

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
- 2020 Program Changes
- Threshold Requirements
- What's Next?
- Other Application Resources

Background - FHLB and HCI



General FHLB Profile

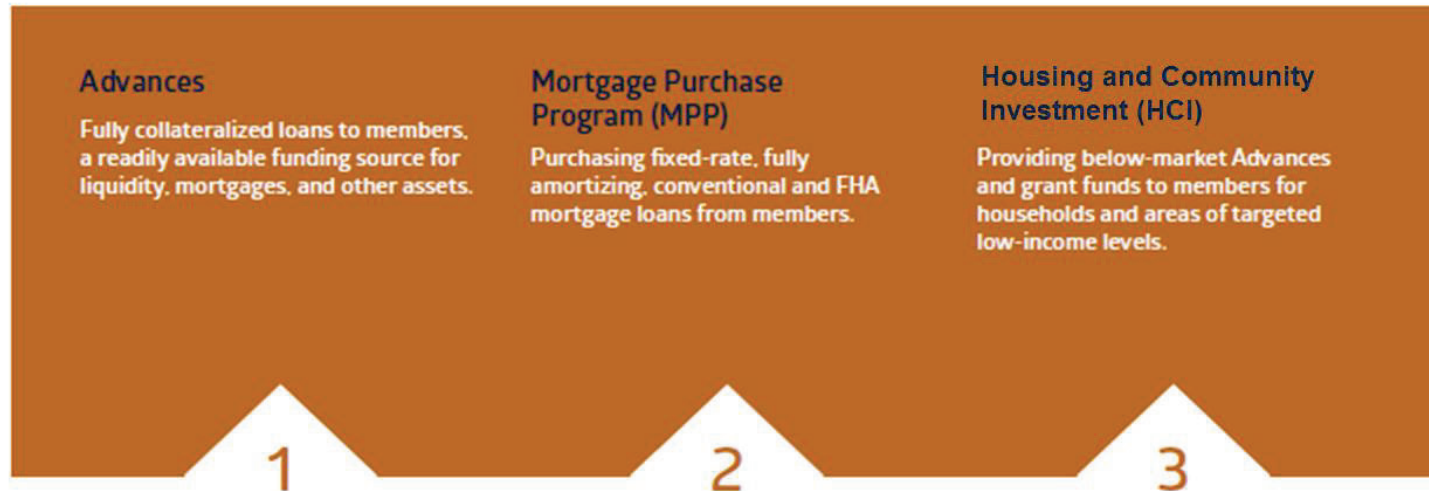
- Congressionally-chartered in 1932, privately-owned wholesale bank
 - Government-Sponsored Enterprise (GSE)
 - Not a government agency; no Federal appropriations
- Owned by “Member” financial institutions
- Cooperative structure; Members are both owners and customers

FHLB Cincinnati

- Members are commercial banks, savings institutions, credit unions, community development financial institutions, and insurance companies.
- Membership in FHLB is based on location of organizational charter.
- Fifth District consists of Ohio, Kentucky, and Tennessee.
- FHLB products can be used anywhere a Member does business.



FHLB Mission



Provide our member-stockholders with financial services and a competitive return on their capital investment to help them facilitate and expand housing finance and community investment and achieve their objectives for liquidity and asset liability management.

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.

Overview of Affordable Housing Program

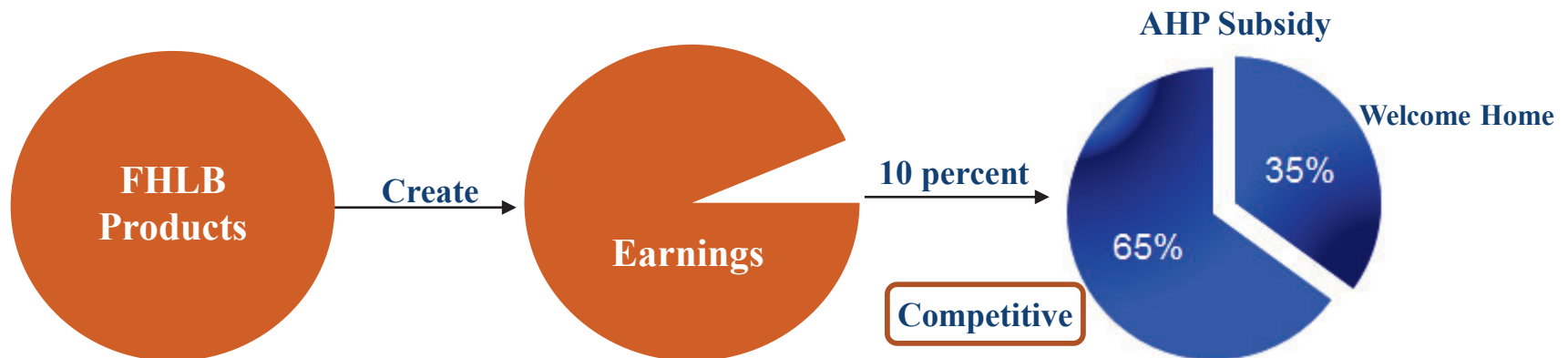


Affordable Housing Program

- 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

Source of AHP

- 10% of FHLB Net Earnings
- Private dollars



- Almost 30 years of providing AHP Subsidy

AHP Participants

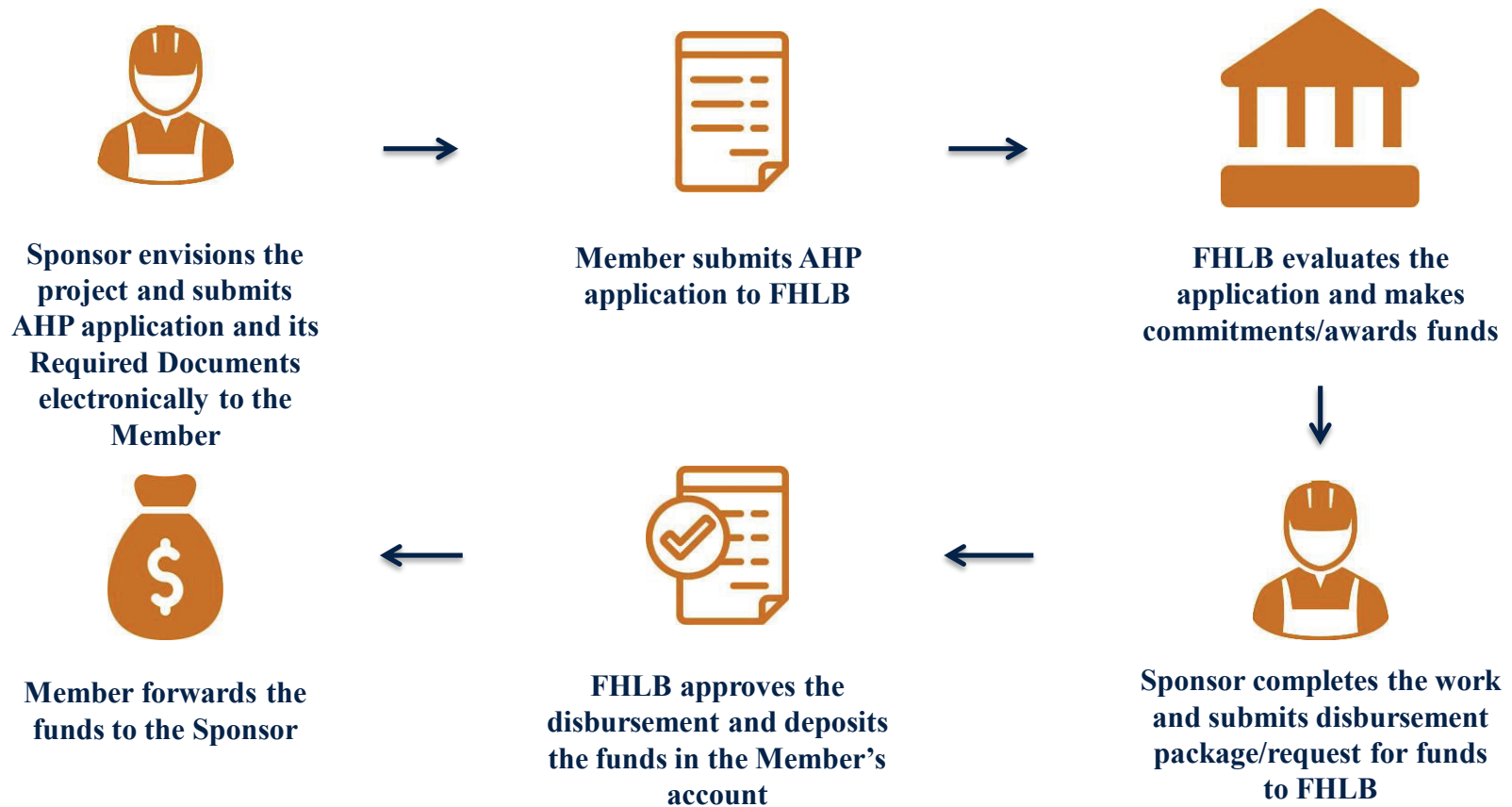
Member financial institutions:

- All applications need a Member.
- Find FHLB Cincinnati Members at www.fhlbcin.com under “Who We Are,” then “Member Directory.”
- Projects can receive points in the AHP scoring system for the Member’s role in the project.

AHP Participants

- Sponsors are housing providers and developers
 - Non-profit organizations
 - Housing finance agencies
 - Other types of organizations
 - For-profit entities
 - Government agencies
- Sponsors of rental projects must hold the majority share of the ownership interest in the project

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

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

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

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

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.

AHP Subsidy Limits for 2020

- 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**.
- Subsidy limit per Member is \$5,000,000.

AHP Steps and Process



AHP Steps for Sponsors

- Sponsors conceptualize and plan project aspects like:
 - Project type (ownership, owner-occupied rehab, rental);
 - Identify location (site control or acquisition plan);
 - 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 payment for targeted households; and,
 - Operating costs and source(s) of funds (if rental).
- Find a Member and complete the AHP application.

AHP Steps for Members

- Members meet with Sponsor to review project concept;
- Members determine whether to support the project and partner with the Sponsor; and,
- If the Member partners with the Sponsor, Member then:
 - Reviews project needs (grant, construction, and/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.

2020 AHP Application Schedule

June 1	Online Application Opens
July 31	Application and Required Documents Deadline (5:00 P.M. EDT)
November 19	AHP Award Date

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

Online Application System (OASYS)

- HCI's 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, compliance and disbursement submission portals, and a view of an organization's HCI applications and previous/current projects.

Application Process for Sponsors

- Sponsors must:
 - Register their organization and designate an Administrator for OASYS via the Housing Programs 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.

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, on Friday, July 31, 2020.

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 19, 2020.

Sponsors OASYS Login - fhlbcin.com

The screenshot shows the FHLB Cincinnati website. The top navigation bar includes links for 'Who We Are', 'Our Members', 'Housing Programs' (circled in red), 'Careers', and 'Login'. A 'MORE' menu icon is also present. The 'HOUSING PROGRAMS' section is active, displaying a list of programs on the left: 'Affordable Housing Program', 'Welcome Home Program', 'RISE Program', 'Disaster Reconstruction Program', 'Carol M. Peterson Housing Fund', 'Zero Interest Fund', and 'Community Investment Cash Advances'. The main content area explains the bank's mission and offers a range of flexible programs. A button labeled 'AHP Application OASYS Login' is circled in red. Below the text, there are two images: one of a row of houses and another of a family standing in front of a house. The Windows taskbar at the bottom shows the time as 2:36 PM on 5/7/2020.

FHLB CINCINNATI

Who We Are Our Members **Housing Programs** Careers Login MORE

HOUSING PROGRAMS

Affordable Housing Program

Welcome Home Program

RISE Program

Disaster Reconstruction Program

Carol M. Peterson Housing Fund

Zero Interest Fund

Community Investment Cash Advances

AFFORDABLE HOUSING AND ECONOMIC DEVELOPMENT are an important part of our mission. The Federal Home Loan Bank of Cincinnati (FHLB) plays a vital role in supporting affordable housing and economic development initiatives throughout our Fifth District states of Kentucky, Ohio and Tennessee.

The FHLB offers a range of flexible programs to help our member financial institutions and housing partners build strong communities, whether it involves single-family housing, housing for special needs households, community infrastructure or job creation.

AHP Application OASYS Login

Programs

2:36 PM 5/7/2020

2020 Program Changes



2020 Program Changes

- Updated the retention language and removed the requirement that certain rental projects use a note and mortgage as the retention mechanism.
- Require projects to attempt a cure before approving modifications to remove commitments for awarded projects.
- Reduced the number of rental projects that will undergo compliance audits upon project completion.
- Changed recapture procedures to comply with updates to the AHP Regulation.

Threshold & Feasibility Changes

- Relocation plans for occupied rental projects must conform to the requirements of government funders.
- Increased the limit for operating costs per unit that may be shown on a project's operating budget.
 - Traditional apartment units may now reflect up to \$5,500.
 - Permanent supportive housing units can go up to \$6,000.
- Included homeownership association dues, lot rent, leasehold payments, mortgage insurance premiums, and other predetermined housing expenses in the affordability calculation for ownership projects.

2020 Scoring Changes

- Allow bond deals and smaller loans to qualify for the construction/bridge loan point.
- Removed the minimum term for the non-subsidized FHLB Advance point.
- Project Sponsorship points will only be awarded if an “Eligible Sponsor” will be the sole provider.
 - First Mortgage Permanent Loan to project’s borrowers.
 - Construction/rehabilitation by Sponsor’s employees.
- Expanded the definition of “Special needs” to include transition-aged youth.

2020 Scoring Changes (Continued)

- Allow owner-occupied rehab projects to qualify for mandatory counseling point.
- Changed the projects eligible for a point for being located in an area with a high Average Income Factor.
- Limited Economic Diversity point to rental projects serving higher-income households.
- Added programs to those FHLB considers eligible for the point for energy-efficient new construction.

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.
 - Rental projects may have market-rate units.
- Projects with non-residential and/or commercial space must be residential in nature and not medical.
- Projects must be affirmatively marketed and comply with all fair housing and accessibility laws.
- There must be market demand for the housing.

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.

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.

AHP Financial Thresholds

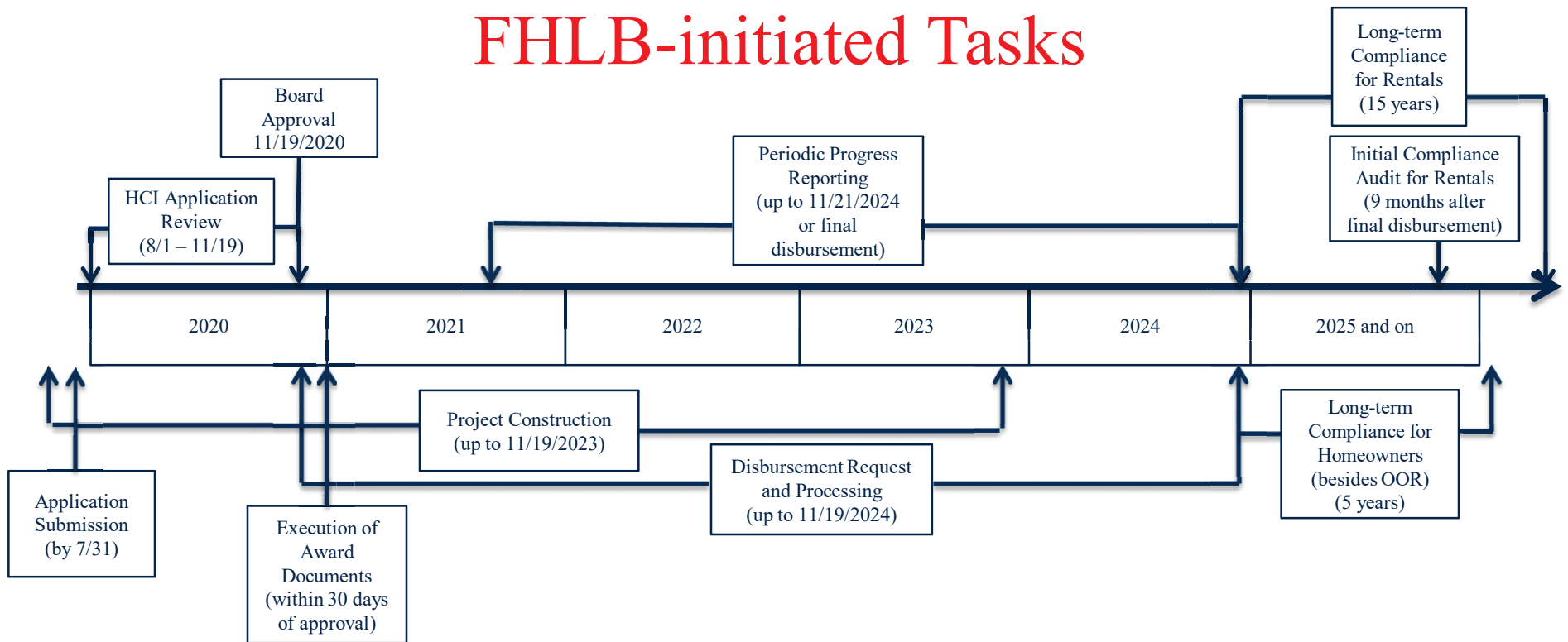
- Expected project costs must be reasonable.
- There must be enough funds identified to cover all projected costs (no “TBD” funding sources).
- AHP cannot be used to pay for capitalized costs.
- If the project will have debt, the FHLB Member must carry the first mortgage (exceptions may apply).
- Debt provided must comply with anti-predatory lending and HOEPA laws.
- Units must be affordable to targeted households!

What's Next?



AHP Timeline

FHLB-initiated Tasks



Project Participants' Tasks

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 application 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 application did not receive an award.

Approval Package

- Approval Letter
- Affordable Housing Program Agreement
 - Differs by project type (owner vs. rental)
 - Contains details of the award
 - Provides instructions for the project
- 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
 - Lists the commitments the project made

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.

Disbursement of AHP Funds

- Submit disbursement request documentation specific to project type:
 - Ownership projects may 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.

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!

AHP Compliance

- 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 compliance 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.

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 other transfer for a specified period.
 - Deed restrictions containing specific language are required for each project not involving owner-occupied rehabilitation.
 - See the most current AHP Implementation Plan for the retention language when completing a project.
- Rental projects must maintain occupancy targets and affordability for a full 15-year period.

Other Application Resources



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 Housing Programs
- AHP Questions and Answers at **www.fhlbcin.com**
- Contact FHLB directly using one of the following:
 - **AHPApplication@fhlbcin.com** for application questions (the AHP online application also communicates from this address)
 - **AHPDisbursement@fhlbcin.com** for disbursement questions
 - **Oasys@fhlbcin.com** for registration questions

Contact Us

Federal Home Loan Bank of Cincinnati

221 East Fourth Street, Suite 600

P.O. Box 598

Cincinnati, OH 45201-0598

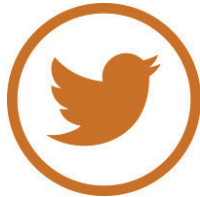
Toll free: (888) 345-2246

Fax: (513) 852-7647

Website: **www.fhlbcin.com**

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Thank You

