

AHP Overview and Threshold Requirements Webinar



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Webinar Agenda

- Background – FHLB and HCI
- Overview of Affordable Housing Program
- AHP Steps and Process
- 2019 Program Changes
- Threshold Requirements
- What's Next?
- Contact Information



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Background - FHLB and HCI



General FHLB Profile

- Congressionally-chartered in 1932, privately-owned wholesale bank
 - Government-Sponsored Enterprise (GSE)
 - Not a government agency; no Federal appropriations
- Owned by “Member” financial institutions
- Cooperative structure; Members are both owners and customers



FHLB Cincinnati

- Membership in FHLB is based on location of organizational charter
- Members are commercial banks, savings institutions, credit unions, community development financial institutions, and insurance companies
- Fifth District consists of:



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FHLB Mission

Provide financial intermediation between our Member stockholders and the capital markets in order to facilitate and expand the availability of financing and flow of credit for housing and community lending throughout the Fifth District

Advances

Fully collateralized loans to members, a readily available funding source for liquidity, mortgages, and other assets.

Mortgage Purchase Program (MPP)

Purchasing fixed-rate, fully amortizing, conventional and FHA mortgage loans from members.

Housing and Community Investment (HCI)

Providing below-market Advances and grant funds to members for households and areas of targeted low-income levels.

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Housing & Community Investment

The primary mission of the Housing and Community Investment (“HCI”) Department is to support our Members’ community investment efforts through the responsible investment of available funds in sustainable affordable housing and economic development activities benefiting low- and moderate-income households across the Fifth District.



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Overview of Affordable Housing Program



Affordable Housing Program

- Provides direct grants to support development of ownership and rental housing for very low- to moderate-income households ($\leq 80\%$ AMI).
 - ❑ Federally-regulated
 - ❑ AHP Implementation Plan sets forth policies for administering the federal regulations
- Competitive application process; projects are evaluated based on:
 - ❑ Eligibility and threshold requirements
 - ❑ Financial feasibility
 - ❑ Scoring criteria



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Source of AHP

- 10% of FHLB Net Earnings
- Private dollars



- Over 28 years of providing AHP Subsidy



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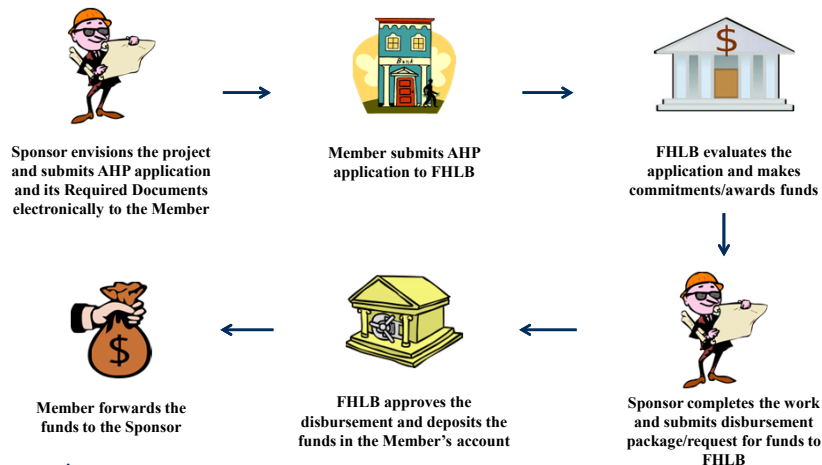
AHP Participants

- Member financial institutions
 - All applications need a Member in order to submit an AHP application
 - Find FHLB Cincinnati Members at www.fhlbcin.com under “Who We Are”
 - Projects can receive points in the AHP scoring system for the Member’s role in the project
- Sponsor housing providers and developers
 - Non-profit organizations □ For-profit entities
 - Housing finance agencies □ Government agencies
 - Other types of organizations



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AHP Process Flow



AHP Eligible Uses

- Ownership or rental housing
- Costs directly related to housing development
 - ❑ New construction
 - ❑ Rehabilitation
 - ❑ Acquisition/purchase of land or buildings
 - ❑ Any of combination of the above



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Types of Eligible Rental Housing

- Multi-family, Elderly (age 60+), or Single-family Scattered-site Housing
- Permanent Supportive Housing
- Transitional Housing
- Group Homes/Special Purpose Housing
- Emergency and Domestic Violence Shelters
- Single Room Occupancy Projects
- Re-entry Housing



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Types of Eligible Ownership Housing

- Purchases through a market transaction
- Purchases through a homebuyer program (e.g. Habitat for Humanity)
- Rehabilitation of housing for its current owners



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Not Eligible for AHP

- Facilities that require a “Certificate of Need” or require licensure as an ICF or ICF/MR
- Cash-out Refinancing
- Land Banking
- Predevelopment Costs (*only*)
- Capitalized Costs
- Operating Costs
- Commercial Space
- Social Services



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AHP Fills the Financial Gap

- AHP funds are used to complete a development's permanent funding or "fill the gap."
- AHP funds make the project more affordable by:
 - ❑ Reducing the amount of other funding required,
 - ❑ Reducing the amount of hard debt on a project, and
 - ❑ Reducing the Member's credit risk (lower loan-to-value) and therefore the project's required interest rate.
- If the project will have hard debt, the Member must carry the first mortgage; a few exceptions may apply.



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AHP Subsidy Limits

- Total limit of AHP subsidy per project is \$1,000,000 or 75% of total residential costs, whichever is less.
- Home purchase and traditional rental projects may not receive more than \$50,000 per unit.
- Owner-occupied rehab projects may not receive more than \$15,000 per unit.
- Group homes/special purpose housing/shelters may not receive more than \$15,000 per bed.



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AHP Steps and Process



AHP Steps for Sponsors

- Sponsors conceptualize and plan the project:
 - Identify location (site control or acquisition plan);
 - Project type (ownership, owner-occupied rehab, rental);
 - Income and occupancy targets (special needs, elderly, homeless);
 - Size and number of housing units or beds (floor plan);
 - Development costs (valid cost estimates);
 - Sources of funds for development (including AHP subsidy);
 - Rent or mortgage affordability for targeted households;
 - Operating costs and source of funds (if rental); and,
 - Find a Member and complete the AHP online application.



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AHP Steps for Members

- Members meet with Sponsor to review project concept;
- Determine whether to support the project and partner with the Sponsor;
- If Member partners with Sponsor, Member then:
 - ❑ Reviews project needs (grant, construction or permanent loan);
 - ❑ Determines what type of contributions or concessions will be made to the project;
 - ❑ Establishes underwriting criteria for the project (if loan needed);
 - ❑ Sets deadline to receive online application from Sponsor in order to gain necessary approvals; and,
 - ❑ Submits AHP online application electronically by set deadline.



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2019 AHP Application Schedule

July 1	Online Application Opens
August 8	Application and Required Documents Deadline (5:00 pm EDT)
November 21	AHP Award Date

Note that Sponsor Registration in OASYS is available year-round.



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Online Application System (OASYS)

- HCI's new online application system (OASYS) will allow Sponsors and Members to apply for funding and manage projects funded through any HCI program.
 - OASYS currently includes access to the AHP online application only.
 - In the future, OASYS will include online applications for all HCI programs, monitoring and disbursement submission portals, and a view of an organization's HCI applications and previous/current projects.



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Application Process for Sponsors

- Sponsors must:
 - Register organization and designate an Administrator for OASYS via the Community Investment page at www.fhlbcin.com;
 - Receive evidence of approval from FHLB via email prior to beginning an application (*allow 24 hours!!*);
 - Start and complete the online application, including project financials/budgets, and upload all Required Documents.
 - All questions must be answered in the order they appear, and Required Documents must be uploaded prior to moving the application forward for submission to FHLB.



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Application Process for Members

- The online application will alert application contacts when action is required or completed.
- Members will:
 - Review and complete the Member Certification section of the online application.
 - Members cannot change any part of the application. If changes are needed, the Member must use the “Return to Sponsor” button to return the application to the Sponsor for editing.
 - Submit the online application to FHLB by **5:00 P.M. Eastern, August 8, 2019.**



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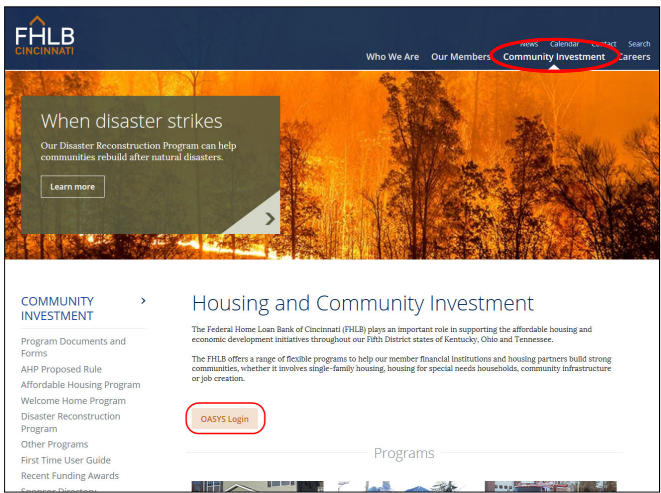
Application Process for FHLB

- FHLB will:
 - Review all complete AHP applications submitted by the set deadline to:
 - Determine if threshold requirements have been met;
 - Verify financial feasibility, reasonableness of costs, and project readiness; and,
 - Perform final scoring and ranking of all eligible applications by score.
 - FHLB’s Board of Directors will approve funding awards on November 21, 2019.



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Sponsors OASYS Login - fhlbcin.com



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2019 Program Changes



2019 Program Changes

- Revised criteria in Outside Funding Commitments category to include permanent loans provided by the Member as “eligible outside funding.”
- Project Sponsorship points will only be awarded if an “Eligible Sponsor” will be the sole provider.
- Revised criteria for Consistent with an approved/current housing assistance/neighborhood stabilization plan to exclude state certification.
- Changed the denominator of the maximum AHP per project calculation from *project* to *residential* costs.



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Threshold Requirements



AHP Threshold Requirements

- All AHP units must be occupied by households with incomes at or below 80% of the AMI.
 - Rental projects must reserve at least 20% of the units for households with incomes at or below 50% of the AMI.
- Projects with non-residential and/or commercial space must be residential in nature and not medical.
- Projects must be affirmatively marketed to their target populations and comply with all state and federal fair housing and accessibility laws.
- There must be market demand for the housing.



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More AHP Threshold Requirements

- Housing must be appropriate for the population being served.
- Development team must have the capacity to complete the project as evidenced by :
 - Experience developing projects similar to proposed project;
 - Experience operating like projects (if acting as manager);
 - Successfully completing previous AHP projects
 - As originally approved,
 - Without a significant amount of modifications,
 - Within set program timeline, and
 - With no current issues of noncompliance.



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AHP Timing Thresholds

- Sponsors must have site control to apply.
 - ❑ Ownership projects must have an acquisition plan in place.
 - ❑ Rentals projects must have the deed, lease, option, or a purchase contract in place.
- Projects cannot be complete prior to the AHP award.
- Projects must begin incurring AHP-eligible expenses within 12 months of the AHP award.
- Projects must be complete within 36 months of the AHP award.
- All funds must be disbursed within 48 months.



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AHP Financial Thresholds

- Expected project costs must be reasonable.
- There must be enough funds identified to cover all projected costs.
- AHP cannot be used to pay for capitalized costs.
- If the project will have debt, the FHLB Member must carry the first mortgage (exceptions may apply).
- Debt provided must comply with anti-predatory lending and HOEPA laws.
- Units must be affordable to targeted households!

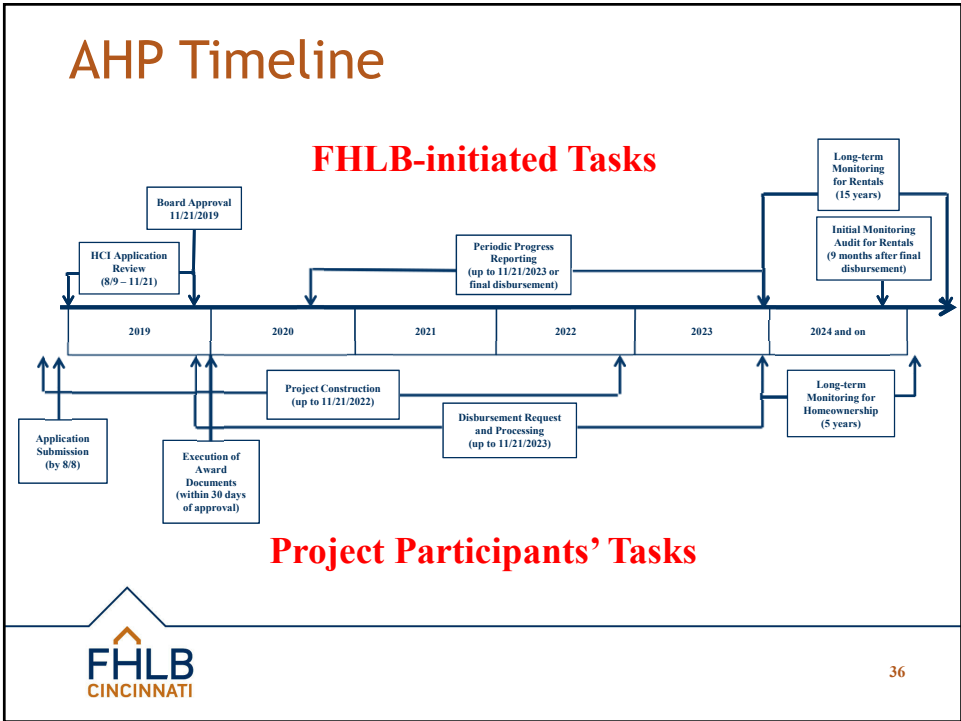


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What's Next?



AHP Timeline



Award Notices

- If awarded AHP funds, the project contacts will receive an award letter along with the documents mentioned on the next slide, which they must sign and return within 30 days to accept receipt of the funds.
- If the project is not awarded funds, the project contacts will receive a denial letter. Sponsors may call FHLB to schedule an appointment for technical assistance to discuss details as to why the project did not receive an award.



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Approval Package

- Approval Letter
- Affordable Housing Program Agreement
 - Contains details of the award
 - Provides instructions for the project
 - Lists some of the commitments the project made
- Affordable Housing Direct Subsidy Agreement
 - Required to deposit funds into the Member's DDA
 - Must be signed by authorized signers for the Member
- AHP Application Evaluation Report



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Application Review & Acceptance

- Sponsors and Members receive notification via email of any changes to the AHP application that FHLB made during the application review process.
- Sponsors and Members must sign and date the *AHP Final Application Review and Acceptance* form to accept the amended application.
- If the Sponsor or Member does not accept the amended application, the AHP award will be withdrawn.



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Disbursement of AHP Funds

- Submit disbursement request documentation specific to project type:
 - ❑ Ownership projects must submit an AHP Pre-approval Request to qualify each household for AHP funds.
 - ❑ Ownership projects should submit an AHP disbursement request **within 60 days** of *each* unit's completion and/or transfer of the unit to the AHP-eligible household.
 - ❑ Rental projects should submit an AHP disbursement request **within 90 days** of project completion.
 - ❑ Rental projects may be eligible to draw up to 25% of the total AHP award prior to project completion



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Disbursement Assistance Resources

- Available at www.fhlbcin.com:
 - ❑ Disbursement webinars
 - ❑ Instructional manuals
 - ❑ Disbursement request forms
- Available in person (dates to be announced):
 - ❑ Live disbursement training
 - ❑ FHLB presentations at area conferences
- One Sponsor representative is required to attend training in each year a disbursement is received!



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AHP Monitoring

- All AHP projects must report their progress to FHLB through semi-annual Periodic Progress Reports until all AHP funds are disbursed.
- Rental projects are subject to additional monitoring nine months subsequent to the final disbursement of AHP funds.
- Some rental projects undergo additional auditing by FHLB during the 15-year retention period based on their risk level.



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AHP Retention and Recapture

- Most AHP-assisted units are subject to a retention mechanism requiring that FHLB receive notice of any sale, refinance, foreclosure, deed in lieu of foreclosure, or assignment to the Secretary of HUD for a specified period of time.
 - Note and mortgage (or deed of trust) required for projects receiving > \$750,000 in AHP funds
 - Deed restriction can be used for other projects
- Rental projects must maintain occupancy targets and affordability for the full retention period.



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HCI Resources

- Information on all programs offered, as well as manuals, forms, and recorded webinars, can be found on the FHLB website at www.fhlbcin.com under Community Investment.
- Contact FHLB directly using one of the following:
 - AHPApplication@fhlbcin.com for application questions
 - AHPDisbursement@fhlbcin.com for disbursement questions
 - AHPMonitoring@fhlbcin.com for monitoring questions



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www.linkedin.com/company/federal-home-loan-bank-of-cincinnati



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Thank You



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