



AFFORDABLE HOUSING PROGRAM IMPLEMENTATION PLAN

Effective as of March 25, 2010

TABLE OF CONTENTS

Table of Contents	<i>i</i>
Introduction.....	1
Statement of Purpose.....	1
Affordable Housing Program Overview	1
Competitive Program (AHP)	2
Submission and Approval of AHP Applications	2
Time Limits, Progress Milestones, and Modification Limits on the Use of AHP Subsidies.....	4
Disbursement Procedures	6
Monitoring Requirements for Rental Projects	8
Monitoring Requirements for Owner-Occupied Projects	11
Collection Expense Reimbursement.....	12
Homeownership Set-Aside Program (FHP).....	13
Overview.....	13
Member Eligibility	13
Homebuyer Eligibility	14
Product Eligibility.....	15
Disbursement Procedures	16
Monitoring Requirements.....	17
General Provisions.....	18
Income Eligibility Guidelines.....	18
Noncompliance Remedies.....	18
Amendments	19
APPENDICES	20
Appendix A -- Project Feasibility and Cost Guidelines	21
Appendix B -- Scoring Guidelines.....	26
Appendix C -- Income Eligibility Guidelines	34
Appendix D --Retention Mechanism Requirements.....	40

INTRODUCTION

STATEMENT OF PURPOSE

To assist in the financing of housing affordable to very low-, low- and moderate-income households, the Federal Home Loan Bank of Atlanta (Bank) has established an Affordable Housing Program pursuant to Section 10(j) of the Federal Home Loan Bank Act. In accordance with Federal Housing Finance Agency rules and regulations governing the Bank's Affordable Housing Program¹ (Regulations), and after taking into consideration the views and recommendations of the Bank's Affordable Housing Advisory Council, the Bank's board of directors adopts this Affordable Housing Program Implementation Plan (Plan).

This Plan sets forth certain policies, procedures, and standards applicable to the Bank's Affordable Housing Program, as required by the Regulations. While this Plan also includes other important information pertaining to the Affordable Housing Program, the Plan is not a comprehensive statement of the Bank's Affordable Housing Program policies and procedures, nor is the Plan intended to be a complete statement of the rights and obligations of the Bank and other participants in the Affordable Housing Program.

The Bank may, in its sole discretion, waive or otherwise grant exceptions to some or all of the requirements of this Plan in connection with an Affordable Housing Program project. Any waiver or exception of the Plan requirements does not constitute a contract on behalf of the Bank for the benefit of any member, sponsor, owner, or other third party beneficiary associated with an AHP project, and may not be enforced by any person against the Bank.

AFFORDABLE HOUSING PROGRAM OVERVIEW

The Bank offers Affordable Housing Program financial assistance in two forms: a competitive program and a homeownership set-aside program. The Bank allocates up to 35 percent of its annual Affordable Housing Program subsidy contribution to the homeownership set-aside program and the Bank may adjust the amount available from time to time based on a review of program activity or other factors, with the balance devoted to funding the competitive program.

Although the Bank's Affordable Housing Program encompasses both the competitive program and the homeownership set-aside program, the Bank markets the competitive program as its "AHP" and the set-aside program as its "First-time Homebuyer Program" or "FHP." To avoid confusion, this Plan adopts the same convention. Unless otherwise stated, references in this Plan to "AHP" shall mean only the competitive program, while references to "FHP" shall mean the set-aside program.

¹ 12 C.F.R. Part 1291.

COMPETITIVE PROGRAM (AHP)

SUBMISSION AND APPROVAL OF AHP APPLICATIONS

The Bank distributes AHP funds in up to two competitive offerings each year pursuant to an application process. The Bank offers AHP capital in the form of subsidized advances (loans) and direct subsidies (direct cash payments), subject to a maximum direct subsidy limit of \$1,000,000 per project. The Bank considers AHP to be a source of capital that leverages other funding in approved projects. As such, applications for AHP funds shall demonstrate the commitment of acceptable funding from other sources as stipulated herein.

Only Bank members with a credit score of nine or better may submit an application for AHP funds. The Bank will announce the offering period for AHP funds at least 60 days prior to the round opening.

It is expected that senior management of the member will review, underwrite and approve all applications for AHP funds. Applications must be executed by an officer of the member who is listed on the Bank's Credit and Collateral signature card. The Bank's underwriting of an application for AHP funding shall not be relied on by the member or any other funder in the project.

An eligible AHP project is defined as:

Owner-occupied housing. The purchase, construction, or rehabilitation of an owner-occupied project by or for very low-income or low- or moderate-income households. A household must have an income meeting the income targeting commitments in the approved AHP application at the time it is qualified by the project sponsor for participation in the project.

Rental housing. The purchase, construction, or rehabilitation of a rental project, where at least 20 percent of the units in the project are occupied by and affordable for very low-income households. A household must have an income meeting the income targeting commitments in the approved AHP application upon initial occupancy of the rental unit, or for projects involving the purchase or rehabilitation of rental housing that already is occupied, at the time the application for AHP subsidy is submitted to the Bank for approval.

Pursuant to its authority under Section 1291.5(c)(13) and (14) of the Regulations, the Bank has elected not to make AHP subsidy available in connection with "revolving loan funds" or "loan pools" (as such terms are defined in the Regulation), and projects utilizing such structures are ineligible under the Bank's AHP.

Eligible AHP project requirements include, among other things, standards relating to the eligibility and timing of the proposed subsidy use; project sponsor qualifications; and fair housing. All projects must also demonstrate compliance with Bank and regulatory requirements regarding sources and uses of funds, project costs, operational feasibility, and need for AHP subsidy, including conformance with the Bank's project feasibility and cost guidelines set forth in [Appendix A](#).

Application Threshold Requirements

The Bank will review applications to determine whether the proposed project meets the application threshold requirements set forth in Section 1291.5(c) of the Regulations and in this Plan. There are no cures for threshold requirements.

All applicants are required to submit as part of the application the following:

- AHP Application Certification completed and duly executed by the executive director or president or CEO of the sponsor organization;
- Satisfactory evidence of site control for the proposed project (except for single-family Foreclosure Recovery projects receiving second district priority points (see Appendix B, #7) and ownership post-development (the purchase of an existing home or owner-occupied rehabilitation) projects only);
- Evidence that a minimum of twenty percent (20 percent) of the funding of proposed project's total development budget is conditionally committed by an unrelated third party. The documentation detailing the amount of credit or equity to be extended which is at least 20 percent of the proposed project's total development budget, the credit or equity product to be delivered, that the borrower has been underwritten by the funder and meets the funder's credit criteria, and that the project has been underwritten and is conditionally eligible to receive the funder's credit or equity; and
- For rehabilitation projects only, an acceptable physical needs assessment conducted by a qualified entity to substantiate costs and scope of work.

The following are also threshold requirements:

- Project Sponsor is deemed qualified and able.
- The application can not be modified more than +/- twenty-five percent of the total development budget.
- A change to the location of the proposed project is prohibited.
- A change to the proposed project's sponsor(s) is prohibited.
- Where site control is not required at application, the project sponsor must specify the geographic boundaries of the project in the application. A project sponsor may not submit multiple applications for the same project type within the same geographic boundaries as defined by the project sponsor in the application.
- Project sponsors and project owners with a project on the Watch List are not eligible for new AHP awards.

Scoring and Approval

The Bank will score AHP applications in accordance with the scoring guidelines set forth in Appendix B. The board of directors will approve eligible applications in descending order, starting with the highest-scoring application, until remaining AHP funds are insufficient to fund the next highest-scoring application. Of the remaining applications not approved for funding, the board of directors will designate the four highest scoring applications as alternates. If previously-committed

AHP subsidy funds become available prior to the application deadline for the next competitive offering, the Bank may approve one or more of the alternates for funding. The Bank's approval is the date of the board of directors' approval.

Sponsor Qualification and Ability Requirements

The Bank will underwrite the project sponsor(s), including the development team and related parties, to determine, in the Bank's sole discretion, whether the sponsor is qualified and able to perform the responsibilities as committed to in the AHP application. The development team, related parties and related party transactions, as defined in the AHP Application Certification, must be disclosed.

Owner Occupied Project Sponsors

In order to be considered a project sponsor for owner-occupied projects, the sponsor must be integrally involved in the project. The Bank defines "integrally involved" for owner-occupied to mean that the entity exercises control over the major elements of planning, project design, development, construction, marketing, sales, or management of the project, as determined in the Bank's discretion. Intermediaries or consortiums shall not be considered "integrally involved" as defined by the Bank.

Owner Occupied Rehabilitation (Post Development) Project Sponsors

In addition to the requirements for owner occupied project sponsors stated above, project sponsors for owner-occupied rehabilitation projects (post-development) cannot be the general contractor, contractor, sub-contractor, or other rehabilitation construction related service provider nor a related party (as defined in the AHP Application Certification) to the general contractor, contractor, sub-contractor, or other rehabilitation construction related service provider.

Rental Project Sponsors

In the case of rental projects, the project sponsor must have an ownership interest in the project. In accordance with Section 1291.1, the Bank defines "ownership interest" in a project to mean any direct or indirect interest (including a partnership interest) in project owner.

TIME LIMITS, PROGRESS MILESTONES, AND MODIFICATION LIMITS ON THE USE OF AHP SUBSIDIES

Time Limits

The Bank has adopted the following AHP time limit policies:

- **Disbursement Deadline.** A member must draw down all subsidized advances and direct subsidies within 18 months of the Bank's approval of the member's AHP application. Unused funds will be released and made available to eligible AHP alternates, if any, or in the Bank's next competitive AHP offering. A member may submit a written request for one six-month extension of the disbursement deadline for good cause shown, but all decisions to grant or reject extensions shall be at the sole discretion of the Bank and shall be final when made.

- Use Deadline. A member must use all subsidized advances and direct subsidies for approved purposes within 30 days after the Bank disburses the funds. Where approved AHP projects involve multiple loans or multiple draws (e.g., construction or rehabilitation projects), the member should draw down multiple disbursements of subsidized advances or direct subsidies to comply with this limitation. The Bank will consider any AHP project that fails to meet the use deadline as noncompliant.

Progress Milestones

The Bank has adopted the following AHP project progress milestones:

- Proper zoning and land use designation obtained. Within six months of the Bank's approval of the AHP award, evidence must be received documenting that the site of the proposed project has the appropriate zoning and land use designation (except for single-family Foreclosure Recovery projects receiving second district priority points (see Appendix B, #7) and ownership post-development (the purchase of an existing home or owner-occupied rehabilitation) projects only).
- Funding sources committed. Within twelve months of the Bank's approval of the AHP award, evidence must be received indicating that all other funding sources for the proposed project have been committed.
- Construction. Within eighteen months of the Bank's approval of the AHP award, the start of construction on the proposed project must have occurred; within twenty-four months of the Bank's approval of the award, a minimum of twenty-five percent of the construction of the proposed project must be completed; and within thirty months of the Bank's approval of the award, construction on the proposed project must be substantially complete.
- Project Completion Deadline. All projects must be completed within three years of the Bank's approval of the AHP award. To be complete, the member must draw down all AHP funds, construction must be complete, and all requested documents must be received and approved by the Bank. All owner-occupied units must be sold and occupied by eligible households. Rental projects must have a certificate of occupancy and be at least 75 percent occupied.

The Bank will consider any AHP project that fails to meet the time limits and progress milestones stated herein to be noncompliant, and in its discretion may take action including, but not limited to, placing the project sponsors on the Bank's Watch List and recapturing the awarded AHP funds.

Modification Limits

The Bank has adopted the following AHP project modification guidelines:

- Development budget modifications. Modifications to the proposed project development budget shall be limited to +/- twenty-five percent of the total development budget presented at application.
- Location modification. Modification to the location of the proposed project is prohibited.
- Sponsor modification. Modification of the proposed project's sponsor(s) is prohibited.

DISBURSEMENT PROCEDURES

This section outlines certain of the Bank's AHP disbursement procedures.

Conditions of Funding

In advance of the date on which a member wishes to draw down a subsidized advance or direct subsidy, the member must confirm that the project meets the applicable eligibility requirements and all obligations committed to in the approved AHP application by providing the Bank each of the following:

- An Affordable Housing Program Agreement duly executed by the member, the project sponsor(s), and, in the case of rental projects only, the project owner (AHP Agreement).
- An Affordable Housing Program disbursement conditions letter, duly executed by the project sponsor(s).
- Sample of retention/recapture documents acceptable to the Bank and meeting the Bank's retention document requirements attached as Appendix D hereto.
 - Members are responsible for ensuring that the note and mortgage are enforceable and consistent with the AHP regulations and the Plan requirements.
 - Bank staff will review the draft note and mortgage of all projects for the following:
 - The member is correctly named as mortgagee;
 - All applicable AHP retention features are included as an exhibit or rider and referenced in the mortgage or are incorporated into the mortgage;
 - The AHP project number is referenced in the note and mortgage;
 - Bank staff will review the draft note and mortgage of all rental projects and ownership projects where AHP funds are disbursed prior to completion of the units for the following:
 - The mortgagor name is consistent with the AHP project owner name.
 - The project owner address is shown in the note and mortgage.

- The property address is consistent with the AHP application.
 - The correct AHP amount is shown in the note.
 - The recapture language is incorporated if AHP funds are disbursed prior to completion of the units.
-
- Updated sources and uses statement and development budget.
 - Updated detailed pro forma (rental projects only).
 - Final commitments of all funding sources.
 - Tax credit allocation award letter (rental projects utilizing Low Income Housing Tax Credits only).
 - Tax credit partnership agreement and/or commitment letter (rental projects utilizing Low Income Housing Tax Credits only).
 - Site control documentation evidencing the project sponsor or project owner's title of the property.
 - Appraisal for land and all existing buildings to support the acquisition cost in the development budget.
 - Construction contract.
 - 3rd Party Plan and Cost Review approved by FHLBank Atlanta and paid for by the Sponsor (multifamily rehabilitation projects and other projects as determined on a case by case basis) that includes an assessment of replacement reserves and capital improvements.
 - Proper zoning and land use designation (except for single-family Foreclosure Recovery projects receiving second district priority points (see Appendix B, #7) and ownership post-development (the purchase of an existing home or owner-occupied rehabilitation) projects only).
 - Such other documents as may be required by the Bank.

Draw Requirements

AHP funds may only be disbursed to Bank members in a manner consistent with the policies related to advances and Credit Risk Ratings expressed in the Bank's Member Products and Services Guide.

Concurrent with the disbursement of AHP subsidy by the Bank, a member must provide the Bank each of the following:

- AIA G702 / 703 or other acceptable evidence of expenses incurred and work performed.

- Pre- and post-rehabilitation 3rd party inspection reports and the Bank's standard forms including scope of work write-ups, and sign-off by homeowner (single-family acquisition and rehabilitation projects and owner-occupied rehabilitation projects). Pre- and post-rehabilitation 3rd party inspection reports are required for 09A projects going forward.
- Evidence of foreclosure deed, deed in lieu of foreclosure or some other acceptable documentation as determined by the Bank in its sole discretion required if the project received points under the Foreclosure Recovery category.
- Developer fee, when AHP is the source of funds, is only paid at project completion of construction for multifamily and unit completion for single-family.
- Such other documents as may be required by the Bank.

After Disbursement

Following disbursement of AHP subsidy by the Bank, a member must provide the Bank each of the following:

- Evidence that members used AHP subsidies for approved purposes within 30 days of disbursement by the Bank.
- Copy of executed HUD-1 or settlement statement, or, for owner-occupied rehabilitation projects only, file-stamped copies of recorded, executed retention/recapture documents.
- Such other documents as may be required by the Bank.

MONITORING REQUIREMENTS FOR RENTAL PROJECTS

This section outlines certain monitoring requirements for rental projects applicable to the Bank and to members and project owners who participate in AHP.

Prior to Project Completion

Beginning six months after the Bank's approval of the member's AHP application and continuing until project completion, the project sponsor must submit to the member, and the member must submit to the Bank, a progress report, on at least a semiannual basis, as to whether reasonable progress is being made toward the draw down of AHP subsidy and project completion. The Bank, in its discretion, may require more frequent progress reporting. The Bank has adopted AHP project progress milestones as stated herein. The Bank reserves the right, in its sole discretion, to cancel AHP awards prior to the disbursement or completion deadline if the project does not demonstrate progress as per the progress milestones.

Initial Monitoring Following Project Completion

Sponsors must complete required initial monitoring review (IMR) training. Failure to complete the IMR training will result in the project being placed on the Watch List. In the initial monitoring period following project completion, the following monitoring requirements will apply:

- **Project Owner.** The project owner must provide the Bank the following documents:
 - Final cost certification (e.g. cost documentation required by other funders or AIA G702 & G703 or similar documentation).
 - Copies of final tax credit partnership agreement (rental projects utilizing Low Income Housing Tax Credits only).
 - Rent roll that includes detailed tenant information such as name, address, move-in date, household income, scheduled rent, amount of utility allowance or rental subsidy and number of bedrooms.
 - Income verification documents in accordance with the Bank's income eligibility guidelines for ten percent of each project's units. (The Bank selects a sample of households (minimum of three units and a maximum of 20 units)).
 - Fully executed and recorded copies of retention documents meeting the Bank's retention requirements attached as Appendix D hereto. Bank staff will review these documents for the same information as outlined in the Disbursement Procedures section of this Plan.
 - Final documents for each of the project's other funding sources.
 - Documentation confirming Housing for Homeless Households (e.g., agency referral letters or certifications).
 - Documentation confirming implementation of empowerment activities.
 - Such other documents as may be required by the Bank.
- **Bank.** Within a reasonable period of time after project completion, the Bank will complete a review of each completed project to determine that (1) the subsidy was used for eligible purposes according to the commitments made in the approved AHP application; (2) the household income and rents comply with the income targeting and rent commitments made in the approved application; (3) the project's actual costs were reasonable and customary in accordance with the Bank's project feasibility and cost guidelines and the subsidies were necessary for the completion of the project as currently structured; (4) the rental project is subject to a fully executed and recorded AHP retention agreement that meets the requirements of the AHP regulations; and (5) the services and activities promised in the AHP application have been provided.

Long-Term Monitoring (LTM)

Sponsors must complete required LTM training. Failure to complete the LTM training will result in the project being placed on the Watch List.

For completed rental projects that have been allocated federal Low Income Housing Tax Credits (LIHTC), the Bank will rely on the monitoring by the state-designated agency responsible for administering and compliance monitoring of the income targeting and rent requirements applicable under the LIHTC program.

The following long-term monitoring requirements will apply to rental projects that have not been allocated federal Low Income Housing Tax Credits:

- **Project Owner.** Beginning in the second year after project completion, project owners will certify to the Bank annually until the end of the project's 15-year retention period that tenant rents and incomes comply with rent and income targeting commitments in the AHP application. Owners will also maintain documentation regarding tenant incomes and rent, which shall be available for review by the Bank. Such documentation will include, among other things:
 - Rent roll.
 - Income verification documents in accordance with the Bank's income eligibility guidelines for ten percent of each project's units. (The Bank selects a ten percent sample of households (minimum of three units and a maximum of 20 units)).
- **Bank.** The Bank will review certifications from owners and samples of source documentation maintained by owners to verify tenant rents and incomes. In accordance with the requirements of Section 1291.7(a)(4), the Bank will review samples of source documentation for projects based on the following schedule:
 - At least once every six years, for projects that receive \$50,001 to \$250,000 in AHP subsidies;
 - At least once every four years, for projects that receive \$250,001 to \$500,000 in AHP subsidies; and
 - At least once every two years, for projects that receive over \$500,000 in AHP subsidies.

Projects with outstanding or material compliance issues may be subject to additional requirements and more frequent review, at the discretion of the Bank.

The Bank may, in its discretion, contract with third parties to carry out the Bank's initial and long-term monitoring obligations.

MONITORING REQUIREMENTS FOR
OWNER-OCCUPIED PROJECTS

This section outlines certain of the monitoring requirements for owner-occupied projects applicable to the Bank and to members and project sponsors who participate in AHP.

Prior to Project Completion

Beginning six months after the Bank's approval of the member's AHP application and continuing until project completion, the project sponsor must submit to the member, and the member must submit to the Bank, a progress report, on at least a semiannual basis, as to whether reasonable progress is being made toward draw down of AHP subsidy and project completion. The Bank, in its discretion, may require more frequent progress reporting. The Bank reserves the right, in its sole discretion, to cancel AHP awards prior to the disbursement or completion deadline if the project does not demonstrate progress as per the progress milestones.

Following Project Completion

Sponsors must complete required monitoring training. Failure to complete the monitoring training will result in the project being placed on the Watch List. After project completion, the following monitoring requirements will apply:

- Project Sponsor. The project sponsor at all times must maintain the following documentation, which shall be available for review by the member or the Bank:
 - Final cost certification (e.g. cost documentation required by other funders or AIA G702 & G703 or similar documentation).
 - Income verification documents in accordance with the Bank's income eligibility guidelines for ten percent of each project's units. (The Bank selects a sample of households (minimum of three units and a maximum of 20 units)).
 - Fully executed and recorded copies of retention documents for each unit meeting the Bank's retention document requirements attached as Appendix D hereto. Bank staff will review these documents for the same information as outlined in the Disbursement Procedures section of this Plan.
 - Final documents for each of the project's other funding sources.
 - Documentation confirming Housing for Homeless Households (e.g., agency referral letters or certifications).
 - Documentation confirming implementation of empowerment activities.
 - Such other documents as may be required by the Bank.

- Bank. Within a reasonable period of time after project completion, the Bank will complete a review of each completed project to determine that (1) the subsidy was used for eligible purposes according to the commitments made in the approved AHP application; (2) the household income complies with the income targeting commitment made in the approved application; (3) the project's actual costs were reasonable and customary in accordance with the Bank's project feasibility and cost guidelines and the subsidies were necessary for the completion of the project as currently structured; (4) each AHP-assisted unit of an owner-occupied project is subject to a fully executed and recorded AHP retention agreement that meets the requirements of the AHP regulations; and (5) the services and activities promised in the AHP application have been provided.

COLLECTION EXPENSE
REIMBURSEMENT

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

HOMEOWNERSHIP SET-ASIDE PROGRAM (FHP)

OVERVIEW

The Bank's First-time Homebuyer Program (FHP) provides matching funds for first-time homebuyer programs developed by member financial institutions. FHP funds will be available to all current members in good standing on a homebuyer-by-homebuyer, first-come, first-served basis during our annual offering cycle and continuing until the maximum set-aside is exhausted or the following December 31, whichever occurs first. Consistent with Section 1291.6(e)(2) of the Regulations, the Bank has elected not to permit members to reserve FHP funds for unidentified households for later disbursement to eligible households. FHP funds from each annual offering cycle which remain undisbursed after processing all eligible disbursement requests received by the cycle's December 31 deadline will be released and made available to eligible AHP alternates, if any, or in the Bank's next competitive AHP offering.

MEMBER ELIGIBILITY

The following eligibility requirements apply to members participating in FHP:

- Only Bank members with a credit score of nine or better may participate in FHP.
- Members must complete a one-time registration process.
- Members must designate a Program Manager. A Program Manager has the following responsibilities:
 - Receive all correspondence regarding the program.
 - Attend training and education sessions regarding the First-time Homebuyer Program each round.
 - Act as correspondent to communicate and receive program information to and from FHLBank Atlanta.
 - Review funding request packages to ensure all pre-funding requirements have been met.
 - Ensure that each applicant requesting first-time homebuyer funds meets all eligibility requirements.
 - Execute documentation provided for each first-time homebuyer requesting FHP funds.
- The Bank, in its discretion, may establish guidelines for the FHP that will assist in the determination of the amount or need for FHP subsidy and the financing cost to the borrower are reasonable. These guidelines will serve as a benchmark for evaluating FHP request and may be used as a basis for adjusting or rejecting requests for FHP subsidy.
- Members can only provide FHP funds to households that complete the Bank's prescribed homebuyer counseling, debt management planning, and default prevention program.

- Members must provide FHP funds to households as a grant, and must pass on the full amount of the FHP subsidy to the household for which the subsidy was approved.
- Members must ensure that FHP-assisted units are subject to retention documents acceptable to the Bank, meeting the Bank's retention document requirements attached as Appendix D hereto, and meeting the requirements of both the FHP Agreement and of Section 1291.9 of the Regulations.
- No member may receive more than \$1,000,000 in FHP funds during an annual offering cycle. If, by July 31, 75 percent of the FHP funds for the year have not been disbursed to members, the Bank, at its discretion, may remove the \$1,000,000 per member cap for the remainder of the year.
- A member cannot use FHP subsidies in connection with an existing or future funding award under the competitive program (AHP).

HOMEBUYER ELIGIBILITY

The following eligibility requirements apply to homebuyers participating in FHP:

- Homebuyers must be located within the Bank's district.² Families purchasing homes outside of the Bank's district may not receive FHP subsidies.
- FHP funds may only be made available to a "first-time homebuyer," as such term is defined in the Cranston-Gonzalez National Affordable Housing Act of 1990, expanded to include recovering victims of catastrophic loss or natural disasters.
- FHP funds can only be used to finance purchase mortgage transactions.
- At the time of enrollment by the member, households must have incomes at or below 80 percent of the area median income, adjusted for family size. Time of enrollment by the member, per Section 1291.6(c) (2) of the Regulations, is defined by the Bank as the date on which the member submits the First-time Homebuyer Direct Subsidy Application and other required documentation to the Bank.
- An FHP award may not exceed a maximum of \$7,500 per household.
- Each dollar of a household's cash funds for down payment and closing costs can be matched with not more than five dollars of FHP assistance.
- At the closing of the home purchase, a homebuyer must contribute at least \$500 in cash.

² The Bank's district includes Florida, Georgia, Alabama, South Carolina, North Carolina, Virginia, Maryland and the District of Columbia.

- Homebuyers may not receive more than \$250 of cash back at closing. Any AHP subsidy in excess of the approved mortgage amount, closing costs, and cash back to the homebuyer shall be used as a credit to reduce the principal of the mortgage loan or as a credit toward the household's monthly payments on the mortgage loan.
- A homebuyer must be the owner-occupant of the home purchased with FHP assistance.

Homebuyers must sign retention documents acceptable to the Bank, meeting the Bank's retention document requirements attached as [Appendix D](#) hereto, and meeting the requirements of both the FHP Agreement and of Section 1291.9 of the Regulations.

Homebuyers must complete a Bank prescribed homebuyer counseling, debt management planning, and default prevention program.

PRODUCT ELIGIBILITY

The following eligibility requirements apply to all non-forgivable loans that are part of the FHP transaction:

- Fixed rate mortgages are eligible
- Adjustable rate mortgages are eligible with certain parameters:
 1. Initial rate fixed for minimum of three years
 2. Member underwrite customers based on cap rate or "impact" period (to avoid payment shock if high rate environment exist during rate reset period)
 3. No negative amortization loans
- Fully amortizing
- No interest only or pay options
- Rate not to exceed 300 basis points on the Fannie Mae 30-day mandatory delivery rate for 15-year and 30-year fixed mortgages
- APR not to exceed 400 basis points on the Fannie Mae 30-day mandatory delivery rate for 15-year and 30-year fixed rate mortgages
- Combined Loan to Value not to exceed 105 percent (USDA or VA 108 percent)
- Term not less than 15 yrs.
- Loans should not include prepaid, single-premium credit insurance or charge for prepayment beyond first five years
- The interest rate, fees, points, and any other charges for all loans made in conjunction with the FHP assistance may not exceed a reasonable market rate of interest, fees, points, and any other charges for loans of similar maturity, terms, and risk.

The product eligibility requirements must be met at origination as well as following any member approved refinance or subordination during the five year retention period.

DISBURSEMENT PROCEDURES

This section outlines certain of the Bank's FHP disbursement procedures.

Prior to Disbursement

In advance of the date on which a member wishes to draw down FHP funds, the member must provide the Bank each of the following:

- An Affordable Housing Program Agreement for First-time Homebuyer Program, duly executed by the member (FHP Agreement). This is a one-time submission; a member need not execute multiple FHP Agreements for multiple FHP awards.
- Sample of retention documents acceptable to the Bank and meeting the requirements of both the FHP Agreement and Section 1291.9 of the AHP Regulations. Bank staff will review the documents for the following:
 - The documents are in the form of a note and mortgage;
 - The member is correctly named as mortgagee;
 - All applicable FHP retention features are included as an exhibit and referenced in the mortgage or are incorporated into the mortgage.

Members are responsible for ensuring that the note and mortgage are enforceable and consistent with the AHP regulations and the Plan requirements.

- First-time Homebuyer Direct Subsidy Application.
- First-time Homebuyer Program Member Certification.
- First-time Homebuyer Certification.
- Home Purchase Summary Form.
- Loan Closing Date.
- Copy of Good Faith Estimate.
- Truth In Lending Statement.
- Copy of preliminary HUD-1 or settlement statement.
- Such other documents as may be required by the Bank.

FHP funds may only be disbursed to Bank members in a manner consistent with the policies related to advances and Credit Risk Ratings expressed in the Bank's Member Products and Services Guide.

FHP funds may not be disbursed for the purpose of reimbursing members for funds they advance to their customers prior to the disbursement of FHP funds at loan settlement.

After Disbursement

Following disbursement of FHP subsidy by the Bank, a member must provide the Bank each of the following:

- Evidence of arbitrage compliance.
- Copy of executed HUD-1 or settlement statement.
- Evidence of payment for required counseling session.
- Such other documents as may be required by the Bank.

Members must use FHP subsidies for approved purposes within 3 days of disbursement by the Bank. They may request a single extension, the approval of which is subject to the Bank's sole discretion.

MONITORING REQUIREMENTS

The Bank will select a sample of units and conduct a review of the documentation to determine that the incomes of the approved households do not exceed 80 percent of the area median income. The Bank's income calculation worksheets available on the Bank's website should be used when determining income eligibility for FHP. The Bank will select a minimum sample of ten percent of the units for income verification. For the selected units, the member must provide to the Bank supporting documentation verifying income eligibility (i.e., check stubs, tax returns, and other acceptable forms of income documentation as described in the Bank's income eligibility guidelines attached as [Appendix C](#)) prior to disbursement of FHP funds.

The Bank also will determine whether the units are subject to a retention document that meets applicable regulatory requirements. The Bank will select a minimum sample of ten percent of the units for retention requirements. For the selected units, the member must submit date stamped copy of retention documents evidencing submission for recording to appropriate jurisdiction office. Bank staff will review these documents for the following:

- The retention documents have been executed;
- The member is the named mortgagee;
- The mortgagor is consistent with the FHP Home Purchase Summary Form;
- The property address is consistent with the FHP Home Purchase Summary Form;
- The retention documents contain all applicable retention features;
- The FHP amount is shown in the retention documents and is consistent with the FHP funds disbursed.

GENERAL PROVISIONS

INCOME ELIGIBILITY GUIDELINES

In determining income eligibility of prospective owners or tenants, both AHP and FHP projects must utilize the median income for the area, as published annually by the Department of Housing and Urban Development (HUD), adjusted for family size in accordance with applicable HUD methodology.

To ensure compliance with the Regulations and to facilitate consistent income qualification practices by all program participants, the Bank has adopted the income eligibility guidelines are set forth on Appendix C, which apply to all projects receiving AHP or FHP funds.

NONCOMPLIANCE REMEDIES

The Bank may, at its option and upon prior notice, suspend or debar a member, sponsor, or owner from participation in AHP and/or FHP if such party shows a pattern of noncompliance, or engages in a single instance of flagrant noncompliance, with any of the following (individually, a “**Program Requirement**”):

- the policies and procedures described in this Plan;
- the terms of an application for AHP or FHP subsidy or any other required certification provided by such party;
- the terms of an AHP Agreement or FHP Agreement; or
- the provisions of the Federal Home Loan Bank Act or of the Regulations.

Furthermore, in the event of noncompliance with any Program Requirement, regardless of whether the noncompliance is part of a pattern or flagrant, the Bank may, at its option and upon prior notice, undertake one or more of the following:

- require repayment of the AHP or FHP subsidy to the Bank;
- prohibit the submission of new AHP applications by the noncompliant member, sponsor or owner;
- refuse to disburse or prohibit further disbursement of AHP or FHP subsidies for any or all approved projects and first-time homebuyers associated with the noncompliant member, sponsor, or owner; and

- exercise any of the Bank's rights or remedies provided by any Program Requirement; and exercise any of the Bank's rights or remedies provided by the Advances and Security Agreement between the Bank and the member.

Each member, project sponsor, and, with respect to rental projects only, project owner must enter into a written AHP Agreement with the Bank under which each such member, sponsor, and owner consents to be a party to any enforcement proceeding initiated by the Federal Housing Finance Agency regarding the repayment of AHP subsidies received by such member, sponsor, or owner, or the suspension or debarment of such parties, and each member, sponsor, or owner agrees to be bound by the Federal Housing Finance Agency's final determination in the enforcement proceeding. The Bank may include a similar provision in its FHP Agreement, which would bind only members participating in FHP.

In the event the Bank is required to recapture or deobligate subsidies due to noncompliance by a member, project sponsor, or project owner, as applicable, such funds shall be returned to the Bank's AHP fund and will be used to fund eligible alternate projects, if any, from the most recent competitive offering. If no competitive alternates exist, the funds will be included in the next AHP competitive offering. Determination of awards of recaptured or deobligated funds shall be made consistent with the Regulations and the Bank's policies, procedures, and standards for AHP subsidies awarded as part of a standard AHP round.

AMENDMENTS

The board of directors may amend this Plan from time to time, after seeking and considering the views and recommendations of the Bank's Affordable Housing Advisory Council. The Bank will submit approved amendments to the Federal Housing Finance Agency in accordance with applicable regulatory time frames.

An amendment to this Plan, unless such amendment specifically provides otherwise, becomes effective as follows:

- changes to the Bank's AHP scoring guidelines will apply only prospectively, to offering periods commencing after the date of the amendment; and
- within the discretion of the Bank, all other changes may apply immediately to all existing and future projects under AHP and FHP.

APPENDICES

The following Appendices are attached to and incorporated in this Plan:

- Appendix A -- Project Feasibility and Cost Guidelines
- Appendix B -- Scoring Guidelines
- Appendix C – Income Eligibility Guidelines
- Appendix D – Retention Mechanism Requirements

APPENDIX A -- PROJECT FEASIBILITY AND COST GUIDELINES

Pursuant to Section 1291.5(c), paragraphs (2), (3), (4) and (5) of the AHP Regulation, the Bank has established guidelines for determining need for subsidy, that the project's costs are reasonable, and that the project is feasible. These guidelines serve as a benchmark for evaluating projects and may be used as a basis for setting, adjusting, or rejecting requests for subsidy in the application, modification, and pre-/post-disbursement stages of a project. The Bank reserves the right to review all project costs, expenses, and fees whether or not the items are listed as part of these guidelines. It is expected that senior management of the member will review and approve all applications. The Bank's underwriting of a project shall not be relied on by the member or any other funder in the project.

I. Rental Development Budget Guidelines

Construction / Rehab Cost

The Bank will utilize Marshall & Swift, RS Means and/or other industry construction cost data to determine whether the construction or rehabilitation costs appear reasonable on a cost per square foot basis or other basis of measurement as determined by the Bank

Developer Fee

Maximum 15 percent of total development cost, net of developer fee and acquisition cost
or
Maximum published by state HFA or its equivalent if project is utilizing state-administered funding

Developer fee includes fees paid to consultants for services normally provided by a developer

Federal Low Income Housing Tax Credit Sales Price

Market Price, as determined by the Bank in its sole discretion.

Builder's Overhead, Profit and General Requirements	Maximum of 16% of hard cost, net of builder's overhead, profit, and general requirements and net of hard cost contingency
Hard Cost Contingency	Maximum 10% of hard costs (new construction) or 20% of hard costs (rehabilitation), net of contingency
Soft Cost Contingency	Maximum 20% of soft costs, net of contingency
Capitalized Reserves	Maximum six months of operating expense (net of all reserves included in operating expenses) plus maximum six months' hard debt service, or maximum published by state HFA or its equivalent if project is utilizing state- administered program

II. Rental Operating Budget Guidelines

Debt Coverage Ratio	<p>1.05 minimum 1.30 maximum</p> <p>The Debt Coverage Ratio (DCR) will be calculated using hard debt. Soft and cash-flow dependent debt shall not be considered in calculating the DCR. The Bank will review the project's projected 15-year proforma and cash flow for feasibility. Projects with a DCR that exceeds these established guidelines must justify the variance and will be evaluated on a case by case basis.</p> <p>For projects with no hard debt, the AHP subsidy will be reviewed to determine that it is needed. If the direct subsidy is converted to hard debt at current market rate with 15-year amortization and the DCR is greater than 1.30, the project does not demonstrate the need for subsidy.</p>
Net Cash Flow	Shall not exceed 15% of effective gross income
Vacancy Ratio	Minimum 5% - maximum 7% (up to 10% for special needs)
Rental Income Annual Increase	2.0%
Operating Expense Annual Increase	3.0%
Annual Operating Expense	Minimum 40% of gross income (in year one)
Management Fees	5.0% - 9.0% of gross rent
Replacement Reserves	\$200 - \$350 per unit per

year

III. Owner-Occupied Development Budget Guidelines

Construction / Rehab Cost

The Bank will utilize Marshall & Swift, RS Means and/or other industry construction cost data to determine whether the construction or rehabilitation costs appear reasonable on a cost per square foot basis or other basis of measurement as determined by the Bank

Builder's Overhead, Profit and General Requirements

Maximum of 16% of hard cost, net of builder's overhead, profit, and general requirements and net of hard cost contingency

Hard Cost Contingency

Maximum 10% of hard costs (new construction) or 20% of hard costs (rehabilitation), net of contingency

Soft Cost Contingency

Maximum 20% of soft costs, net of contingency

Developer Fee

Maximum 15% of total development cost, net of developer fee.

Developer fee includes any fees paid to consultants for services normally provided by a developer.

IV. Owner-Occupied Rehabilitation Development Budget Guidelines

Developer Fee plus Soft Costs	Maximum 25% of total hard costs for each unit
-------------------------------	--

V. In-Kind Sources and Uses Development Budget Guidelines

In accordance with Section 1291.5(C) (2), the Bank elects to include the market value of in-kind donations, and voluntary professional labor or services in project development budgets.

APPENDIX B -- SCORING GUIDELINES

1. DONATED GOVERNMENT-OWNED OR OTHER PROPERTY

Projects creating housing using a significant proportion of units or land donated or conveyed by the federal government or any agency or instrumentality thereof; or units or land donated or conveyed by any other party for a nominal price. The subject property must be donated by an entity not related to the sponsor, owner, or member. Significant proportion is defined by the Bank to mean at least 25 percent of the units, land, or land lots must be donated or conveyed to the project. Nominal price is defined as a small, negligible amount, most often 10 dollars or less, and may be accompanied by modest expenses related to the conveyance of the property for use by the project.

5 POINTS (VARIABLE)

Scoring:

At least 25 percent of the units, land or land lots must be donated or conveyed to the project to receive points in this category.

Owner-occupied Projects

- 5 points times the percentage of AHP-assisted units or land lots donated or conveyed to the project

Rental Projects

- 5 points times the percentage of total project units donated or conveyed to the project, or
- 5 points times the percentage of total land donated or conveyed to the project.

2. NONPROFIT OR GOVERNMENT SPONSOR

Project sponsorship by a nonprofit organization, a state or political subdivision of a state, a state housing agency, a local housing authority, a Native American Tribe, an Alaskan Native Village or the government entity for Native Hawaiian Home Lands. Rental project sponsors must have an ownership interest in the property to qualify for points in this category.

5 POINTS (VARIABLE)**Scoring:**

- 5 points will be awarded where the sponsor exercises control over five of the following project activities.
 - marketing/outreach
 - property acquisition
 - pre-development
 - property management
 - construction/rehabilitation
 - qualifying borrowers for home mortgages
 - providing or arranging permanent mortgage financing
- 4 points will be awarded where the sponsor exercises control over four of the project activities described above.
- 3 points will be awarded where the sponsor exercises control over three of the project activities described above.
- 2 points will be awarded where the sponsor exercises control over two of the project activities described above.
- 1 point will be awarded (a) to an owner-occupied project, where the sponsor exercises control over one of the project activities described above; and (b) to a rental project, where the project sponsor has an ownership interest in the project.

3. TARGETING

The extent to which the project targets very low, low- and moderate-income households. Points for this category are derived from a weighted average calculation based on all applications submitted for the applicable AHP offering. This category may not be self-scored.

20 POINTS (VARIABLE)**Scoring:**Owner-occupied:

- Based only on AHP-assisted units in the project.
- Calculate weighted average targeting percentage (WAT) for each project. (Very low-income units divided by total AHP-assisted units times 50 percent, plus low-income units divided by total

AHP-assisted units times 58 percent, plus moderate-income units divided by total AHP-assisted units times 73 percent.)

- Subtract lowest project WAT from highest project WAT. Divide 20 by this result to obtain a scale factor.
- Subtract the lowest WAT from each specific project's WAT. Multiply this result by the scale factor, and subtract the product from 20 points to determine the targeting score for the specific project.

Rental:

- Based on total number of units in the project.
- Repeat the above process for the rental projects to obtain the targeting score for each specific project. (When calculating the WAT for each rental project also add units targeted for households over 80 percent AMI divided by total project units times 80 percent.) If 60 percent or more of the total project units are reserved for families earning 50 percent or less of the AMI, the project will receive 20 points. Other projects will be scored on a declining WAT scale basis.

4. HOUSING FOR HOMELESS HOUSEHOLDS

The creation of rental housing, excluding overnight shelters, reserving at least 20 percent 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 percent of the AHP assisted units for homeless households. Homeless households are defined as those households recognized as homeless under current HUD statutes, regulations or regulatory interpretations.

5 POINTS (FIXED)

Scoring:

- Projects reserving at least 20 percent of the total project units for homeless households will receive five points.

5. EMPOWERMENT

Projects providing housing in combination with a program offering one or more of the following activities that assist residents in moving toward better economic

opportunities. Projects will receive points as indicated for each activity offered to all residents, up to a maximum of 5 points. Applications will be evaluated based on the empowerment details and provider information contained in the application and supporting documentation. Sponsor must evidence that the activities assist residents in moving toward better economic opportunities.

5 POINTS (VARIABLE)

Scoring:

Empowerment Activities	Owner (Non-OORehab)	Owner (OORehab Only)	Rental
1) Homeownership Education Program	5 Points	N/A	N/A
2) Employment Readiness Program	N/A	N/A	2.5 Points
3) On-Site Daycare (Child or Adult)	N/A	N/A	2.5 Points
4) Training and Education Program	N/A	2.5 Points	2.5 Points
5) Resident Involvement Program	N/A	2.5 Points	2.5 Points
6) Counseling Program (Homeowners & Tenants)	N/A	2.5 Points	2.5 Points

Owner-occupied Projects (non owner-occupied rehabilitation)

- Maximum of 5-points awarded per project for providing homeownership education:
 - All homebuyers must complete a Bank prescribed homebuyer counseling, debt management planning, and default prevention program in order to receive these points

Owner-occupied Rehabilitation Projects

- Maximum of 5-points awarded per project, each of the following activities worth 2.5 points:
 - training and education
 - resident involvement in decision making affecting creation or operation of the project
 - homeowners/tenant counseling

Rental Projects

- Maximum of 5-points awarded per project, each of the following activities worth 2.5 points:
 - employment readiness program
 - on-site daycare for adults or children
 - training and education
 - resident involvement in decision making affecting creation or operation of the project
 - homeowners/tenant counseling

6. FIRST DISTRICT PRIORITY

A. RURAL

Projects that are located in areas designated by USDA Rural Development as eligible for Rural Development housing programs are eligible for points in this category.

5 POINTS (VARIABLE)

Scoring:

- Owner-occupied projects: 5 points multiplied by the percentage of AHP-assisted units located in a designated “rural” area.
- Rental Projects: 5 points multiplied by the percentage of total units located in a designated “rural” area.

B. DISASTER AREAS

Projects providing housing in counties included in a federal disaster declaration dated no more than 60 months prior to the AHP application deadline, or for households displaced from such federal disaster areas.

5 POINTS (VARIABLE)

Scoring:

- 5 points multiplied by
 - the percentage of units located in a county, eligible for Individual Assistance as part of a federal disaster declaration dated not more than 60 months prior to the date of the AHP application deadline; or
 - the percentage of units for households displaced from a county eligible for Individual Assistance as part of a federal disaster declaration dated not more than 60 months prior to the date of the AHP application deadline.

OR

- 1 point multiplied by
 - the percentage of units located in a county eligible for Public Assistance only as part of a federal disaster declaration dated not more than 60 months prior to the date of the AHP application deadline.

C. MEMBER FINANCIAL PARTICIPATION

Projects that demonstrate Bank member financial participation (excluding the pass-through of AHP direct subsidy) in the project such as providing market rate or concessionary financing (i.e., permanent financing, mortgage financing, bridge loans, construction financing), equity, or some other acceptable forms of financial participation as determined by the Bank in its sole discretion.

15 POINTS (Fixed)

Scoring:

- In order to receive the 15 points in this category, members must submit documentation detailing:
 - The amount of credit to be extended which is at least 5 percent of the proposed project's total development budget;
 - The credit product to be delivered;
 - That the borrower has been underwritten by the member and meets the member's credit criteria;
 - That the project has been underwritten and is eligible to receive the member's credit; and
 - The documentation must be signed by an officer of the member with the authority to approve the credit product at the amount indicated.

7. SECOND DISTRICT PRIORITY

FORECLOSURE RECOVERY

Projects where at least seventy-five percent of the units in the project are part of a structured/coordinated foreclosure recovery program administered or organized by a third-party (public, private, or philanthropic).

15 POINTS (Fixed)

Scoring:

- Sponsor must demonstrate that it is an approved partner or participant in the structured/coordinated foreclosure recovery program at the time of application.
- Third-party administrator or organizer must provide resources in support of the foreclosure recovery program (i.e., counseling, financing, expediting permits, waiving fees, etc.).
- Site control at application will not be applicable for single-family Foreclosure Recovery projects that receive points in this scoring category.

- Evidence of foreclosure deed, deed in lieu of foreclosure or some other acceptable documentation as determined by the Bank in its sole discretion required prior to disbursement.

8. AHP SUBSIDY PER UNIT

Projects using fewer AHP subsidy dollars per AHP-assisted unit will receive more points than projects using more AHP-subsidy dollars. Owner-occupied and rental projects will be scored separately. Points for this category are derived from a weighted average calculation based on all applications submitted for the applicable AHP offering. This category may not be self-scored.

10 POINTS (VARIABLE)

Scoring:

- Calculate Subsidy cost per AHP-assisted unit for each project.
- Divide 10 points by the highest subsidy cost per AHP-assisted unit (or \$30,000 whichever is less) minus the lowest subsidy cost per AHP-assisted unit (equals the “scale factor”).
- Subtract the lowest cost per AHP-assisted unit from the project cost per AHP-assisted unit and multiply by the scale factor.
- Subtract the result from 10 points to arrive at the score.

9. COMMUNITY STABILITY

The financing of projects that promote community stability.

10 POINTS (VARIABLE)

Scoring:

- Up to four points for the rehabilitation of vacant or abandoned properties (buildings or structures) where at least 60 percent of the units in the AHP project are being rehabilitated, calculated by multiplying four points times the percentage of vacant or abandoned AHP-assisted ownership units that will be rehabilitated or four points times the percentage of total rental units that will be rehabilitated.
- Four points for a project that is located in a neighborhood that is part of a neighborhood stabilization plan approved by a unit of state or local government and is a target area for the receipt of state

or local government funding or support services in the stabilization of the neighborhood.

- Two points for projects that do not displace existing low- or moderate-income households, or if such displacement occurs, assures that such households will be assisted to minimize the impact of such displacement.

APPENDIX C -- INCOME ELIGIBILITY GUIDELINES

The Bank has adopted the Department of Housing and Urban Development (HUD) income eligibility regulations, published in section 24 CFR 5.609 as set forth below with AHP and FHP specific provisions as provided herein (as amended by HUD from time to time, the “Guidelines”). To the extent these Guidelines are amended from time to time, all AHP and FHP project are deemed to incorporate the amendments to conform to any new requirements of the Guidelines.

The following guidelines must be used in order to verify household income and subsequently determine the eligibility of prospective owners or tenants participating in the Bank’s Affordable Housing Program (both AHP and FHP).

A household that does not have a sufficient current stream of income to support a home purchase, but that intends to use the subsidy following the realization of an increase in income, for example, upon graduating from college and entering into full-time employment, is not eligible. For example, a member or project sponsor should not qualify a full-time law school student with little or no income, knowing that the student already has secured a position with a law firm upon graduation that will pay considerably more than the AHP or FHP income eligibility limit. For sources of income that are not included in the income used for mortgage underwriting purposes, the below guidelines must be consulted to determine whether such sources should be included for purposes of AHP and FHP income eligibility determinations.

Enrollment and income eligibility determination:

AHP Rental

- New Construction – Within 60 days of initial occupancy of the rental unit
- Purchase (Acquisition) and Rehabilitation – Within 60 days prior to the application deadline

AHP Ownership

- New Construction – Within 120 days of the closing date
- Purchase (Acquisition) and Rehabilitation – Within 120 days of the closing date

FHP

- Within 60 days of the closing date

Based on Section 5.609 of the U. S. Department of Housing and Urban Development (HUD) regulations (24 CFR 5.609), annual income is defined as:

- a) All amounts, monetary or not, that go to or are received on behalf of the family head, spouse or co-head (even if the family member is temporarily absent), or any other family member; or
- b) All amounts anticipated to be received from a source outside the family during the 12-month period following admission or annual recertification effective date; and

- c) Amounts derived (during the 12-month-period) from assets to which any member of the family has access.

The Bank’s income calculation worksheets available on the Bank’s website should be used when determining income eligibility determinations for AHP and FHP.

Figure 1: Whose Income is Counted?

Members	Employment Income	Other Income (including income from assets)
Head	Yes	Yes
Spouse	Yes	Yes
Co-head	Yes	Yes
Other adult *(including foster adult)*	Yes	Yes
Dependents -Child under 18	No	Yes
Full-time student over 18	See Note	Yes
Foster child under 18	No	Yes
Nonmembers		
Live-in aide	No	No

NOTE: The earned income of a full-time student 18 or older who is a dependent is excluded to the extent that it exceeds \$480.

Reference: HUD Occupancy Handbook – Chapter 5: Determining Income & Calculating Rent

The following guidelines are based on Section 5.609 of the U. S. Department of Housing and Urban Development (HUD) regulations (24 CFR 5.609):

Considered income, but is not limited to:

- a) Anticipated total income from all sources received by the household head and spouse (even if temporarily absent) and by each additional member of the household over the age of 18 years:
 - (i) For full-time students, age 18 or older, who are dependents and not the head of the family, or spouse or co-head; count only earned income up to a maximum of \$480;
- b) The gross income of all wages and salaries must be included. Overtime pay, commissions, fees, tips and bonuses, and the income from other compensation should be annualized over a 12-month period;
- c) Net income from operation of a business or profession including self-employment income. Net income is gross income less business expenses, interest on loans, and depreciation computed on a straight-line basis:
 - (i) Any salaries or other amounts distributed to family members from the business, and cash or assets withdrawn by family members, except when the withdrawal is a reimbursement of cash or assets invested in the business;

- (ii) Principal payments on loans, interest on loans for business expansion or capital improvements, other expenses for business expansion, or outlays for capital improvements are not deducted;
- d) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (c);
- e) 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 period receipts, including a lump sum payment for the delayed start of a periodic payment;
- f) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay;
- g) Welfare Assistance;
- h) Alimony and child support payments:
 - (i) Payments are not included as income if the applicant certifies that the payments are not being made and that he or she has taken all reasonable legal actions to collect amounts due, including filing with the appropriate courts or agencies responsible for enforcing payment.
- i) All regular pay, special pay, and allowances of a member of the Armed Forces;
- j) Resident services stipends that exceed \$200:
 - (i) Money received by residents for performing services such as hall monitoring, fire patrol, lawn maintenance, and resident management.

Income does not include the following:

- a) Income from the employment of children (including foster children) under the age of 18 years;
- b) Payments received for the care of foster children or foster adults made through the official foster care relationships with local welfare agencies;
- c) Lump sum additions to family assets (for example, inheritances, capital gains, insurance policy death benefit payments, settlement for personal/property losses, medical expense reimbursements);
- d) Income of a live-in aide;
- e) Educational scholarships paid directly to a student, educational institution, or a veteran veteran ***except for residents that receive Section 8 assistance***:
 - (i) For students receiving Section 8 assistance, all financial assistance in excess of amounts received for tuition is included except if the student is over the age of 23 with dependent children or the student is living with his or her parents who are receiving Section 8 assistance;

- f) Earned income tax credits;
- g) Unreliable and nonrecurring income (for example, 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
- h) The value of food stamp allotments (per Section 913.106 of the HUD regulations).

Assets include, but are not limited to:

- a) Stocks, bonds, treasury bills, certificates of deposit, money market accounts;
- b) Individual retirement and Keogh accounts;
- c) Retirement and pension funds;
- d) Cash held in savings and checking accounts, safe deposit boxes, home, etc.;
- e) Cash value of whole life insurance policies available to the individual before death;
- f) Equity in rental property and other capital investments;
- g) Personal property held as investment;
- h) Lump sum receipts or one-time receipts;
- i) Mortgage or deed of trust held by applicant;
- j) Assets disposed of for less than fair market value.

When the cash value of assets exceeds \$5,000, then the amount included in annual income is the higher of 2 percent of the total assets or the actual income derived from the assets.

Assets do *not* include the following:

- a) Necessary personal property (clothing, furniture, cars, wedding ring, vehicles specially equipped for persons with disabilities);
- b) Interests in Indian trust land;
- c) Term life insurance policies;
- d) Equity in the cooperative unit in which the family lives;
- e) Assets that are part of an active business;
- f) Assets that are not effectively owned by the applicant or are held in an individual's name:
 - (i) The assets and any income they earn accrue to the benefit of someone else who is not a member of the household; and

- (ii) The other person is responsible for income taxes incurred on income generated by the assets;
- g) Assets that are not accessible to the applicant and provide no income to the applicant (Example: A battered spouse owns a house with her husband. Due to the domestic situation, she receives no income from the asset and cannot convert the asset to cash.)
- h) Assets disposed of for less than fair market value as a result of:
 - (i) Foreclosure
 - (ii) Bankruptcy
 - (iii) Divorce or separation agreement if the applicant or resident receives important consideration not necessarily in dollars.

Acceptable documentation of income:

Based on HUD Occupancy Handbook (4350.3) - Appendix 3: Acceptable Forms of Verification, acceptable forms of income source documents may include the following:

- a) Completed and signed copies of U.S. Individual Income Tax Returns (i.e., Internal Revenue Service 1040 Forms) and supporting schedules for self employed residents only (prior year tax returns are only acceptable through the first quarter of the following year);
- b) Paychecks with accompanying earnings/deductions statements;
- c) Completed and properly executed (in ink, no white-out) verification of employment letters;
- d) Social Security Supplemental Income notices;
- e) Brokerage statements verifying payments received from annuities, pensions, insurance policies, etc.;
- f) Brokerage statements verifying stock portfolio earnings, dividends, and other interest income;
- g) Letters or case management forms from public assistance agencies;
- h) Approved HUD Section 8 certificates;
- i) State housing agency verifications of income; and
- j) Court orders verifying alimony awards and child support payments, with copies of checks or payment records to verify payments.

Annual Income Calculations:

Verified income at the time of enrollment must be converted to annual amounts by using the following calculations:

To annualize full-time employment income excluding overtime, multiply:

- hourly wages by 2080 hours;
- weekly wages by 52;
- biweekly amounts by 26;
- semi-monthly amounts by 24;

- monthly amounts by 12.

Note: Overtime pay must be considered here. Please include all overtime pay amounts in addition to the base or hourly pay calculations.

To annualize income from anything other than full-time employment, multiply:

- hourly wages by the number of hours the family expects to work annually;
- average weekly amounts by the number of weeks the family expects to work;
- other periodic amounts (monthly, biweekly, etc.) by the number of periods the family expects to work.

APPENDIX D –RETENTION MECHANISM REQUIREMENTS



Retention Mechanism Requirements Owner-occupied Project

To assist members in ensuring that a legally enforceable retention agreement or mechanism satisfies the AHP Regulations, the Bank has prepared an Affordable Housing Program Rider, to be used in conjunction with the member's form of note and mortgage. The AHP Rider and instructions for its use are provided on FHLBank Atlanta's corporate website.

The member shall ensure that an owner-occupied unit that is purchased, constructed, or rehabilitated with the proceeds of a direct subsidy and/or a subsidized advance is subject to a deed restriction or other legally enforceable retention agreement or mechanism requiring that:

- (i.) Each of the Federal Home Loan Bank of Atlanta (“FHLBank Atlanta”) and the member is to be given notice of any sale or refinancing of the unit occurring prior to the end of the five-year Affordable Housing Program (“AHP”) retention period, which ends five years from the date of closing;
- (ii.) In the case of a sale of the unit prior to the end of the five-year AHP retention period, (a) with respect to a direct subsidy, an amount equal to a pro rata share of the AHP direct subsidy that financed the purchase, construction, or rehabilitation of the unit, reduced for every year the seller owned the unit; and (b) with respect to a subsidized advance the proceeds of which were used to finance construction or rehabilitation of (and not permanent financing for) the unit, an amount equal to the pro rata portion of the interest-rate subsidy imputed to the subsidized advance that financed the construction or rehabilitation loan for the unit, reduced for every year the seller owned the unit, shall be repaid to FHLBank Atlanta from any net gain realized upon the sale of the unit unless the unit is sold to a very low-, low- or moderate-income household, as defined in the federal regulations for the AHP promulgated by the Federal Housing Finance Agency (or any successor regulator);
- (iii.) In the case of a refinancing of the unit prior to the end of the five-year AHP retention period, (a) with respect to a direct subsidy, an amount equal to a pro rata share of the direct subsidy, reduced for every year the occupying household has owned the unit, and (b) with respect to a subsidized advance the proceeds of which were used to finance construction or rehabilitation of (and not permanent financing for) the unit, an amount equal to the pro rata portion of the interest-rate subsidy imputed to the subsidized advance that financed the construction or rehabilitation loan for the unit, reduced for every year the owner owned the unit, shall be repaid to FHLBank Atlanta from any net gain realized upon the refinancing, unless the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism, as described in these four paragraphs; and

- (iv.) The obligation to repay AHP subsidy to FHLBank Atlanta shall terminate after any foreclosure.

As used in (i.) above, “date of closing” means (a) with respect to a unit purchased or constructed with the proceeds of AHP subsidy, the date on which the owner-occupant acquires the unit; and (b) with respect to a unit rehabilitated with the proceeds of AHP subsidy, the date on which the owner-occupant executes and delivers the retention mechanism.

Please note that the member is responsible for ensuring that a legally enforceable retention agreement or mechanism satisfying the federal regulations governing the AHP (“AHP Regulations”) is in place. **The member should consult with its legal counsel to ensure compliance with AHP Regulations and the following requirements:**

- Unless otherwise approved in advance and in writing by FHLBank Atlanta, the retention mechanism must be contained within a promissory note and a real property security instrument (e.g., a mortgage, deed of trust, a deed to secure debt, or other appropriate security instrument under applicable law) of a type that is customarily used in the jurisdiction where the real property is located. Notwithstanding the preceding sentence, the Bank shall not require that the retention mechanism be contained in the form of a promissory note and a real property security instrument for an owner-occupied rehabilitation unit receiving AHP subsidy in an amount of \$10,000 or less, if (1) such unit is located in a jurisdiction in which the execution of a promissory note and real property security instrument mandates the presence of an attorney; and (2) such unit would not involve a real estate closing but for the execution of a note and real property security instrument containing the retention mechanism.
- The member is responsible for ensuring that the note and security instrument are enforceable under applicable law, that the security instrument is in a proper form for recording under applicable law and is properly recorded, and that the party granting the security instrument is the owner of the real property interest described therein. Upon receipt or for “approval” purposes, the Bank will review the documents only to confirm: (i) the documents are in the form of a note and mortgage; (ii) the member is correctly named as mortgagee; and (iii) all applicable AHP retention features as set forth herein are incorporated into the note and mortgage or are included as an exhibit and incorporated by reference in the note and mortgage.
- The holder/beneficiary of the note and security instrument given by the owner must be the member (and not the project sponsor or FHLBank Atlanta).
- In the event that the subsidy is disbursed to the project sponsor prior to completion of construction of the owner-occupied units, then at all times prior to construction and transfer of the units to the initial owner-occupants, the project shall be made subject to a recapture agreement, pursuant to which (a) the project sponsor shall give the member and FHLBank Atlanta notice of the sale of the property (or any portion thereof) to an eligible homebuyer, at which time the homebuyer shall execute a retention mechanism of the type contemplated above; (b) any sale of the property (or any portion thereof) to any person or entity (other

than an eligible homebuyer) shall be prohibited without the prior written consent of the member; and (c) any failure to develop the property in accordance with the AHP agreement for the project, or any other failure by the project sponsor to comply with said agreement, the recapture agreement, or any AHP Regulation, shall result in requiring repayment of the subsidy to FHLBank Atlanta.

- The retention mechanism must also include:
 - the name of the owner;
 - the address of the unit;
 - the amount of the AHP subsidy; and
 - the AHP project number.



Retention Mechanism Requirements Rental Project

To assist members in ensuring that a legally enforceable retention agreement or mechanism satisfies the AHP Regulations, the Bank has prepared an Affordable Housing Program Rider, to be used in conjunction with the member's form of note and mortgage. The AHP Rider and instructions for its use are provided on FHLBank Atlanta's corporate website.

The member shall ensure that a rental project financed by the proceeds of a direct subsidy and/or a subsidized advance is subject to a deed restriction or other legally enforceable retention agreement or mechanism requiring that:

- (i.) 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 member's application, for the duration of the 15-year Affordable Housing Program ("AHP") retention period, which ends 15 years from the date of project completion,
- (ii.) Each of the Federal Home Loan Bank of Atlanta ("FHLBank Atlanta") and the member is to be given notice of any sale or refinancing of the project occurring prior to the end of the 15-year AHP retention period,
- (iii.) In the case of a sale or refinancing of the project prior to the end of the 15-year AHP retention period, (a) with respect to a direct subsidy, an amount equal to the full amount of the direct subsidy shall be repaid to FHLBank Atlanta; and (b) with respect to a subsidized advance, the full amount of the interest-rate subsidy received by the project owner, based upon a pro rata portion of the interest-rate subsidy imputed to the subsidized advance during the period the project owner owned the property prior to the sale or refinancing, shall be repaid to FHLBank Atlanta, in each case 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 member's AHP application for the duration of the 15-year AHP retention period, and
- (iv.) The income-eligibility and affordability restrictions applicable to the project terminate after any foreclosure.

As used in (i.) above, "project completion" means that construction of the project is 100 percent complete, at least 75 percent of the units have been leased, a certificate of occupancy (or equivalent document) has been issued, all requested documents have been received and approved by the Bank, and all AHP funds have been disbursed to the project.

Please note that the member is responsible for ensuring that a legally enforceable retention agreement or mechanism satisfying the federal regulations governing the AHP (“AHP Regulations”) is in place. **The member should consult with its legal counsel to ensure compliance with AHP Regulations and the following requirements:**

- Unless otherwise approved in advance and in writing by FHLBank Atlanta, the retention mechanism must be contained within a promissory note and a real property security instrument (e.g. a mortgage, deed of trust, a deed to secure debt, or other appropriate security instrument under applicable law) of a type that is customarily used in the jurisdiction where the real property is located.
- The member is responsible for ensuring that the note and security instrument are enforceable under applicable law, that the security instrument is in a proper form for recording under applicable law and is properly recorded, and that the party granting the security instrument is the owner of the real property interest described therein. Upon receipt or for “approval” purposes, the Bank will review the documents only to confirm: (i) the documents are in the form of a note and mortgage; (ii) the member is correctly named as mortgagee; and (iii) all applicable AHP retention features as set forth herein are incorporated into the note and mortgage or are included as an exhibit and incorporated by reference in the note and mortgage.
- Except as set forth in the immediately following bullet point, the holder/beneficiary of the note and security instrument given by the owner must be the member (and not the project sponsor or FHLBank Atlanta).
- In the event that the member lends a direct subsidy to the project, the holder/beneficiary of the note and security instrument given by the project owner may be either the project sponsor or the member (but not FHLBank Atlanta). If the project sponsor is the holder/beneficiary, then the member must obtain from the sponsor (and perfect by possession of the note) a pledge of that note in favor of the member, to secure the sponsor’s obligations under the AHP Regulations with respect to this project.
- In the event that the subsidy is disbursed to the project owner prior to completion of construction of the project, then at all times prior to completion, the project shall be made subject to a recapture agreement, pursuant to which (a) any sale of the property (or any portion thereof) to any person or entity shall be prohibited without the prior written consent of the member; and (b) any failure to develop the property in accordance with the AHP agreement for the project, or any other failure by the project sponsor to comply with said agreement, the recapture agreement, or any AHP Regulation, shall result in a default requiring repayment of the subsidy to FHLBank Atlanta.
- The retention mechanism must also include:
 - the name and address of the project owner;
 - the name and address of the project;
 - the amount of the AHP direct subsidy and/or subsidized advance; and
 - the AHP project number.



Retention Mechanism Requirements First-time Homebuyer Program

To assist members in ensuring that a legally enforceable retention agreement or mechanism satisfies the AHP Regulations, the Bank has prepared a First-time Homebuyer Program Rider, to be used in conjunction with the member's form of note and mortgage. The FHP Rider and instructions for its use are provided on FHLBank Atlanta's corporate website

The member shall ensure that a unit that is purchased with the proceeds of a subsidy is subject to a deed restriction or other legally enforceable retention agreement or mechanism requiring that:

- (i.) Each of the Federal Home Loan Bank of Atlanta ("FHLBank Atlanta") and the member is to be given notice of any sale or refinancing of the unit occurring prior to the end of the five-year First-time Homebuyer Program ("FHP") retention period, which ends five years from the date of closing;
- (ii.) In the case of a sale of the unit prior to the end of the five-year FHP retention period with respect to a subsidy, an amount equal to a pro rata share of the subsidy, reduced for every year the seller owned the unit shall be repaid to FHLBank Atlanta from any net gain realized upon the sale of the unit after deduction for the sales expenses, unless the unit is sold to a very low-, low- or moderate-income household, as defined in the federal regulations for the FHP promulgated by the Federal Housing Finance Agency (or any successor regulator);
- (iii.) In the case of a refinancing of the unit prior to the end of the five-year FHP retention period with respect to a subsidy, an amount equal to a pro rata share of the subsidy, reduced for every year the occupying household has owned the unit shall be repaid to FHLBank Atlanta from any net gain realized upon the refinancing, unless the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism, as described in these four paragraphs; and
- (iv.) The obligation to repay FHP subsidy to FHLBank Atlanta shall terminate after any foreclosure.

As used in (i.) above, "date of closing" means with respect to a unit purchased with the proceeds of FHP subsidy, the date on which the owner-occupant acquires the unit.

Please note that the member is responsible for ensuring that a legally enforceable retention agreement or mechanism satisfying the federal regulations governing the FHP ("AHP Regulations") is in place. **The member should consult with its legal counsel to ensure compliance with AHP Regulations and the following requirements:**

Unless otherwise approved in advance and in writing by FHLBank Atlanta, the retention mechanism must be contained within a promissory note and a real property security instrument (e.g., a

mortgage, deed of trust, a deed to secure debt, or other appropriate security instrument under applicable law) of a type that is customarily used in the jurisdiction where the real property is located.

- The member is responsible for ensuring that the note and security instrument are enforceable under applicable law, that the security instrument is in a proper form for recording under applicable law and is properly recorded, and that the party granting the security instrument is the owner of the real property interest described therein. Upon receipt or for “approval” purposes, the Bank will review the documents only to confirm: (i) the documents are in the form of a note and mortgage; (ii) the member is correctly named as mortgagee; and (iii) all applicable FHP retention features as set forth herein are incorporated into the note and mortgage or are included as an exhibit and incorporated by reference in the note and mortgage.
- The holder/beneficiary of the note and security instrument given by the owner must be the member (and not the project sponsor or FHLBank Atlanta).
- In the event that the subsidy is disbursed to the initial owner-occupant prior to completion of construction of the unit, then at all times prior to construction the unit shall be made subject to a recapture agreement, pursuant to the terms set forth in sections (i) through (iv) above; and (v) any failure to develop the property in accordance with the FHP agreement for the project, or any other failure by the initial owner-occupant to comply with said recapture agreement, or any AHP Regulation, shall result in requiring repayment of the subsidy to FHLBank Atlanta.
- The retention mechanism must also include:
 - the name of the owner;
 - the address of the unit; and
 - the amount of the FHP subsidy.