

AHP Ownership Disbursement Training

Presented by – Samantha Walker, Housing
Financial Analyst



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AHP Ownership Disbursements Overview

- ◆ Summary
- ◆ Disbursement Availability and Adjustments
- ◆ Disbursement Processing
- ◆ Disbursement Criteria
- ◆ Disbursement Feasibility
- ◆ Household Eligibility Guidelines
- ◆ Documents and Forms along with the Common Mistakes



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Summary

- ◆ Review the AHP Ownership Disbursement Manuals prior to submitting a request.
- ◆ Manuals are available at www.fhlbcin.com.
- ◆ Manuals contain a listing of the acceptable documentation that must be submitted to FHLB for review.
- ◆ Submit one AHP Ownership Disbursement Request for each homebuyer within 60 days of the loan closing.



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AHP Ownership Disbursement Manual

- ◆ Access the AHP Ownership Disbursement Request form and Manual at www.fhlbcin.com (*under Community Investments, then Documents and Forms*) early and often!
- ◆ The Manual describes FHLB's specific needs for each item on the AHP Ownership Disbursement Request form.
- ◆ This is the **MOST IMPORTANT TOOL** for accessing AHP funds!



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Household Eligibility Guidelines

- ◆ Households must meet the income targeting, special needs/homeless household and first-time homebuyer targets (if applicable) as committed to in the project's approved AHP application or latest modification.
- ◆ All households must be pre-approved prior to submitting a disbursement request. Once the approval has been issued the determinations we made are final and we will not re-evaluate anything at time of disbursement.
 - ◇ Affordability will be checked at both pre-approval and disbursement.



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Disbursement Availability and Adjustments

- ◆ FHLB reserves the right to deny, delay, reduce, or recapture funds at any time if:
 - ◇ The Member or Sponsor has failed to respond to a prior FHLB request for information;
 - ◇ The Member or Sponsor has been asked by FHLB to cure a noncompliant situation;
 - ◇ The Sponsor currently has an older or incomplete AHP project that is not making adequate progress;
 - ◇ Costs presented are not reasonable; or
 - ◇ The project no longer demonstrates a need for subsidy.



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Disbursement Processing

- ◆ FHLB will:
 - ◇ Review the disbursement request package and other information obtained during the review process,
 - ◇ Re-evaluate the financial and operational feasibility of the project,
 - ◇ Verify the project continues to qualify for the subsidy,
 - ◇ Request further documentation as necessary, and
 - ◇ Send a Confirmation of AHP Funds Disbursement letter to the Member and Sponsor via fax or e-mail upon approval for funding.



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Disbursement Criteria

- ◆ Disbursements will be processed by FHLB in accordance with FHLB's policies and procedures, which are dictated by the AHP Implementation Plan.
- ◆ Attachment F of the Implementation Plan describes the feasibility guidelines that projects are required to meet or provide reasonable exception.
- ◆ The project must be disbursed prior to its AHP commitment expiration date.
- ◆ Projects must complete physical construction on the project within three years of the AHP award.



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AHP Ownership Disbursement Request Instructions

- ◆ Step 1: Print and complete the AHP Ownership Disbursement Request form
- ◆ Step 2: Gather the Required Documents
- ◆ Step 3: Obtain the Member and Sponsor signatures
- ◆ Step 4: Submit the request form with all Required Documents to FHLB.
 - ◇ By E-mail: AHPDisbursement@fhlbcin.com
 - ◇ By Fax: 513-852-7647
 - ◇ By Mail: Attn: HCI, 221 E. 4th St., Suite 600 Cincinnati, OH 45202



Documents and Forms

AHP OWNERSHIP DISBURSEMENT REQUEST
Effective January 1, 2017

FHLB CINCINNATI

Homebuyer Name:		
Homebuyer Address:		In a QCT? Yes <input type="checkbox"/> No <input type="checkbox"/>
Member Name:		
Sponsor Name:		
Project Number:		
Total Initially Awarded:	\$	Final Amount Requested: \$

Refer to AHP Ownership Disbursement Manual for acceptable forms of required documentation. Documents that do not meet FHLB's requirements as listed in the manual will be required to be amended prior to disbursement of AHP funds. Pre-approval of individual households are REQUIRED prior to submission of this form.

Required Documents:	Already on file	Enclosed	N/A
1. Executed copies of the following documents with original signatures: a. Direct Subsidy Agreement (between the Member and FHLB) b. Affordable Housing Program Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Date of disbursement training completion: ____/____/____		←	
3. Evidence of completion (Certificate of Occupancy et al.)		<input type="checkbox"/>	
4. Type of work completed for this house: <input type="checkbox"/> New construction <input type="checkbox"/> Rehabilitation <input type="checkbox"/> Acquisition only		←	
5. Evidence that the household attended homebuyer counseling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Verification that the Sponsor completed the following commitments made in the approved AHP application, if applicable: a. Marketing/outreach, pre-development activities, and/or construction/rehabilitation activities via a completed and executed AHP Sponsor Commitment Verification Form b. Sponsor cash contribution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Verification that the following services to which the approved AHP application committed were provided, if applicable: a. Homeowners club or association with policies and procedures b. Empowerment activities, such as budgeting/credit counseling, education services, employment training, etc. c. 8 hours of landscaping labor from a community organization d. 40 hours of construction labor from a community organization e. Donation of at least \$500 in goods/services f. Fee waiver from the local government of at least \$500 g. Energy-efficient new construction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Executed and dated settlement statement between the homebuyer and the seller showing the FULL amount of the AHP grant on it		<input type="checkbox"/>	



Required Documentation Descriptions

- ◆ The AHP Ownership Disbursement Request Form outlines documents needed.
- ◆ The AHP Ownership Disbursement Manual provides a detailed description of each required document.
- ◆ If a document listed does not pertain to your homebuyer/project or will be submitted at a later date but before the last disbursement, check the “N/A” box on the Request form.



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Ownership Disbursement Request Form

- ◆ The AHP Ownership Disbursement Request form lists all required documentation that must be submitted.
 - ◇ Submit only what is required for your project.
- ◆ All sections of the Request form must be completed.
 - ◇ Mark each box “Already on File,” “Enclosed,” or “N/A,” if the question is not applicable.
- ◆ The Request form should be signed by the Member and Sponsor contacts identified in the approved application.
 - ◇ If contacts have changed since application approval, provide an explanation.
 - ◇ Original signatures are not required.



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Ownership Disbursement Request Form

Common Mistakes:

- ◆ An old versions of this form is submitted.
- ◆ The Disbursement Request Form is not completed correctly or is missing information.
- ◆ The form was not executed by both the Sponsor and Member contacts.
- ◆ The Final Requested Amount does not match back to the AHP GAP shown on the cost breakdown.



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1a - Direct Subsidy Agreement and 1b - Affordable Housing Program Agreement

- ◆ These forms are mailed out at time of project approval. They must be fully executed and originals must be returned to FHLB.

Common Mistakes:

- ◆ The Agreements were not properly executed by the appropriate signers as required of the Member or Sponsor.
- ◆ The Agreements were not already on file as it was indicated on the Disbursement Request Form.



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2 - Training Completion Date

- ◆ Provide the date the Sponsor contact (s) viewed the disbursement webinar or attended live training (*the pre-approval training is separate and both are required*).
- ◆ A consultant cannot attend training on the Sponsor's behalf.
- ◆ AHP Sponsors may watch a recorded webinar at www.fhlbcin.com that includes audio, not the slides-only versions, which is distinguishable because it requires signing into WebEx to view.
- ◆ Training is required annually.



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3 - Evidence of Completion

- ◆ Submit one of the following for any unit that involved construction or rehabilitation work:
 - ◇ A certificate of occupancy; or,
 - ◇ A final inspection signed by a certified/licensed inspector verifying that the work is complete AND a copy of his or her license/certification from the authorizing agency.
- ◆ The evidence of completion must contain a completion date that does not precede the project's AHP award date.
- ◆ The project address on the evidence of completion must match the household's address as identified elsewhere.



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3 – Evidence of Construction Completion

Common Mistakes:

- ◆ The proper documentation was not submitted to prove the work has been completed and meets the local code.
- ◆ The documentation submitted was not signed by a licensed inspector.
- ◆ The inspector's license was not submitted as required.

4 – Indication of Project Type

- ◆ The Disbursement Request Form has a section to check what type of unit the property is: New construction, Rehabilitation, or Owner-occupied rehab.
 - ◇ Rehabbed units in which a new owner acquires a property must have construction hard costs in excess of \$10,000.00 (if the project was approved in 2014 or later) and \$7,500.00 (if the project was approved prior to 2014) in order to deem the project significant rehabilitation.
 - ◇ Owner-occupied rehab means the current owner retains the property while your organization performs work on it.
- ◆ If the project was approved with only one project type, it cannot produce housing of a different project type without requesting a modification first.

5 - Homeownership Counseling

- ◆ Mandatory counseling is required for each applicant by submitting a copy of the homebuyer's completion certificate or a current, executed letter from the Sponsor indicating the homebuyer counseling program has been completed.
- ◆ The four components required by FHLB to be included in the homebuyer counseling program are mortgage financing, credit-worthiness, household budgeting, and home maintenance.

Common Mistakes:

- ◆ Documentation was not submitted at all proving the homebuyer completed the required counseling.
- ◆ This is commonly confused with credit counseling/budgeting.
- ◆ The documentation submitted does not verify the four required components were included in the counseling program.



6a – Verification of Sponsor Commitments

- ◆ Submit a signed copy of the AHP Sponsor Commitment Verification Form only if the project was approved for points for the Sponsor's provision of:
 - ◇ Marketing / Outreach
 - ◇ Predevelopment
 - ◇ Construction / Rehab Activities
- ◆ Be sure to describe what activities the Sponsor performed on the form; these activities must meet FHLB definitions of each type of activity.
- ◆ Only required one time.



6 – Verification of Sponsor Commitments

Verification of the AHP Approved Sponsor Commitment(s)

- For ownership, submit with the last disbursement request.
- For rental, submit with the disbursement request.

Project Number:

Member Name:

Sponsor Name:

The above Sponsor was approved with the following commitments for the above project number. Check the commitment(s) that have been completed for this project or all homebuyers/owners of this project and describe the activities, if applicable.

Provided marketing/outreach of the project. Describe:

Completed pre-development activities. Describe:

Completed construction/rehabilitation activities with employees or volunteers (Sponsor was the general contractor on the majority of the project).

Sponsor Contact Printed Name:

Sponsor Contact Title:

Sponsor Contact Signature: _____

Date:

6b - Sponsor Cash Contribution

- ◆ Submit a letter signed by a representative of the Sponsor acknowledging the amount of the contribution.
- ◆ The full amount of the contribution must be listed as a funding source on one or more of the settlement statements or closing disclosures for households in the project.
- ◆ The contribution must be at least \$500 to qualify for the point in the AHP scoring system.

7a - Homeowners Club or Association

- ◆ Submit a current, executed letter from the Sponsor indicating that the homeownership club or association has been formed.
 - ◇ Club or association must be comprised of at least four homes and have regular meetings.
 - ◇ Must be for the current project or clearly document that new households will be part of a previously established association.
- ◆ Submit the policies governing the club or association (i.e. voting rights for members, amount of dues, and other details of business).



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7b - Empowerment Activities

- ◆ Submit a current, executed letter from the Sponsor indicating that the services to which the project committed in the approved AHP application are available to the homebuyers.
- ◆ Specify which service(s) will be provided, such as:
 - ◇ Budgeting/credit counseling
 - ◇ Daycare services
 - ◇ Employment training
 - ◇ Skills training
 - ◇ Education services
- ◆ Do not submit the same materials as were submitted with the approved AHP application.
- ◆ This is only required once.



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7c & d - Landscaping & Construction Labor

- ◆ Submit an e-mail or current letter from a representative of a community organization verifying the activities the organization voluntarily completed for the project and how many hours they contributed to each activity.
- ◆ The organization must have completed at least 8 hours of landscaping labor and/or 40 hours of construction labor.
- ◆ Common Mistakes:
 - ◇ Letter not completed on volunteer organization's letterhead;
 - ◇ Description of activities or hours worked not provided;
 - ◇ Household or project name not shown on letter; and
 - ◇ Letter is not signed.

7e - Donation of Goods or Services

- ◆ Submit an e-mail, signed letter, or invoice from a representative of a community organization verifying that the organization has donated a good or service to the project worth at least \$500.
- ◆ Must be for a cost that AHP deems eligible (*no reimbursements*).
- ◆ Cannot be from the AHP Sponsor or a related party.
- ◆ Common Mistakes:
 - ◇ Name of the organization providing donation not provided;
 - ◇ Description of good/service or amount missing;
 - ◇ Name of the receiving household(s) or project missing; or,
 - ◇ Letter is not dated and/or signed.

7f – Government Fee Waiver

- ◆ Submit an e-mail or current letter from a representative of the local government verifying that they have waived a fee for the project valued at \$500 or more.
- ◆ Do not submit the same documentation as was submitted with the approved AHP application!!!
- ◆ Documentation must indicate the following:
 - ◇ The local government jurisdiction
 - ◇ The name of the homebuyer(s) for which fees were waived
 - ◇ The fee(s) waived
 - ◇ The cost savings to the project as a result of the waived fee
 - ◇ Signature by a local government representative

7g – Energy-efficient New Construction

- ◆ Projects constructing new housing units that are Energy-efficient must meet or exceed one of the following:
 - ◇ A signed LEED Certification;
 - ◇ Evidence of the HERS rating;
 - ◆ 75 or less for projects approved prior to 2016;
 - ◆ 85 or less for projects approved in 2016 forward; or
 - ◇ Proof that the REScheck calculation exceeds the 2009 Model Energy code by 15% or better.

Common Mistakes:

- ◆ Documentation was not submitted at all proving the home met the required energy-efficiency standards.
- ◆ A document that has not been approved by FHLB was submitted.

8 - Executed Settlement Statement

- ◆ Submit the HUD-1 Settlement Statement or Closing Disclosure for the property that is signed by both the buyer and the seller or the settlement agent.
- ◆ The document must contain at least the following:
 - ◇ Homebuyer's name(s)
 - ◇ Mortgage amount
 - ◇ Signatures
 - ◇ **FULL AMOUNT** of the AHP grant
 - ◇ Property address
 - ◇ Lender's name
 - ◇ Closing date
- ◆ The items on the settlement statement must match information presented in other items of the request.

9 - Costs and Sources Detail

- ◆ Submit a signed detailed breakdown listing all the costs AND permanent funding sources for the homes involving construction or rehabilitation work.
- ◆ Itemize costs by amount and category, including developer fee.
- ◆ List only permanent (not construction) funding sources, including AHP et al. shown on HUD-1.
- ◆ Do not label anything as “other” or “miscellaneous.”
- ◆ Sum of costs **MUST** equal sum of funding sources and be at least the purchase price to the homebuyers.

Sample Detailed Cost Breakdown

Cost Code	Cost Code Description	Cost	Category
xxxx	Land	14,410.34	Land
xxxx	Sub-total	14,410.34	
xxxx			
xxxx	Land Development	28,754.81	Site work
xxxx	Trench, backfill & compaction	1,350.00	Site work
xxxx	Trees, shrubs, & ground cover	727.05	Site work
xxxx	Driveways & sidewalks	2,097.00	Site work
xxxx	Sidewalks (Metro)	1,950.00	Site work
xxxx	Underground water & sewer	1,350.00	Site work
xxxx	Sub-total	65,049.54	
xxxx			
xxxx	Termite control	125.00	Materials
xxxx	Quality Control Energy Star	400.00	Materials
xxxx	Temporary electric	130.56	Materials
xxxx	Temporary water	72.46	Materials
xxxx	Concrete slab on grade	6,730.00	Materials
xxxx	Bolts-slab	103.39	Materials
xxxx	Loose lumber package	2,244.78	Materials
xxxx	Wall panels	2,275.00	Materials

**Not required for acquisition only projects.*

10 - Construction Contract

- ◆ Submit an executed construction contract and change orders for the home.
- ◆ Contracts and change orders must be signed by all required parties (contractor, Sponsor, and architect, if applicable).
- ◆ Costs associated with any rehabilitation/construction must coincide with the costs shown on the costs and sources detail.
- ◆ This is not required if the AHP Sponsor performed the construction/rehab work or it was acquisition only.

11a - Verification of Acquisition Cost

- ◆ Document all acquisition costs shown on the costs and sources detail by submitting a signed copy of one of the following:
 - ◇ Purchase contract
 - ◇ Warranty deed with price
 - ◇ Loan payoff statement
 - ◇ Settlement statement
 - ◇ Sheriff's sale document
- ◆ Must tie to deed that verifies ownership of the property (submit copies of surveys or platting information if necessary)
- ◆ Must be for a cost paid to a third party, not between the AHP Sponsor and itself or an entity related to the AHP Sponsor
- ◆ Does not need to be provided if the homebuyer acquired the property prior to the Sponsor's involvement in the project

11b - Verification of Property Donation

- ◆ Document that the project's property, that ties to the deed, was donated to the AHP Sponsor or homebuyer by submitting a fully executed copy of one of the following:
 - ◇ Purchase contract
 - ◇ Settlement statement
 - ◇ Letter from grantor
 - ◇ Warranty deed with price indicated
 - ◇ Property Value Assessment
- ◆ Must show that the AHP Sponsor or homebuyer acquired all property from a third party for \$0 or a nominal price (payment of back taxes or loans payoffs constitute purchases, not donations)
- ◆ Market value of the property can be shown as a source and a use on the costs and sources detail, but not if a paid cost applies
- ◆ May have to be dated within 5 years of AHP application deadline

11a - Verification of Acquisition Cost & 11b - Verification of Property Donation

Common Mistakes:

- ◆ The documentation of costs is not dated from the time of acquisition.
- ◆ The property address listed on the verification documents does not match the address on the Disbursement Request Form, the Note(s), the Mortgage(s), or the Warranty Deed.
- ◆ The costs do not match the detail breakdown.
- ◆ The land costs are incorrectly listed under the paid costs when it was donated or vice versa.



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11c & d – Market Value

- ◆ Submit a Property Value Assessment (PVA) dated within one year of the date the property was acquired or appraisal dated within six months signed by a state-licensed/certified appraiser showing the as-is property value.
- ◆ Do not submit evidence of the project's current market value unless the unit did not involve construction or rehabilitation work.
- ◆ Related-party transactions require an appraisal.
- ◆ If the project was awarded points for purchasing property at least 50% below market value, the market value documented must be at least twice the acquisition costs.
- ◆ If the acquisition price of the property is greater than the market value documented, FHLB will reduce the AHP grant.



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11c & d – Market Value

Common Mistakes:

- ◆ The PVA is not dated within one year of the acquisition or the appraisal within six months.
- ◆ The PVA does not indicate a market value greater than 50% of the paid costs.
- ◆ For donated land, the market value is not the figure entered on the detailed cost breakdown.

11e - Verification of Vacant Property

- ◆ Submit photos identifying the property or an appraisal signed by a state-licensed or -certified appraiser dated within one year of the property's acquisition by the Sponsor or homebuyer which shows that it was vacant at the time of acquisition.
- ◆ Photos must be dated *and* identify the property.
- ◆ Only submit this documentation if the project received points for the rehab of vacant, foreclosed units.
- ◆ FHLB may accept alternative documentation at its discretion.

11f - Foreclosure, Deed in Lieu, or Short Sale

- ◆ Submit one of the following to verify that the property underwent foreclosure, deed in lieu or short sale:
 - ◇ A signed copy of the foreclosure/sheriff's sale document
 - ◇ A copy of the deed to the AHP Sponsor or homebuyer
 - ◇ A letter from the foreclosing lender
 - ◇ Foreclosure notices
- ◆ The AHP Sponsor or household AHP recipient must have acquired the property directly from the foreclosure or sheriff's sale, auction, lender involved in the foreclosure, or city or county intermediary to qualify for points in this scoring criterion.

12 - Executed Notes and Mortgages (Deeds of Trust)

- ◆ Must provide an executed Note and Mortgage (Deed of Trust) for all loans to the homeowner, even if forgivable.
- ◆ FHLB will use the note and mortgage to determine affordability.

Common Mistakes:

- ◆ The loan amount, term or rate as indicated on the Note do not match the Mortgage (Deed of Trust).
- ◆ The loan amount, term, or rate on the Note do not match the figures indicated on the breakdown.
- ◆ If there is no second (forgivable or not) loan, a letter or e-mail indicating there is no second loan is required but it was not submitted.
- ◆ Either the Note or Mortgage was not submitted as required.

13 - Evidence of ALL Funding Sources

Type of Source	Documentation Required
Grant	Signed grant agreement with all exhibits/attachments
Cash	Copy of cancelled check or letter from contributor
Loan	Signed note AND mortgage or deed of trust
Fundraising/Sponsor equity	Letter from the Sponsor acknowledging the amount of the contribution

- ◆ The amount of funding verified must match the amount shown on the costs and sources detail.
- ◆ Provide notes and mortgages (or deeds of trust) for all loans from any party, even if they are forgivable.
- ◆ The lender per the first mortgage note must match the lender per the approved AHP application.

13 - Evidence of ALL funding sources

Common Mistakes:

- ◆ The grant agreement or attachments/exhibits were not submitted as required.
- ◆ An executed letter or cancelled check was not submitted as required.
- ◆ The cash source received was not disclosed on the household's cost breakdown.
- ◆ Cash sources that were approved in the AHP application were not applied to the household's as they originally indicated.

14 - Homebuyer Housing Expenses

- ◆ Input the amount of monthly homeowner's insurance and property taxes the homebuyer(s) can expect to pay onto the AHP Ownership Disbursement Request form.
- ◆ FHLB will use this information in its affordability analysis for the home along with the note/mortgage.
- ◆ If the information entered on the request form does not match information included on the household's settlement statement or closing disclosure, provide an explanation for the discrepancy.



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15 - Warranty Deed

- ◆ Submit a fully executed copy of the deed that transfers ownership of the property to the homebuyer(s).
- ◆ The deed must verify that the home is located within the county(ies) identified in the approved AHP application.
- ◆ The deed may contain the FHLB's retention language within the text or in an exhibit or addendum that must be referenced within the body of the text.
- ◆ If the deed does not contain the FHLB retention language, file a separate restrictive covenant containing the retention language **and** a reference to the deed.



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15 - Warranty Deed

- ◆ The deed must tie to the acquisition cost documentation.
- ◆ “Retention period” means: Five (5) years from closing for an AHP-assisted owner-occupied unit.

Common Mistakes:

- ◆ The deed showing the transfer of ownership was not submitted with the disbursement package as required.
- ◆ The deed includes or references old retention language.
- ◆ The retention language is not included in the deed or it is not properly referenced as an exhibit or addendum.



AHP Owner-occupied Retention Language

Owner-occupied Retention Language

The language below should be inserted into the Warranty Deed or as a Restrictive Covenant to the Warranty Deed. If it is attached to the Warranty Deed as an addendum or attachment, the Warranty Deed must reference the addendum or exhibit. If recorded as a Restrictive Covenant, the document must reference the Warranty Deed.

Borrower(s), **for and in consideration of** receiving direct subsidy funds from the Federal Home Loan Bank of Cincinnati's Affordable Housing Program, **must maintain ownership** in this property for a period of **five (5)** years (Retention Period) from the date of the recording of this deed.

- (i) The Federal Home Loan Bank of Cincinnati, whose mailing address is P.O. Box 598, Cincinnati, OH 45201-0598, is to be given notice of any sale, refinancing, foreclosure, conveyance by deed in lieu of foreclosure, assignment of the first mortgage to the **Secretary of HUD**, or change in ownership of the unit occurring prior to the end of the Retention Period.
- (ii) In the case of a sale or refinancing of the unit prior to the end of the Retention Period, an amount equal to a pro rata share of the AHP Subsidy that financed the purchase, construction, or rehabilitation of the unit, reduced for every year the seller owned the unit, shall be repaid to The Federal Home Loan Bank of Cincinnati from any net gain realized upon the sale or refinancing of the unit, unless:
 - (A) The unit was assisted with a permanent mortgage loan funded by an AHP advance;
 - (B) The purchaser is a very low-, or low-, or moderate-income household as defined in the applicable **Federal Housing Finance Agency** regulations for the AHP (in which case the retention period ends with the conveyance to such purchaser); or
 - (C) Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism, incorporating the requirements of clauses (i), (ii), and (iii) contained herein.
- (iii) The obligation to repay Subsidy to the Bank shall terminate after any foreclosure or conveyance by deed in lieu of foreclosure or any assignment of the first mortgage to the **Secretary of HUD**.



16a & b - Member's Permanent, Bridge, or Construction Loan

- ◆ Submit signed copies of the note and mortgage/deed of trust for the loan the Member made to the project.
- ◆ The note must show the project's Member as lender.
- ◆ Submit a collateral agreement or verification that the loan was made on an unsecured basis if no mortgage exists for the loan.
- ◆ Points for permanent loans require the Member to provide loans to at least 51% of the project's units.
- ◆ Points for short-term loans require the principal to be at least 51% of total hard costs (for newer projects).



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16c - Member's Below-market Rate

- ◆ Must be documented with one of the following:
 - ◇ Current, executed letter from the Member indicating the below-market interest rate for the project and how the interest rate is below the market rate.
 - ◇ A copy of the standard rate sheet for loans of this type offered by the Member and published for the general public.
 - ◇ Information is compared to the construction loan documents to verify reduced rate.

Common Mistake:

- ◆ The letter submitted does not specifically state that the rate is at least 0.50 percent below its standard rates.



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16d - Member's Cash Contribution

- ◆ Must submit a copy of the cancelled check.
- ◆ This contribution must be listed as an cash source on one of the cost breakdowns for a homebuyer in the project.
- ◆ The contribution must be at least \$500 to maintain points awarded.

Common Mistakes:

- ◆ The contribution is not listed as a 'Cash Source' on one of the homebuyer's Detailed Cost Breakdown.
- ◆ The cancelled check was not submitted as required.



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16e - Member's Servicing Loan

- ◆ Must be documented with one of the following:
 - ◇ Language in the Note indicating where the payments are made.
 - ◇ Current, executed certification from the Member that the loan has been/will be set-up on the Member's servicing system and will be serviced at no cost to the Sponsor.
 - ◇ A screen shot from the Member's servicing system showing that each loan has been set up on the Member's system

Common Mistakes:

- ◆ The Note does not indicate that the payments are going to the Member.



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Affordability Analysis

- ◆ FHLB calculates the housing expense ratio to ensure the household is within the required affordable range of 31% or below.
- ◆ FHLB requires the loan principle(s), loan terms(s), interest rate(s), and amounts for other predetermined housing costs (insurance, taxes, etc...)
- ◆ If the homebuyer receives “Section 8 to Homeownership Assistance” or other comparable income, affordability is met.



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Affordability Analysis

- ◆ At time of disbursement, if the annual expense ratio is not within our guidelines, FHLB will:
 - ◇ Request additional information regarding actual costs of insurance and taxes or
 - ◇ Allow a mortgage recasting to occur.
- ◆ For households that exceed 31%, the homebuyer will be deemed ineligible for disbursement.

$$\frac{(12 \times \text{Monthly Housing Expenses})}{\text{Gross Annual Household Income}}$$



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Affordability Analysis

Federal Home Loan Bank of Cincinnati Housing & Community Investment Affordable Housing Program			
Ownership Affordability Worksheet			
AHP Project Number: FHLBank Member Institution:			
Resident Name:	Sample, Dave		
Property Address:	1234 Somewhere Street, Backwoods, OH		
Total Household Income:	\$33,000.00		
AFFORDABILITY ANALYSIS			
Mortgage Amount:	\$90,000.00	1st Mortgage P&I:	\$404.14
Mortgage Term:	360	Plus Monthly Taxes & Insurance:	\$150.00
Mortgage Rate:	3.50%	Plus Monthly Utilities:	\$0.00
		Total Housing Expense:	\$554.14
Affordability Result:	20.15%		
Is the home affordable?	Home is affordable.		
AFFORDABILITY COMMENTS			
General Information Income Calculation AHP_AffordabilityAnalysis Definitions			

Disbursement Feasibility

- ◆ The Sponsor is responsible for ensuring that financial information is correct and consistent with the approved AHP application.
- ◆ Projects that deviate from the approved parameters will undergo additional review to determine the reason for, and reasonableness of, any deviation.
- ◆ Projects must meet all feasibility guidelines or provide explanations satisfactory to FHLB for any values outside the guidelines.
- ◆ FHLB's determination will be final and any costs determined not reasonable will be disallowed and will not be reimbursed with AHP funds.

Feasibility - Project Costs per Unit

- ◆ Total project costs cannot exceed \$185,000 per home for projects approved after 2012.
- ◆ Total project costs cannot exceed \$175,000 per home for projects approved in 2012 and earlier.
- ◆ Included in total project costs:
 - ◇ Acquisition costs
 - ◇ Hard costs
 - ◇ Soft costs
- ◆ Exceptions for excessive costs may be granted for projects with unusual site costs or ones that are located in areas that are difficult to develop.

Feasibility – Total Soft Cost Percentage

- ◆ Total soft costs cannot exceed 25% of total project costs.
- ◆ Examples of soft costs include:
 - ◇ Developer fees
 - ◇ Loan fees/interest
 - ◇ Insurance
 - ◇ Recording fees
 - ◇ Legal Fees

$$\frac{\text{Total Soft Costs}}{\text{Total Project Costs}}$$

Feasibility - Developer Fee Percentage

- ◆ May not exceed 15% for projects involving acquisition and construction or rehabilitation
- ◆ May not exceed 5% for projects involving acquisition by a new homebuyer only
- ◆ Examples of developer fee include:
 - ◇ Developer overhead/profit (organizational overhead)
 - ◇ General management
 - ◇ Administrative
 - ◇ Consultant/Application Preparer

$$\frac{\text{Developer Fee}}{\text{(Total Project Costs - Developer Fee)}}$$



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Feasibility – Total Contractor Costs

- ◆ Contractor costs cannot exceed 14% of hard costs less the contractor costs.
- ◆ Examples of contractor costs include:
 - ◇ Construction management
 - ◇ Construction overhead
 - ◇ General requirements

$$\frac{\text{(Total Contractor Costs)}}{\text{(Total Hard Costs - Total Contractor Costs)}}$$



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Feasibility – AHP Subsidy Per Unit

- ◆ Total AHP subsidy requested cannot exceed \$50,000 or 75% of total project costs per unit.
- ◆ The FHLBank cannot disburse more in AHP grant than the total awarded for the project.
- ◆ Aim to divide the total dollar amount of AHP subsidy awarded to the project evenly between all units, although the amount requested may flex as needed.
- ◆ FHLBank does not allow exceptions for subsidies per unit in excess of its limits.

AHP Subsidy Requested per Unit

Total Project Costs for Unit



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Common Issues Causing Subsidy Adjustments

- ◆ Project's funding sources exceed project's expenses
- ◆ Costs presented are ineligible or unreasonable
- ◆ Failure to pass FHLBank's affordability analysis



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General Common Mistakes

- ◆ The Sponsor or Member is unfamiliar with the commitments made in the AHP application.
- ◆ Package includes documentation that contradicts something else that was also submitted to FHLB.
- ◆ The Sponsor or Member is delinquent submitting requested additional information or monitoring and reporting requirements.
- ◆ Outdated FHLB documentation is used.

General Common Mistakes

- ◆ The homebuyer/owner or property does not fit into the project's requirements (special needs, elderly, homeless, first-time homebuyer, or the property was not purchased below market value or donated, etc...).
- ◆ Based off the documentation submitted the household does not meet the affordability requirements.
- ◆ Items submitted with the AHP application are resubmitted with the disbursement request package when updated documentation is required.

Reminders

- ◆ The AHP Disbursement Request form must be signed by both the Member and Sponsor contacts.
- ◆ Any changes to income or household size that occur after pre-approval are not considered.
- ◆ A signed cost breakdown is required for each unit when requesting funds. Be sure to include all costs and sources for the homebuyer as these represent final costs/sources.
- ◆ Be sure the funding gap shown on the cost breakdown matches your AHP Habitat Disbursement Request.
- ◆ Please be sure to use the correct retention language as it changes from year to year.



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Reminders

- ◆ Submit a copy of the Note and the corresponding Mortgage for all loans made to the partner family.
- ◆ Show the principal and interest payment on the Note for all repayable loans shown on the cost breakdown.
- ◆ Only submit the request under the project you wish to disburse it under. A household should not be transferred between projects unless it is absolutely necessary.
- ◆ Allow up to 30 days for FHLB staff to review the preliminary review or disbursement packages as well as additional information submitted.



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Reminders

- ◆ If a request is withdrawn by the Sponsor, it cannot be reinstated under the same project.
- ◆ Keep FHLB informed of any staff changes in your organization via e-mail. Only one contact is allowed.
- ◆ Send all requests to one of the following:
 - ◇ By e-mail: AHPDisbursement@fhlbcin.com Subject line: Project number, Homebuyer's name, Disbursement or Preliminary Review
 - ◇ By Fax: (513) 852-7648
 - ◇ By Mail: Housing, FHLB of Cincinnati, 221 E. 4th Street, Suite 600, Cincinnati, OH 45202



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We encourage all FHLB Members and housing sponsors to notify us of plans to celebrate or recognize any FHLB-funded housing or community investment project. FHLB is often available to participate and to offer public relations assistance for community events such as ribbon cuttings, groundbreakings, and dedications.

**Please contact Member Services/Public Affairs,
toll-free, at (877) 925-FHLB(3452).**



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Housing and Community Investment Staff

<u>Name</u>	<u>Phone</u>	<u>E-mail Address</u>
Damon v. Allen Senior Vice President & CIO	(513) 852-7518	allendv@fhlbcin.com
Herman Bowling Assistant Vice President	(513) 852-7614	bowlingh@fhlbcin.com
Dawn E Grace HCI Manager	(513) 852-7612	gracede@fhlbcin.com
Brenda A. Pierre Housing Quality Assurance Officer	(513) 852-7505	pierreba@fhlbcin.com
* Mary L. Hernandez Affordable Housing Program Manager	(513) 852-7604	hernandezml@fhlbcin.com
Jill A. Cravens Voluntary Programs Manager	(513) 852-7550	cravensja@fhlbcin.com



Housing and Community Investment Staff

<u>Name</u>	<u>Phone</u>	<u>E-mail Address</u>
* Cassandra L. Larcarte Housing Financial Analyst II	(513) 852-7619	larcartecl@fhlbcin.com
* Laura K. Overton Housing Financial Analyst II	(513) 852-7603	overtonlk@fhlbcin.com
* Justin A. Ratz Housing Financial Analyst II	(513) 852-7615	ratzja@fhlbcin.com
* Samantha M. Walker Housing Financial Analyst I	(513) 852-7621	walkersm@fhlbcin.com



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Contact Us

Federal Home Loan Bank of Cincinnati

221 East Fourth Street

P.O. Box 598

Cincinnati, OH 45201-0598

Toll free: (888) 345-2246

Fax: (513) 852-7647

E-mail: AHPDisbursement@fhlbcin.com

www.fhlbcin.com



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Thank You

