Bank shall determine whether the circumstances of the noncompliance can be eliminated through a modification of the terms of the AHP application pursuant to Section 1291.29. If the noncompliance cannot be eliminated through a modification, the requirements for collection efforts shall apply.
- The Bank, or the member if delegated such responsibility by the Bank, shall make a demand on the project sponsor or owner for repayment of the full amount of the AHP subsidy not used in compliance with the commitments in the AHP application of the requirements of the AHP Regulations.

The Bank shall recover from the member the amount of any AHP subsidy not used in compliance with the commitments in the member's AHP application or the requirements of the AHP Regulations as a result of the actions or omissions of the member.

If an AHP project approved under the AHP General Fund 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 round 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 round 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 1291.60 of the AHP Regulations, to recapture the entire amount of the AHP funds disbursed to such project. Pursuant to Section 1291.64 of the AHP Regulations, any subsidies repaid to the Bank will be returned to the pool of funds to be utilized as described in the Returned or Recaptures Subsidy paragraph below.

E) Returned, Recaptured or Reallocated Subsidy

If any previously committed AHP subsidy is returned or recaptured, the Bank will make those funds available for the pool of funds for the next AHP calendar year or may allocate returned or recaptured subsidies in the current year.

If sufficient submissions to the AHP General Fund are not received to exhaust the total allocation, the Bank reserves the right to reallocate remaining funds to the Homeownership Set-Aside Programs so long as the total amount allocated to the Homeownership Set-Aside Programs does not exceed the 35% threshold of the annual AHP contribution. The Bank may also, at its discretion, choose to offer a second AHP General Fund round with any remaining funds not utilized during the initial annual round.

The Bank may, at its discretion, reallocate Voluntary Program funds to the Homeownership Set-Aside Programs or AHP General Fund.

If sufficient submissions to the Homebuyer Equity Leverage Partnership Program are not received to exhaust 50% of the allocation by June 30th, the Bank reserves the right to reallocate up to 100% of the remaining allocation to the AHP General Fund or other Homeownership Set-Aside Programs.

F) Suspension and Debarment

Pursuant to Section 1291.63 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, SNAP, or DRA 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. In addition, the Bank may also suspend or debar any material party to a transaction 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 B for details.

I) Conflict of Interest Policy

In accordance with the requirements of Section 1291.16 of the AHP Regulations, The Bank's Board of Directors has adopted a written policy regarding the code of conduct, including conflicts of interest. Inquiries or attempts to influence any action that would affect the funding on a project are not permitted by the following parties:

- Members of the Bank's Advisory Council
- Members of the Bank's Board of Directors
- Bank staff and management

This Implementation Plan was reviewed and approved by the Bank's Board of Directors on June 11, 2026.

Attachment A
Definitions

Abandoned means that mortgage or tax foreclosure proceedings have been initiated for a property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days. For purposes of this Implementation Plan, this definition does not apply to land and covers buildings only.

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 General Fund and any Targeted Funds and 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.

Extremely low-income household means a household's income may not exceed 30% of the area 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.

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 or purchasing a permanent structure; or
  - that was substantially destroyed due to a natural disaster or other event of catastrophic loss.

Foreclosed means a property "has been foreclosed upon" at the point that, under state or local law, the mortgage or tax foreclosure is complete. The Bank generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

Hard Construction Costs means the actual costs of making improvements to the property via construction.

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;
  - a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings; or
- Youth aging out of foster care system or
- Victims fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or other dangerous situations.

Intermediary means an IRS established 501c3 nonprofit organization, government entity or tribal entity that works with a member institution to facilitate applications for the Bank's Homeownership Set-Aside programs and applicable Voluntary programs. The Intermediary must be current on filing and paid all tax obligations to participate in any program.

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.

Manufactured Housing means a structure, transportable in one or more sections, which is built on a permanent frame and is designed to be used as a dwelling when connected to the required utilities.

Material Party means any project development team participant who has influence over or impacts the outcome of a project.

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.

Native American Service Area means an area within which a Native American tribe operates affordable housing programs or the area in which a tribally designated housing entity (as designated for purposes of the Native American

Housing Assistance and Self-Determination Act) is authorized by one or more Indian tribes to operate affordable housing programs.

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 General Fund and any Targeted Funds, one or more owner-occupied units in a single-family or multifamily building, including condominiums, cooperative housing and manufactured housing communities. The project scope must be either 100% new construction or 100% rehabilitation.

Owner-Occupied Unit means a dwelling unit which is the primary residence by the owner of the unit. Housing with two to four dwelling units consisting of one owner-occupied unit and one or more rental units is considered a single owner-occupied unit.

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

- has an ownership interest & integrally involved 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, and the ownership interest is contained within the General Partnership or (ii) the project sponsor has an ownership interest or the ability to control 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 project or for owner occupied projects (ii) qualifies borrowers and provides or arranges financing for the owners of the owner-occupied units.

Rental Project means, for purposes of the General Fund and any Targeted Funds , one or more dwelling units for occupancy by households that are not owner-occupants, including overnight and emergency shelters, transitional housing for homeless households, mutual housing, single-room occupancy housing and manufactured housing communities. The project scope must be either 100% new construction or 100% rehabilitation.

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 where a household receives AHP subsidy for construction, purchase, or purchase in conjunction with rehabilitation of the unit; and
- fifteen years from the date of completion for a rental project.

Rural means

- an area eligible for USDA Rural Development housing programs. USDA property eligibility is provided on the USDA website which is http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do.

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 for owner-occupied housing means households with elderly, persons with disabilities, persons recovering from physical abuse, alcohol, or drug abuse, or persons with HIV/AIDS.

Special Needs for rental housing means households with elderly, persons with disabilities, persons recovering from physical abuse alcohol or drug abuse, persons with HIV/AIDS, formerly incarcerated persons, victims of domestic violence, dating violence, sexual assault or stalking, and unaccompanied youth.

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.

Vacant means having no tenant or occupant and devoid of furniture, fixtures, etc. For purposes of this Implementation Plan, this definition does not apply to land and covers buildings only.

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.

Voluntary Program means a program offered by the Bank, at its discretion, outside of the regulatory required programs and above the 10% statutory allocation requirement. Voluntary Programs support housing and economic development initiatives considering the unique needs of the Bank's District.

Attachment B
Project Extensions due to Federally Declared Disaster

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.

Attachment C
AHP Homeownership Set-Aside Programs

I. HELP Purpose and Overview:

The Bank offers 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 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 with the Bank 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 at least one annual offering cycle beginning in January of each year and continuing until the amount of funds allocated to HELP for that year is exhausted or 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 to be allocated in the following year.

For 2026, the Bank will provide five offerings. The annual allocation will be split evenly (20%) per offering. Any unused amounts from an offering will roll into the subsequent offerings.

Member Eligibility Requirements:

1) Members must complete a one-time enrollment process and execute a HELP Agreement.
2) No one member may utilize more than $150,000 of HELP funds per offering by the Bank ("member cap"). Unused member cap funds from an offering will not rollover to the next offering. If by May 31 of a calendar year, 60% of the HELP funds allocated for that calendar year have not been requested by members, the Bank, at its discretion, may increase or remove the member cap for the remainder of that calendar year.
3) The member may utilize up to $375,000 of HELP funds per year on properties outside the Bank's district of Arkansas, Louisiana, Mississippi, New Mexico or Texas.
4) 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. The term and the amortization term of the loan made in conjunction with the HELP subsidy must not be less than 5 years and 15 years respectively.
5) The member may not request HELP funds in an amount exceeding $20,000/homebuyer for properties located in Arkansas, Louisiana, Mississippi or outside the Bank's district. The member may not request HELP funds in an amount exceeding $25,000/homebuyer for properties located in New Mexico or Texas.
6) The member may not use HELP funds in conjunction with any other approved AHP General Fund or AHP Homeownership Set-Aside funds awarded by any Federal Home Loan Bank. The member may use HELP funds in conjunction with FHLB Dallas Voluntary Program funds.
7) The member must pass on the full amount of the HELP funds as a subsidy to the household for which the HELP funds were approved, which fact must be documented on the applicable Closing Disclosure.
8) 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 1291.15(a)(7) of the AHP Regulations and the retention requirements included in Attachment F.
9) The first mortgage, or primary loan, made in conjunction with the HELP request must be originated by the member institution, wholly-owned subsidiary of the member institution, a government entity or, a 501c3 non-profit organization.

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 $20,000/homebuyer for properties located in Arkansas, Louisiana, Mississippi or outside the Bank's district. The member may not request HELP funds in an amount exceeding $25,000/homebuyer for properties located in New Mexico or Texas.

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 submits the request for disbursement of funds.
4) Homebuyers are required to complete a homebuyer 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 counseling program must be provided to the Bank. Up to $500.00 of homebuyer counseling costs may be paid with HELP funds only if (i) the costs are not paid by any other source (including the member) and (ii) the homebuyer receiving the cost assistance purchases a HELP-assisted unit.
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 Closing Disclosure.
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 1291.15(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. For purposes of calculating the member cap amount applicable to the assuming member, the Bank will not increase the assuming member's member cap amount, but the Bank will also not apply the amount of the former member's disbursement requests towards the assuming member's member cap amount. Alternatively, 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.

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 1291.42 of the AHP Regulations, including the income eligibility of the household that will receive the HELP funds. 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. The member must also submit for each household a Loan Estimate containing substantially the same information as a Closing Disclosure 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 Bank shall verify compliance with the requirements of HELP during the disbursement process. The Bank will determine, at a minimum, whether (i) the HELP funds were provided to households meeting all applicable eligibility requirements in Section 1291.42 of the AHP Regulations and the Bank's HELP policies and (ii) all other applicable eligibility requirements in Section 1291.42 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 1291.15(a)(7) of the AHP Regulations and the retention requirements included in Attachment F.

II. SNAP Purpose and Overview:

The Bank offers the Special Needs Assistance Program ("SNAP") as an AHP Homeownership Set-Aside Program under which the Bank disburses AHP direct subsidy to rehabilitate an owner-occupied home that is used as a special needs 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 with the Bank that have enrolled in SNAP and executed a Special Needs Assistance Program Agreement (a "SNAP Agreement").

SNAP Submission and Selection Process
The Bank commits SNAP funds on a homeowner-by-homeowner basis during at least one submission period each year. If sufficient submissions are not received to exhaust the SNAP allocation, the remaining funds will be made available and will continue on a first-come, first-serve basis until the amount of funds allocated to SNAP for that year is exhausted or 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 to be allocated in the following year.

No member may submit more than $40,000 of SNAP funds during the annual submission period(s). At the end of the submission period(s), the total amount of submissions will be divided by the number of submitting members. The result will be the initial process limit. Any members with requests exceeding this limit will be contacted to determine how to proceed with their submission.

If an intermediary is working with multiple members, then the intermediary may not submit (via multiple members) more than $80,000 in total SNAP requests during the annual submission period(s).

If the Bank offers two submission periods in one year, the total program allocation will be equally divided between the two offerings. Any unused amounts from the first offering will roll into the second offering. Additionally, the member and intermediary caps will be split so that the member and/or intermediary may submit up to half (50%) of their overall cap during the first submission period and half (50%) during the second submission period. Neither the member nor the intermediary may submit the entirety of the cap during one submission period.

Member Eligibility Requirements:

1) Members must complete a one-time enrollment process and execute a SNAP Agreement.
2) No member may utilize more than $40,000 of SNAP funds during the annual offering(s) by the Bank ("member cap"). Additionally, no member may submit more than six (6) total requests in one round 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 $10,000/household.
5) The member may not use SNAP funds in conjunction with any other approved AHP General Fund or AHP Homeownership Set-Aside funds awarded by any Federal Home Loan Bank. The member may use SNAP funds in conjunction with FHLB Dallas Voluntary Program funds.
6) The member must pass on the full amount of the SNAP funds as a subsidy for the benefit of the household for which the SNAP funds were approved, which must be documented in applicable documents related to the rehabilitation.
7) Pre- and post-inspections of the rehabilitation work are required and must be conducted by an independent third party selected by the member. Unless the intermediary is a government-controlled entity, the third party inspector must not be related to the intermediary. The developer fee may not exceed $750.
8) An executed Home Repair Estimate and a pre-inspection report will be required evidencing the amount of SNAP funds requested. Verification of the completed rehabilitation work via a post-inspection report will be required.

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 $10,000/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 submits the request for disbursement of funds.
4) Households may not receive any cash back from the rehabilitation.
5) Subject to the following sentences, SNAP funds may be used to pay for third party inspection costs and developer fees. The third party inspections costs and developer fees may be paid with SNAP funds only if (i) the costs are not paid by any other source (including the member) and (ii) the homeowner receiving the cost assistance utilizes SNAP funds to rehabilitate the home.
6) The SNAP assisted property must be located within the Bank's district of Arkansas, Louisiana, Mississippi, New Mexico, or Texas.
7) Homeowner(s) must have ownership of the subject property at the time of request for 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. For purposes of calculating the member cap amount applicable to the assuming member, the Bank will not increase the assuming member's member cap amount, but the Bank will also not apply the amount of the former member's disbursement requests towards the assuming member's member cap amount. Alternatively, 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.

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 1291.42 of the AHP Regulations, including the income eligibility of the household that will receive the SNAP funds. 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. The member must also submit for each household an Executed Home Repair Estimate 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 Bank shall verify compliance with the requirements of SNAP during the disbursement process. The Bank will determine, at a minimum, whether (i) the SNAP funds were provided to households meeting all applicable eligibility requirements in Section 1291.42 of the AHP Regulations and the Bank's SNAP policies and (ii) all other applicable eligibility requirements in Section 1291.42 of the AHP Regulations and the Bank's policies are met.

III. Disaster Rebuilding Assistance Purpose and Overview:

The Bank offers the Disaster Rebuilding Assistance Program ("DRA") as an AHP Homeownership Set-Aside Program under which the Bank disburses AHP direct subsidy to assist households affected by a disaster event in federally declared disaster areas within the District. DRA funds will be available to all current members in good standing with the Bank that have enrolled in Disaster Rebuilding Assistance and executed a DRA Program Agreement. The Bank disburses DRA funds on a homeowner-by-homeowner, first-come, first-served basis during at least one annual offering cycle each year and continuing until the amount of funds allocated to DRA for that year is exhausted or November 15, whichever occurs first. Any unused DRA funds will be reallocated to the general pool of AHP funds at the end of the calendar year to be allocated in the following year.

If the Bank provides two offerings in one year, the total program allocation will be equally divided between the two offerings. Any unused amounts from the first offering will roll into the second offering. Additionally, the member cap will be split so that the member may submit up to half (50%) of their overall cap during the first offering and half (50%) during the second offering. Unused member cap funds from an offering will not rollover to the next offering.

If the member has exhausted the member cap and a new FEMA declared disaster occurs, the member may provide a written request to the Bank to have their member cap waived in order to submit disbursement requests related to the newly declared disaster. The Bank will consider requests for a waiver of the member cap only if there are sufficient funds remaining in the annual DRA allocation. The Bank reserves the right to approve or deny requests for waiver of the member cap.

Member Eligibility Requirements:

1) Members must complete a one-time enrollment process and execute a DRA Program Agreement.
2) No member may utilize more than 15% of DRA funds during the annual offering(s) by the Bank ("member cap").
3) The rate of interest, points, fees and any other charges for a loan made in conjunction with the Disaster Rebuilding Assistance 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 DRA funds in an amount exceeding $15,000/household.
5) The member may not use DRA funds in conjunction with any other approved AHP General Fund or AHP Homeownership Set-Aside funds awarded by any Federal Home Loan Bank. The member may use DRA funds in conjunction with FHLB Dallas Voluntary Program funds.
6) The member must pass on the full amount of the DRA funds as a subsidy for the benefit of the household for which the DRA funds were approved, which must be documented in applicable documents related to the rehabilitation.
7) Pre- and post-inspections of the rehabilitation work are required and must be conducted by an independent third party selected by the member. Unless the intermediary is a government-controlled entity, the third-party inspector must not be related to the intermediary. The developer fee to the intermediary may not exceed $750.
8) Actual invoices or signed cost estimates and a pre-inspection report will be required evidencing the amount of DRA funds requested. Verification of the completed rehabilitation or reconstruction work via a post-inspection report will be required.

Homeowner Eligibility Requirements:

1) Property must be used as a household's primary residence and be located in an area in the Bank's district designated for Individual Assistance by the Federal Emergency Management Agency (FEMA) within the timeframe set by the Bank.
2) All properties must be titled as real estate and be permanently affixed to a foundation.
3) Homeowner(s) must have at least 30 days' current ownership and have ownership of the subject property at the time of the disaster declaration.
4) DRA funds may be used for repair or replacement work on all damaged components for habitability or code compliance. Reimbursement for repair or replacement work is limited to assistance not already paid for by insurance, federal or state emergency assistance or any other funding sources.
5) 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 DRA to be the date on which the member submits the request for disbursement of funds.
6) Households may not receive any cash back from the rehabilitation.
7) Subject to the following sentences, DRA funds may be used to pay for third party inspection costs and developer fees. The third-party inspections costs and developer fees may be paid with DRA funds only if (i) the costs are not paid by any other source (including the member) and (ii) the homeowner receiving the cost assistance utilizes DRA funds to rehabilitate or reconstruct the home.

Disbursement Procedures:

Disbursements of DRA 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 DRA 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. For purposes of calculating the member cap amount applicable to the assuming member, the Bank will not increase the assuming member's member cap amount, but the Bank will also not apply the amount of the former member's disbursement requests towards the assuming member's member cap amount. Alternatively, 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 DRA funds for a household, the member must provide to the Bank an executed copy of the DRA Program Agreement. This is a one-time submission; a member need not execute multiple DRA Program Agreements for DRA funds for multiple households.

To request DRA 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 DRA funds. As part of the required documents, the member must certify that the DRA funds will be provided in compliance with all applicable eligibility requirements in Section 1291.42 of the AHP Regulations, including the income eligibility of the household that will receive the DRA funds. 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. The member must also submit for each household an Executed Home Repair Estimate that shows that such documentation complies with the AHP Regulations and the requirements of this Implementation Plan. The Bank will only disburse DRA funds to a member for a household that is preparing to rehabilitate or reconstruct, is currently rehabilitating or has recently rehabilitated its home.

The Bank shall verify compliance with the requirements of DRA during the disbursement process. The Bank will determine, at a minimum, whether (i) the DRA funds were provided to households meeting all applicable eligibility requirements in Section 1291.42 of the AHP Regulations and the Bank's DRA policies and (ii) all other applicable eligibility requirements in Section 1291.42 of the AHP Regulations and the Bank's policies are met.

Attachment D

Affordable Housing Program Scoring Guidelines

The Bank's AHP General Fund operates through a Bank District-wide competition. Applications are scored according to the criteria outlined in Section 1291.26 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. In the event of a tie in the scores received by AHP applications for prospective projects, and there are funds remaining in the General Fund, but the amount is not sufficient to fund all of the tied projects, the Bank may utilize up to the maximum AHP subsidy limit in current year reallocation/recapture monies to fund all of the tied projects. If more than the maximum AHP subsidy limit is required of the current year reallocation/recapture monies to fund all of the tied projects, the tie-breaking methodology as detailed in the Implementation Plan will be utilized to break the tie. Any remaining money will be carried over to the next round or allocated to the appropriate set-aside program(s) as recommended by the Advisory Council and approved by the Board of Directors.

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, 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

Criteria	Max. Points Available
1) **Use of donated or conveyed government-owned or other properties** - The financing of housing 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 the federal government or any other party for an amount that is significantly (at least 50%) below the fair market value of the property. The property must be donated or conveyed by an entity not related to or affiliated with the member, project sponsor or project owner through ownership or control with the exception of property owned and donated by a Housing Authority, City or County and meeting all other conditions of this criterion. A subleased property will not qualify as donated property. **Long term leases of 15 years or more with a nominal annual rent payment (no more than $100 annually) qualify as donated or conveyed property for purposes of this scoring criterion. To qualify, there *may not be any upfront payments or additional rents* other than the nominal annual rent payment.** • For units or land donated or conveyed 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, an appraisal within six months prior to the closing or transfer date is required. (If the property is not transferred at the time of application, the value will be determined based on the purchase and sales agreement or option to purchase. After the property is transferred, the actual price and value will be reconfirmed.). Points are awarded based on the following formula: (fair market value – conveyed amount) / fair market value *5.	**VARIABLE up to 5 points**

2) **The project sponsor (as defined in Attachment A) is a not-for-profit organization, a state or political subdivision of a state, a state housing agency, a local housing authority, a Native American Tribe, an Alaskan Native Village, or the government entity for Native Hawaiian Home Lands**. • 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.	**VARIABLE up to 5 points**
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 (20) 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 (20). **Examples:**	**VARIABLE up to 20 points**

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 * 20 = 11.40		7. 0.80 * 20 = 16		7. 0.67 * 20 = 13.4	

4) **Underserved communities and populations –** The following scoring criterion address the financing of housing for underserved communities or populations. The allocation of points is as follows: a) The financing of rental housing, excluding overnight shelters, reserving at least 20% of the units for homeless households, the creation of transitional housing for homeless households permitting a minimum of six months occupancy, or the creation of 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 15 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
b) The financing of housing in which at least 20% of the units are reserved for households with specific 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:	
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
c) A 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.	
5) **Creating economic opportunity -** The following scoring criterion addresses the following specific housing needs to facilitate economic opportunity for the residents. The allocation of points is as follows: a) **Promotion of empowerment** - The provision of housing in combination with a program offering any of the services below that assist residents in attaining life skills or moving toward better economic opportunities. Rental projects that include one service will receive four (4) points. Owner-Occupied projects that include one service will receive three (3) points. Any project that includes two of these services will receive the full five (5) points. • Employment– Should include services such as employment/career counseling and job placement, assistance with professional resume preparation, transportation to job interviews and employment placement services. • Financial Literacy Education – (Rental Projects only) – Should include subject matters such as basic financial planning and money management, overview of credit reports and credit repair, budgeting and early warning signs of debt problems.	**VARIABLE Up to 5 points**

• Homebuyer Counseling/Education (Owner-Occupied Purchase/Construction Projects only) – Should include subject matters such as credit counseling, budgeting, money management, maintaining good credit and predatory lending prevention. This is mandatory for first time homebuyers. • Homeowner Maintenance & Counseling/Education (Owner-Occupied Rehabilitation Projects only) – Should include subject matters such as budgeting, money management, maintenance, repairs and improvements. • On-Site Daycare services (child or adult) – Physical space must be provided for one or more daycare facilities with a valid and current operating license. For childcare, program must provide daycare for children ranging in age from infant to 6 years old. This program is distinct from an after-school or out-of-school program provided and described below. • After School or out-of-school services – Program may serve as a substitute for child-care, enabling parents or guardians to find or sustain employment. Program is for school age children or youth ranging in age from 5 to 17 years old. This program is distinct from an on-site child-care daycare program provided and described above. • Sweat Equity (Owner-Occupied New Construction Projects only) – Activities required of the homebuyers or their families to meet the sweat equity requirements of the organization. A minimum of 200 hours is required and must apply to all homes within the project. • Workforce Preparation and Integration – Should include services such as vocational training, adult-accredited education programs that include English as a second language, GED or other certifications. Referral of residents to services is inadequate to qualify for points. • Mental and Behavioral Health Services – Such as substance abuse prevention and treatment programs or residential support services. Services provided must promote economic betterment by supporting residents' ability to find or sustain employment or be self-sufficient. • Residential Services Coordinator – (Rental Projects only) Should manage and provide access to necessary supportive services in the community, provide case management services as needed and requested, and develop programs and resources that support wellness for the entire resident population.	
6) **Community stability, including affordable housing preservation -** Points are awarded for the following activities that promote community stability: –Projects can receive three (3) points for each of the following activities not to exceed a total of nine (9) points: a.) Rehabilitating or converting an existing non-housing structure into housing (adaptive reuse). b.) Rehabilitating existing structure(s) where at least 50% of the project's units (or in the case of adaptive reuse, 50% of the existing square footage) are vacant, abandoned or foreclosed properties (not including vacant land). The rehabilitation shall result in those properties meeting or exceeding local building codes or the International Code Council (ICC) standards. c.) Demolition of properties (not including vacant land or ancillary structures) where at least 20% of the proposed units in the project shall be newly constructed in place of the demolished structures. d.) Projects that are 100% new construction.	**VARIABLE** **Up to 15 points**

— Projects will receive six (6) points if 1) the project will, within one year prior to or two years after the AHP application deadline, face expiring HUD Section 8 project-based rental assistance contracts, reach the end of a tax credit compliance period, or face expiring USDA-RD 515 rental assistance contracts and 2) the project commits to preserve all of the affordable rental units after the expiration of such contract or the end of the tax credit compliance period. A project will also receive points if the project is a Public Housing Development participating in the Rental Assistance Demonstration (RAD) program where the project is replacing the functionally obsolete units with new units or substantially renovated units, as determined by the Bank in its sole discretion.	
7) **Bank District Priority** - The Bank's Advisory Council has recommended and the Bank's Board of Directors have approved the following scoring criteria as Bank District Priorities and allocation of points for them as follows: a) 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 two and a half (2.50) points. Projects that target 100% of the units to first-time homebuyers will receive five (5) points. Please see Attachment A for the definition of "first-time homebuyer." b) 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 eight (8) points is available. Points are awarded based on the following formulas: Louisiana, Mississippi and Texas: Bank's District units / total units * 5 Arkansas and New Mexico: Bank's District units / total units * 8 For multi-state scattered site projects, the following formula will be used: (Louisiana units + Mississippi units + Texas units / total units * 5) + (Arkansas + New Mexico units / total units * 8) c) The project is incorporating climate resilient building standards. A maximum of seven (7) points is available. Points are awarded based on the type of resilient housing certifications below. Projects can only receive points for one certification. Energy Star Certified – three (3) points Fortified: Roof – three (3) points Enterprise Green Communities Certification – five (5) points Leadership in Energy and Environmental Design (LEED) Certification – five (5) points ICC/ASHRAE – 700 National Green Building Standard (NGBS) – five (5) points HERS Rating: 65 or less for Rehab; 55 or less for New Construction – five (5) points Fortified: Silver – five (5) points Fortified: Multifamily, Gold – seven (7) points d) The number of rental units being created/retained. A maximum of five (5) points is available. Points are awarded on a sliding scale as listed below: 10-25 units – one (1) points 26-75 units – three (3) points >75 units – five (5) points e) Native housing projects may receive a maximum of five (5) points. To qualify, the project must: • Have a project owner that is a Tribal Government, an agency of a Tribal Government, a Tribally Designated Housing Entity, or an entity incorporated under or otherwise created in accordance with Tribal Law; or • Located in a Native American Service Area or HUD-designated Indian Housing Block Grant (IHBG) Area.	**VARIABLE up to 35 points**

f) The extent to which a project proposes to use the least amount of AHP subsidy per AHP-targeted unit. A maximum of five (5) points is available. Points are awarded on a sliding scale as listed below:

Owner-Occupied Projects

Per Unit Subsidy Amount		Points	Per Unit Subsidy Amount		Points
$0	$15,000	5.000			
$15,001	$15,250	4.875	$20,001	$20,250	2.375
$15,251	$15,500	4.750	$20,251	$20,500	2.250
$15,501	$15,750	4.625	$20,501	$20,750	2.125
$15,751	$16,000	4.500	$20,751	$21,000	2.000
$16,001	$16,250	4.375	$21,001	$21,250	1.875
$16,251	$16,500	4.250	$21,251	$21,500	1.750
$16,501	$16,750	4.125	$21,501	$21,750	1.625
$16,751	$17,000	4.000	$21,751	$22,000	1.500
$17,001	$17,250	3.875	$22,001	$22,250	1.375
$17,251	$17,500	3.750	$22,251	$22,500	1.250
$17,501	$17,750	3.625	$22,501	$22,750	1.125
$17,751	$18,000	3.500	$22,751	$23,000	1.000
$18,001	$18,250	3.375	$23,001	$23,250	0.875
$18,251	$18,500	3.250	$23,251	$23,500	0.750
$18,501	$18,750	3.125	$23,501	$23,750	0.625
$18,751	$19,000	3.000	$23,751	$24,000	0.500
$19,001	$19,250	2.875	$24,001	$24,250	0.375
$19,251	$19,500	2.750	$24,251	$24,500	0.250
$19,501	$19,750	2.625	$24,501	$24,750	0.125
$19,751	$20,000	2.500	>$24,750		0.000

Rental Projects

Per Unit Subsidy Amount		Points	Per Unit Subsidy Amount		Points
$0	$35,000	5.000			
$35,001	$35,250	4.875	$40,001	$40,250	2.375
$35,251	$35,500	4.750	$40,251	$40,500	2.250
$35,501	$35,750	4.625	$40,501	$40,750	2.125
$35,751	$36,000	4.500	$40,751	$41,000	2.000
$36,001	$36,250	4.375	$41,001	$41,250	1.875
$36,251	$36,500	4.250	$41,251	$41,500	1.750
$36,501	$36,750	4.125	$41,501	$41,750	1.625
$36,751	$37,000	4.000	$41,751	$42,000	1.500
$37,001	$37,250	3.875	$42,001	$42,250	1.375
$37,251	$37,500	3.750	$42,251	$42,500	1.250
$37,501	$37,750	3.625	$42,501	$42,750	1.125
$37,751	$38,000	3.500	$42,751	$43,000	1.000
$38,001	$38,250	3.375	$43,001	$43,250	0.875
$38,251	$38,500	3.250	$43,251	$43,500	0.750
$38,501	$38,750	3.125	$43,501	$43,750	0.625
$38,751	$39,000	3.000	$43,751	$44,000	0.500
$39,001	$39,250	2.875	$44,001	$44,250	0.375
$39,251	$39,500	2.750	$44,251	$44,500	0.250
$39,501	$39,750	2.625	$44,501	$44,750	0.125
$39,751	$40,000	2.500	>$44,750		0.000

Tie Breaking Methodology

An AHP application that receives a score identical to the score of another application and requests a subsidy greater than the amount of AHP funds that remain to be awarded will be excluded from the tie-breaking process described below.

If two or more applications receive identical scores and the requested subsidy of each application is within the amount of AHP funds that remain to be awarded, the Bank will adhere to the following tie-breaking methodology:

Step 1: Compare the tied applications' scores under letter b. of the Bank District scoring criterion (Within District) of the Implementation Plan (IP). The application(s) with the highest score(s) are approved for funding. If any of the remaining applications' scores are still tied and the requested subsidy of each remaining application is within the amount of AHP funds that remain to be awarded, then proceed to Step 2.

Step 2: Compare the remaining tied applications' scores under letter f. of the Bank District scoring criterion (AHP Subsidy Per Unit) of the IP. The application(s) with the highest score(s) are approved for funding. If any of the remaining applications' scores are still tied and the requested subsidy of each remaining application is within the amount of AHP funds that remain to be awarded, then proceed to Step 3.

Step 3: Compare the remaining tied applications' scores under the Targeting scoring criterion of the IP. The application(s) with the highest score(s) are approved for funding. If any of the remaining applications' scores are still tied and the requested subsidy of each remaining application is within the amount of AHP funds that remains to be awarded, then proceed to Step 4.

Step 4: Compare the remaining tied applications' scores under the Community Stability scoring criterion of the IP. The application(s) with the highest score(s) are approved for funding.

Step 5: Compare the remaining tied applications' scores under the Underserved Communities scoring criterion of the IP. The application(s) with the highest score(s) are approved for funding.

Step 6: Compare the remaining tied applications' scores under letter d. of the Bank District scoring criterion (number of rental units being created/retained) of the IP. The application(s) with the highest score(s) are approved for funding.

Attachment E
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	6.25%*
Present Value of Buyer's Contribution	**$14,252**

*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 basis 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*	14,252		Costs requiring cash payments	29,252
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	**$ 32,252**		**Total cost of unit**	**$ 37,252**

*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.

Attachment F
Retention Document Requirements

The following are the Bank's requirements for retention documents for projects and households where an owner-occupied household receives AHP subsidy for construction, purchase, or purchase in conjunction with rehabilitation under the AHP General Fund 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 applicable AHP Homeownership Set-Aside Programs) must be 5 years. The retention period for rental projects must be 15 years.**

3) The member shall ensure that (i) the executed retention document is filed in accordance with the property laws of the jurisdiction in which the project or unit is located, such that the Bank will receive notice of any refinancing or any sale, foreclosure or other transfer of the project or unit during the retention period and the other requirements of the retention language will be met, or (ii) other provision is made so that the Bank will receive notice of any refinancing or any sale, foreclosure or other transfer of the project or unit during the retention period and the other requirements of the retention language will be met, which provision is subject to the Bank's approval.

4) In the case of a sale, transfer, or assignment of deed or title within the retention period, the Bank will make the determination for owner-occupied units whether the subsequent purchaser, transferee, or assignee is a low- or moderate-income household. The determination on the subsequent household's income will be made using the proxy issued by the Finance Agency, unless documentation demonstrating the household's actual income is made available. Under the Finance Agency's value limits proxy, if the sales price of the unit is at or below the applicable U.S. Department of Housing and Urban Development's (HUD), HOME Investment Partnerships Program (HOME) and Housing Trust Fund (HTF) homeownership value limit for existing housing, the subsequent household is considered to be a low- or moderate-income household.

5) Please include substantially the following statements in your retention document:
Retention agreements for owner-occupied units, excluding those only for owner-occupied rehabilitation (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 is to be given notice of any sale, transfer, assignment of title or deed, or refinancing of the unit by the household occurring prior to the end of the retention period;
   - In the case of a sale, transfer, or assignment of title or deed of the unit prior to the end of the retention period, the household shall repay to the Bank an amount equal to the lesser of: (i) a pro rata share of the direct subsidy, reduced by 1/60 for every month the seller owned the unit, or (ii) any net proceeds realized upon the sale, transfer, or assignment of title or deed of the unit, minus the AHP-assisted household's investment, unless the purchaser, transferee, or assignee is a low- or moderate-income household, the unit was assisted with a permanent mortgage funded by an AHP subsidized advance (applicable to the AHP General Fund only), or the amount subject to repayment is $2,500 or less;
   - In the case of a refinancing of the unit prior to the end of the retention period, the household shall repay to the Bank an amount equal to the lesser of: (i) a pro rata share of the direct subsidy, reduced by 1/60 for every month the occupying household has owned the unit, or (ii) any net proceeds realized upon the refinancing minus the AHP-assisted household's investment, 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, the unit was assisted with a permanent mortgage funded by an AHP subsidized advance (applicable to the AHP General Fund only), or the amount subject to repayment is $2,500 or less; and

- The deed restriction or other legally enforceable retention agreement or mechanism should be subordinate to any valid outstanding lien against the unit currently of record. The obligation to repay AHP subsidy to the Bank shall terminate after any foreclosure of such prior recorded lien, deed-in-lieu of foreclosure of such prior recorded lien, an assignment of a Federal Housing Administration first mortgage to Housing and Urban Development or death of the AHP-assisted homeowner.

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 is to be given notice of sale, transfer, assignment of title or deed, or refinancing of the project occurring prior to the end of the retention period;
- In the case of a sale, transfer, assignment of title or deed, or refinancing of the project by the project owner 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 deed restriction or other legally enforceable retention agreement or mechanism should be subordinate to any valid outstanding lien against the project currently of record. Foreclosure of such prior recorded lien shall extinguish the income-eligibility and affordability restrictions applicable to the project.

6) 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 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.

7) The Bank has provided sample retention documents in the funding manuals on its website at www.fhlb.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.

Attachment G
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, SNAP or DRA 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- , SNAP- or DRA-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, SNAP, or DRA.

I. 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-habitating 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.

II. 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.

III. 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:

1) *Owner-occupied units*

For purposes of owner-occupied units under the AHP General Fund, 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, SNAP or DRA, 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 submits the request for disbursement of funds.

2) *Currently occupied rental projects*

For rental projects involving the acquisition or rehabilitation of occupied rental housing, where a resident relocation plan acceptable to the Bank is not available, 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. Accordingly, at application submission, the Bank requires the project sponsor/project owner to submit a rent roll record form or a similar document containing at a minimum, each tenant's income, household size, number of bedrooms and the rent each tenant is paying. During the Bank's review of the application, the Bank requires the project sponsor/project owner to provide backup documentation to evidence income and rent eligibility for a random sampling of the tenant population chosen by the Bank.

If the rental project has an approved relocation plan for current occupants (as specified in Section IV.G.5 of this Implementation Plan), the Bank will verify household income eligibility meets the income targeting commitments upon initial occupancy of the rental unit after completion of the purchase or rehabilitation.

3) *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.

IV. 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 seasonal 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.

Self-employment income is considered stable and eligible for qualifying purposes if the income has been received for a full 2 calendar years. The income is to be calculated by taking an average monthly net income based on the most recent 2 full years of tax returns. Deductions in income for depreciation, amortization, depletion and other non-cash deductions shall be added back to net income on Schedule C, partnership or corporation income to determine compliance income. The average monthly income shall be calculated after deductions are added back in.