

AHP Disbursements for Rental / Shelter Projects

2017



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Webinar Agenda

- Disbursement Timeline
- Disbursement Process
- Documents and Forms
- Common Issues / Mistakes
- General Information

Remember the date that you completed this webinar
for inclusion in the disbursement request
package!



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Disbursement Timeline

1. FHLB announces AHP awards.
2. AHP Sponsor and Member sign and return the AHP Agreement and Direct Subsidy Agreement.
3. AHP Sponsor and Member complete Periodic Progress Reports and submit them to FHLB biannually until disbursement of all funds.
4. Project's units reach completion within three years of AHP award notification.
5. AHP Sponsor/owner and Member submit the disbursement request package to FHLB.



Disbursement Timeline (cont.)

6. FHLB reviews request package within 30 days and either send a confirmation of AHP funds or a request for additional information.
7. AHP Sponsor/Owner submit additional information requested within 30 days of request, if applicable.
8. FHLB deposits the funds into the Member's Demand Deposit Account at FHLB.
9. The Member forwards the funds to the Sponsor as agreed upon by the Member and Sponsor.
10. Initial monitoring begins nine months after AHP funds are disbursed.



Disbursement Process

1. Complete one copy of the AHP Rental Disbursement Request form.
2. Gather Required Documents.
3. Obtain the signatures for the project's long-term Member and Sponsor contacts on the form.
4. Submit request form and required documents to FHLB Cincinnati by mail.
5. Await disbursement confirmation or request for additional information (typically within 30 days).



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Disbursement Process

- The FHLBank will:
 - Review the disbursement request package and the required documentation in the order in which they were received within 30 days of submission.
 - Verify that the project continues to qualify for the subsidy.
 - Re-evaluate the financial and operational feasibility.
 - Request and review further documentation as necessary.
 - Send a Confirmation of AHP Funds Disbursement letter to the Member and Sponsor via fax or email upon approval for funding.



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Disbursement Process

- The project must be disbursed prior to its AHP commitment expiration date.
- The FHLBank 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 FHLBank request for information;
 - The Member or Sponsor has a noncompliant project;
 - The Sponsor currently has an older or incomplete AHP project that is not making adequate progress;
 - Costs presented are no longer reasonable; or,
 - Project no longer demonstrates a need for subsidy.

AHP Rental Disbursement Manual

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

Accessing The Manual

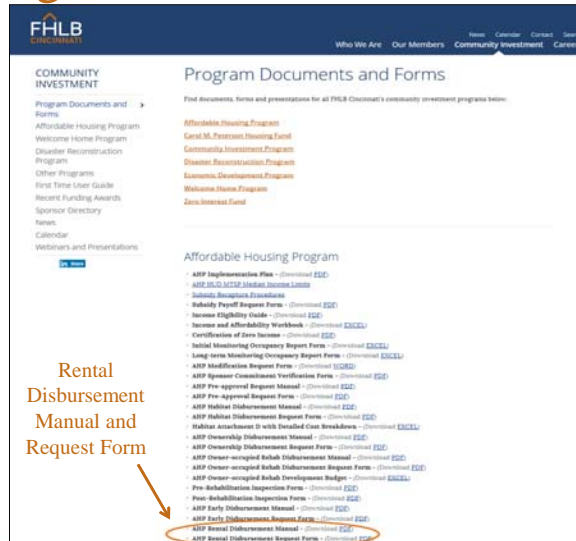


COMMUNITY INVESTMENT
 We provide members and housing organizations with grants and below-market interest rate loans when these funds are used for targeted low-income and community lending purposes. Since 1990 those awards have totaled nearly \$621 million.

- Affordable Housing Program
- Welcome Home
- Other Programs
- Recent Funding Awards
- Economic Open Guide
- Construction and Forms
- Policies and Procedures



Accessing The Manual



Rental
 Disbursement
 Manual and
 Request Form



AHP Rental Disbursement Request Form

- Lists all required documentation.
- All sections must be completed.
 - Mark each box “Already on File,” “Enclosed,” or if the question is not applicable, “N/A.”
 - Attach additional pages, if an explanation is needed.
- Must be signed by the project’s long-term Member and Sponsor contacts (*original signatures are not required*)
- Submit only what is required for your project.



Disbursement Request Form

Don't forget to include the date you listened to both webinars on the request form! →

Effective August 1, 2016 AHP RENTAL DISBURSEMENT REQUEST				
Project Name:	<input type="text"/>			
Project Address(es):	<input type="text"/>			
Member Name:	<input type="text"/>			
Sponsor Name:	<input type="text"/>			
Project Number:	<input type="text"/>			
Total Initially Awarded:	\$ <input type="text"/>	Final Amount Requested:	\$ <input type="text"/>	
Refer to the AHP Rental 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 or replaced prior to disbursement of AHP funds.				
Required Documents:		Already on file	Enclosed	N/A
1. Dates of disbursement training completion: Documentation Details Webinar/Live Training: <input type="text"/> <input type="text"/> <input type="text"/> Attachments/Financials Webinar/Live Training: <input type="text"/> <input type="text"/> <input type="text"/>		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Evidence of completion (Certificate of Occupancy et al.)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Completed and executed AHP Sponsor Commitment Verification form (available at www.fhlbcin.com)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



1 - Disbursement Training

Requirement

- Provide date of completion for *AHP Rental Disbursement* webinar and *Rental Attachment and Financials* webinar.

Common Errors

- Training completed by consultant not Sponsor.
- Training is outdated.
- Training completed by someone no longer with organization.
- Participation can not be verified through FHLB system.



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2 - Evidence of Completion

Requirement

- Verify that the project is complete and ready for occupancy through submission of one of the following:
 - Certificate of Occupancy.
 - AIA document G704 - Certificate of Substantial Completion certified by the project Architect.
 - Certification from the General Contractor that the work was completed and in compliance with local code (must contain a completion date).
 - Certification from certified / licensed inspector verifying completion and compliance with local code AND a copy of the inspector's license.

Common Errors

- Certificate does not match project address.
- The Certificate or statement does not show a completion date.
- Explanation not provided for a less preferred document.



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3 - Sponsor Commitments

Requirement


- Submit a copy of the fully executed Sponsor Commitment Verification form found at www.fhlbcin.com.
 - Required only if Sponsor was approved for marketing, predevelopment, or general contractor.
 - Must include description of activity performed.

Common Errors

- Activities marked as completed do not apply to project.
- Form not signed by Sponsor.
- Form not provided in the request package.
- Description of activities not provided or the activities do not meet the FHLBank's definitions.

Sponsor Commitment Verification

Verification of AHP Approved
Sponsor Commitment(s)



- For Ownership projects, submit with the last disbursement request.
- For Rental projects, submit with the final disbursement request.

Project Number:

Member Name:

Sponsor Name:

The above named Sponsor was approved with the following commitments for the project number shown above.

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 activities. Describe:
- Completed pre-development activities. Describe:
- Completed construction/rehabilitation activities with employees or volunteers (Sponsor was the general contractor on the project).

4 – Financial Documentation

Requirements

- Cost certification executed by an independent auditor
 - Must contain all of the project’s expended development costs *and* permanent funding sources, including all those listed in the approved AHP application.
 - An operating budget may be included but not required.
 - Should not contain any “miscellaneous” or “additional” costs; all costs are explicitly named.
- Completed FHLBank Sources and Uses form (Attachment A)
 - Provided in place of a cost certification and only if there are 50 receipts and invoices or less to submit.
 - Must also submit detailed cost breakdown to verify which invoices/receipts are included in Attachment A line items.



4 – Financial Documentation

Requirements (cont.)

- Executed construction contracts (if not completed by Sponsor)
 - All construction contracts and change orders are needed and must be signed by all parties (contractor, project owner, and architect, if applicable).
 - Total contractor costs plus change orders must match construction/rehab cost on budget.
- Completed 15-year operating budget and occupancy report
 - Must contain all income and operating expenses for the project.
 - Occupancy report must include household information for all units (vacant and occupied).
 - Contract rents shown on report must meet FHLB affordability guidelines and coincide with gross rents on operating budget.
 - Occupancy and income targets must coincide with approved commitments.



4 – Financial Documentation

Common Errors

- Change orders are not signed by all parties or not provided.
- The cost certification contains “other” or miscellaneous” cost without explanation.
- Receipts/invoices or contractor costs do not match totals shown on Attachment A or cost certification.
- Permanent funding sources shown on cost certification do not match supportive documentation.
- Rents shown on the Occupancy report are not affordable and an explanation is not provided or not all units are shown.

5 – Financial Feasibility

Requirement

- Projects must continue to meet all feasibility guidelines at disbursement and provide explanations for any new feasibility alerts.
- Alerts approved at application carry over to disbursement.
- Any costs determined unreasonable will not be reimbursed with AHP funds

Common Errors

- Justification not provided for exceeding guidelines.
- Conflicting financial information so feasibility cannot be assessed.

6 – Exclusion of Ineligible Cost

Requirement

- Submit a letter from source covering development costs that are ineligible for AHP reimbursement.
- AHP grant will be reduced by a like amount of disallowed costs.
- Examples of ineligible costs include:
 - Non-residential space (Art rooms, social service area, fitness room, etc.).
 - Furniture or appliances beyond basic necessities (such as computers, lawn mowers, snow blowers, construction tools, workout equipment, and the like).

Common Errors

- Ineligible costs are shown but no alternative funding source or explanation provided.



7 - Verification of Acquisition Costs

Requirement

- Required at disbursement only if different from time of approval (includes donation or below market).
- Verify acquisition cost with one of the following:
 - Executed purchase contract or Deed with purchase price;
 - Fully executed HUD-1 settlement statement;
 - Signed letter from the grantor;
 - Appraisal dated within 6 months of acquisition;
 - Property Value Assessment showing a nominal sales price in the transaction history for the property (valid for donations ONLY); or,
 - Warranty deed or lease with price indicated.



7 - Verification of Acquisition Costs

Requirement

- Verify vacant property with one of the following:
 - Photos of the interior and exterior of the property showing that it was boarded up dated within one year of the acquisition; or,
 - An appraisal dated within six months of the acquisition that indicates that the property was vacant at the time of its transfer to the Sponsor.
- Verify foreclosed, deed in lieu, or short sale by submitting:
 - Foreclosure notice documentation;
 - Sheriff's sale deed or writ;
 - Deed between previous owner and lender; or,
 - Letter from the lender.

7 - Verification of Acquisition Costs

Common Errors

- Documentation is not signed.
- Costs shown does not match acquisition costs on the cost certification or Attachment A.
- Appraisal date exceeds the one-year guideline.
- Photos are not dated or do not clearly show that the awarded property is vacant.
- Foreclosure documentation indicates that property was purchased by means other than sheriff's sale, city, county, auction, or lender.

8 - Evidence of ALL Funding Sources

<u>Type of Source</u>	<u>Documentation Required</u>
Grant	Signed grant agreement with all exhibits/attachments
Cash	Copy of cancelled check
Deferred developer fee	Letter from developer acknowledging amount of fee
Loan	Signed note AND mortgage or deed of trust
Fundraising/Sponsor equity	Letter from provider acknowledging amount of contribution

8 - Evidence of ALL Funding Sources

- Common Errors
 - Amount of funding source does not match amount shown on financials (Cost Certification/Attachment A).
 - Debt service shown on the note for hard debt does not match the amount of debt service shown on the project's operating budget/Attachment C.
 - Agreements are not signed or do not include all pages, exhibits and attachments.
 - An approved funding source was not shown on the final budget and an explanation was not provided.

9 - Social Service Fees and Income

Requirement

- Submit a current listing of all anticipated commercial and/or social service expenses that the project is expected to incur; and,
- State the income sources that will be used to cover these costs.

Common Errors

- Budget not submitted.
- Social service fees appear to be funded by operations.



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10/11 - Rental/Operating Subsidies

Requirement

- Submit the most recent, executed rental or operating subsidy agreement.
- Subsidy for rental and operating subsidies must be included on the operating budget.

Common Errors

- Agreements are not provided or not signed.
- Subsidy amounts on agreements do not match operating budget.
- Rental subsidy amount does not match gross rents shown on the occupancy report.



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12 - Homeless/Special Needs

Requirement

- If not receiving subsidy, submit an explanation of how tenants will pay rent if the project was approved with more than 50% of homeless/special needs units/beds.
- If project will rely on fundraising as a subsidy, submit:
 - Two previous years' audited financials statements verifying that Sponsor has capacity to subsidize the project; and,
 - A Board resolution verifying the dollar amount of the organization's annual commitment to the project.

Common Errors

- Committed amount does not match operating subsidy.



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13 - Tenant Documentation

Requirement

- Submit a blank intake form that includes, at a minimum:
 - Tenant Name (Head of Household) or Tenant ID Number;
 - Household Size (Total number of Household Members);
 - Total Annual Household Income for **all** Household Members;
 - List of **all** Household Members and their ages;
 - Source of Income for each **adult** Household Member;
 - Unit Size (*required for shelter projects only*);
 - Signed and dated by Tenant and project owner, manager or licensed professional (*applies to shelters only if using to verify special needs*);
 - Date of Occupancy/Move-in Date (*required for shelter projects only*);
 - Unit Number (*required for shelter projects only*); and,
 - Fair Housing.



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13 - Tenant Documentation

Requirement

- Submit a blank lease or rental agreement that includes, at a minimum, the following:
 - Tenant Name (Head of Household);
 - Property address;
 - Unit number;
 - Unit size (Bed, SRO, Efficiency, 1 bdrm, 2bdrm, etc.) ;
 - Lease date and term;
 - Amount of rent to be paid by tenant;
 - Total tenant and contract rent (tenant paid rent plus any rental subsidy paid on behalf of the tenant);
 - Signature of tenant and owner/manager representative; and,
 - Fair Housing.

14 - Community Stability and Commitments

Requirement

- Tenant on Sponsor's Board
 - Nothing further needed at the time of disbursement if no changes to policy have been made.
- Landscaping and construction labor
 - Submit either a current e-mail or an executed letter from the community organization that contains the following:
 - The name of the project;
 - Name of the community organization that performed the work;
 - A description of the activities the organization performed; and,
 - A statement of the number of hours of labor that was provided.
 - Any organization that is unrelated from the Sponsor may fulfill this commitment.

14 - Community Stability and Commitments

Requirement

- Donation of goods/services or fee waived from government
 - Submit a current e-mail or executed letter from the donor containing the project name; donor's name and contact information; a description of the donated good/service or fee waived; and, a defined valued of \$500 or more.
- Energy Efficient New Construction
 - Submit one of the following forms of verification:
 - LEED certification signed by a LEED AP (accredited professional);
 - Evidence from a HERS rater that housing reached a HERS rating of 75 or less (85 or less for projects approved in 2016 forward); or,
 - Proof that the REScheck calculation for the project exceeds the 2009 Model Energy code by 15 % or better.

14 – Community Stability and Commitments

Common Errors

- Letters do not reference the project name, describe activities performed, are outdated, or are not signed.
- Letters are written by Sponsor in place of the organization providing activity.
- Activities performed do not qualify or are performed after project has been completed.
- Donation amount is not sufficient or costs are ineligible.
- Energy efficiency verification is for incorrect property.

15 – Ownership of Property

Requirement

- Submit the recorded warranty deed indicating that the property has been transferred to the Sponsor/Owner.
- Provide a copy of the long-term lease agreement if the property is being leased.

Common Errors

- Legal description on deed or lease does not match property approved at application.
- All project parcels are not shown on deed.
- The term of the lease is not for at least 15 years (the retention period).



16 - Ownership Formation Documents


Requirement

- The Sponsor must submit the articles of incorporation or other formation documents which clearly show the owner or percentages of ownership for each owner.
 - **Required only if the Sponsor is not identified** as the owner directly by name on the deed or lease.
 - The FHLBank may also request formation documents for the Sponsor or organization if there are related party issues or multiple entities held by the same parent company involved.



17 - FHLB Retention Language

Requirement

- The FHLB retention language must be included in the deed, attached as an exhibit or addendum, or recorded separately as a restrictive covenant.
-  Projects approved in 2015 forward must record language as a lien if receiving \$750,000 + AHP dollars.
- Projects approved prior to 2015 will use language for \$750,000 or less awarded projects and may be recorded as restrictive covenant.

Common Errors

- ❑ Retention language is outdated or does not provide required information.
- ❑ Restrictive Covenant does not reference the deed.
- ❑ Does not contain project name or correct income targeting.

17 - FHLB Retention Language

Language for all
2012, 2013, &
2014 projects
plus 2015
projects awarded
< \$750,000.

Language for
2015 & forward
projects awarded
> \$750,000+



Attachment G

Retention Agreement Requirements

- I. Retention Agreement for Owner-occupied/Ownership Projects (AHP competitive grant and Welcome Home Program grant)
- II. Retention Agreement for Rental Projects (AHP Grant \leq \$750,000)
- III. Retention Agreement for Rental Projects (AHP Grant > \$750,000)

17 - FHLB Retention Language

Rental Retention Language for projects that receive AHP grant awards

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

As a condition and in consideration of receipt of direct subsidy funds from the Federal Home Loan Bank of Cincinnati's Affordable Housing Program, the Project Owner, for itself and all successors, agrees that:

- (i) The _____ ("Project's") rental unit, or applicable portion thereof, must remain occupied by and affordable for households with incomes at or below _____ ("insert level" committed to be served in the approved AHP Application) for a period of fifteen (15) years ("Retention Period") from the date of the recording of this deed;
- (ii) 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, or change in ownership of the Project occurring prior to the end of the Retention Period;
- (iii) In the case of a sale or refinancing of the Project prior to the end of the Retention Period, an amount equal to the full amount of the direct subsidy shall be repaid to The Federal Home Loan Bank of Cincinnati, unless the Project continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the AHP application (as stated above) for the duration of the Retention Period; and
- (iv) The income-eligibility and affordability restrictions applicable to the Project terminate after any foreclosure, deed in lieu of foreclosure, or assignment of the first mortgage to the Secretary of HUD.

18 - Management Agreement

Requirement

- Submit a signed copy of the management agreement or plan, even if the Sponsor or project owner is the manager of the project.
- The agreement must contain all of the following:
 - Outline of fair housing policies (not just mention them).
 - Outline of tenant intake procedures, including:
 - Application process
 - Tenant selection process
 - Tenant screening process
 - Waitlist process
 - Statement that rents charged for income-targeted units do not exceed 30 percent of monthly area median income (AMI).
 - Management fee charged by the management company if the project is not managed by the Sponsor that matches fee shown on operating budget.

18 - Management Agreement

- The Agreement must also contain **all** of the following:
 - Project's income targeting listing the number of units to be held to each percentage of area median income targeted. Must be AT LEAST as restrictive as the AHP income targets.
 - The number of units that will be reserved for households that meet the FHLB's definition of homeless and special needs, if applicable.
 - Statement requiring the property manager to comply with FHLB requests for reports and audits.
 - Statement that management will make available the empowerment activities and/or services it committed to providing in the approved AHP application. All activities/services must be listed.

18 - Management Agreement

Common Errors

- Management Agreement does not state the income targeting or commitments (special needs, homeless, etc.)
- Doesn't state that documents will be available for FHLB review upon request.
- Agreement is not signed by all parties.
- Agreement is not specific to the project.

19 – Member Commitments

Requirement

- The permanent, bridge and/or construction loan is verified by submitting the following:
 - Executed copies of note(s) and mortgage(s) or deed(s) of trust showing the Member as lender for each loan.
 - If no mortgage exists for a loan, submit a collateral agreement or verification that the loan was made on an unsecured basis.
- Cash contribution to project is verified by submitting one of the following:
 - A copy of the cancelled check from the Member; or,
 - A deposit/transfer form that clearly shows the contribution from the Member into the Sponsor account.



19 – Member Commitments

Requirement

- Below-market rate on a loan (rate at least 0.50% below market rates) is verified by one of the following:
 - A copy of the standard rate sheet dated for the time the loan to the project was made for loans of similar type offered by the Member and published for the general public; or,
 - A current, executed letter from the Member indicating the rate provided to the project and the rate offered to projects of similar type at the time the loan to the project was made.

Common Errors

- The loan documentation shows someone other than the Member as the lender.
- The loan rate on note does not match loan rate stated in the Member letter.
- Cash contribution is less than \$500 or is not shown on the budget.



Common Issues

Issues Causing Subsidy Reductions

1. Project does not meet feasibility parameters established in approved AHP application
2. Project's funding sources exceed expenses
3. Costs presented are ineligible or unreasonable

Issues Causing Delay of AHP Subsidy

1. Failure to respond to requests for information
2. Noncompliance with regard to other AHP projects
3. Older, incomplete AHP projects for which the Sponsor is not making adequate progress



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Common Mistakes

- Facts, figures, and documents submitted with the disbursement request contradict other facts, figures, or documents submitted with the disbursement request.
- Documentation submitted isn't signed.
- All of the funding sources included in the approved AHP application or shown on the funding source listings were not documented adequately.
- Items submitted with the AHP application are resubmitted with the disbursement request.
- The retention language is incorrect or was not recorded.



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General Information

- Allow up to 30 days for FHLB staff to review the funding package.
- Send AHP Rental Disbursement Request form and all Required Documentation to:

Federal Home Loan Bank of Cincinnati
Housing and Community Investment Department
221 East Fourth 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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www.linkedin.com/company/federal-home-loan-bank-of-cincinnati



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Thank You

