

Affordable Housing Program Next Steps

July 10, 2008

Agenda

1. Congratulations on Your AHP Award!
2. Terminology
3. AHP Award Letter and Agreement
4. Timing and Use of Subsidy
5. Retention
6. Disbursement
7. Monitoring
8. Modifications to Project or QC
9. AHP Watch List
10. Contact Us!

Terminology

AHP - Affordable Housing Program

ACC - Annual Compliance Certification

CIM - Community Investment Manager

Closeout - Closeout Monitoring at Completion

FHLB Boston - Federal Home Loan Bank of Boston

HCI – Housing and Community Investment Dept.

...More Terms

LIHTC – Low Income Housing Tax Credit

Member – FHLB Member Financial Institution

PMR - Periodic Monitoring Report

QC – Qualifying Characteristics

SAPR – Semiannual Progress Report

Sponsor - Developer/Owner of AHP Initiative

Keep in Mind at Every Stage

It is all about:

- Feasibility and need for subsidy
- Eligibility
- Scoring

The CIMs are critical in your AHP success. A Next Steps/site visit will be scheduled for your specific project. Communicate often!

AHP Award Letter Notification

- Mailed to Member and Sponsor after AHP approval.
- Must be signed by the Member's authorized staff person, indicating award acceptance.
 - Authorized signers are stipulated by the Member in the Blanket Resolution or related Delegation of Authority.
- Must be returned within 45 days.
- FYI: The notification may also contain award conditions, as applicable.

AHP Agreement

- Executed after Award Letter has been signed.
- Parties to the Agreement include:
 - Member, Sponsor/Owner, FHLB Boston
- Sets the terms and conditions governing approval, funding, and AHP regulatory compliance, and may differ depending on type of project (tax credit, rental, homeownership)
- The QC is part of the Agreement and identifies all scoring commitments made in the Application.

Timing and Use of AHP Funds

- Once the AHP Agreement is executed, and all other sources are secured, AHP funds may be requested by the Member.
- AHP funds must be drawn or used to procure other funding within 12 months from the AHP Award date.
- Extensions to this 12-month deadline will be considered, requires reasonable explanation.
- After draw, Member must disburse the AHP funds to the project within a 90-day period.

AHP Retention-Rental

- Affordability period is 15 years from project completion, usually certificate of occupancy date
- Use the standard FHLB Boston documents
 - Mortgage and note
 - Collateral assignment of mortgage
 - Subsidized advance rider to first mortgage
- Mortgage must be recorded
- <http://www.fhlbboston.com/communitydevelopment/formsandapplications>

AHP Retention-Homeownership

- Affordability period is 5 years from project completion, usually closing date of last unit sold
- During development, please secure AHP funds with the interim mortgage and note
- Upon sale of the AHP unit, release the interim mortgage and replace with the subordinate mortgage and note
- Mortgage must be recorded
<http://www.fhlbboston.com/communitydevelopment/formsandapplications>

Disbursement of Funds

Documents required:

1. Signed Award Letter
2. Executed AHP Agreement
3. Signed Disbursement Request by Member
4. Current sources and uses development budget
5. Current 15-year operating proforma (rental)
6. Proposed rent schedule, including unit targeting, bedroom sizes, and proposed tenant portion of rent (rental)

Disbursement of Funds

7. Ownership Subsidy Calculation worksheet
8. Executed AHP mortgage and note. Standard documents on web site at www.fhlbboston.com
9. Evidence of compliance with Award conditions
10. Delinquent AHP reports delay disbursement
11. Executed Second District Priority document, if applicable
12. Explanation of any changes to the project's QC and a formal request to modify the project

Disbursements of Funds

- Submit all required documents at least five business days before funds are needed
- Funds will be disbursed into the Member's IDEAL Way Account
- Member must disburse the funds to the project within 90 days
- Submit evidence that the executed AHP mortgage is recorded
- Discuss disbursement requirements with CIM in advance of your requisition

Rates on Subsidized Advances

- At the time of application approval, subsidy is calculated at a forward cost of funds and reserved based on rates at that time
- Rates are not guaranteed
- The initiative may opt to lock a rate guarantee with a mandatory take down
- Rates, principal and term may be adjusted with FHLB Boston approval, and only if the initiative is making progress towards completion
- Use AHP Subsidized Advance Rider with Member's mortgage

Prepayment Fees

- FHLB Boston will charge a prepayment fee to the extent that there is a loss incurred from the prepayment of the AHP subsidized advance
- Member should consider including fee language in the Borrower's Note for the Advance

Initial Monitoring

- Semiannual progress report (SAPR)
- Submitted online twice a year (June and December)
<http://housing.fhlbboston.com/ahpreports>
- Notification email sent
- User name and password required for BOTH Member and Sponsor Developer/Owner

Semiannual Progress Reports

- Description of current initiative status
- Revised development or operating budgets
- Description of changes to the QC
- If AHP funds have been drawn, evidence of funds transferred to Sponsor/project
- If applicable:
 - Certificates of Occupancy
 - Rent roll or homeownership spreadsheet
 - Photos or marketing information
 - Other documentation

Completion Monitoring (Closeout)

Within one year after completion, FHLB Boston will complete final compliance review to ensure the initiatives compliance with:

- Original commitments made in AHP Application
- Scoring commitments in the QC
- FHLB Boston's feasibility guidelines

Closeout Review - Homeownership

- Home-buyer incomes comply with targeting committed at application using:
 - Homeownership spreadsheet listing all units
 - Third-party income documentation for all AHP units
- Scoring elements of QC have been fulfilled
- Empowerment services have been provided
- AHP subsidies used for eligible purposes
- Executed/signed HUD-1 Settlement Statement

Closeout Review - Homeownership

- Recorded mortgage and executed note
- Evidence of AHP funds transferred to sponsor
- Evidence that AHP subsidy pass through to home buyer
- Final development sources and uses budget
- Explanation of any changes to budget

Closeout Review - Homeownership

- Cost certification or other documentation
- Affirmative marketing materials
- Photos

Closeout Review - Rental

- Tenant incomes comply with targeting committed at application:
 - Rent roll listing all units
 - Third-party income documentation for a minimum of 10 percent of AHP units
- Rents do not exceed income limits
- Scoring elements of QC have been fulfilled
- Empowerment services are provided
- AHP subsidies used for eligible purposes
- Evidence of AHP funds transferred to sponsor

Closeout Review - Rental

- Final development sources and uses budget
- Current 15-year operating proforma
- Explanation of changes to budget and/or proforma
- Recorded mortgage and executed note for AHP Direct Subsidy and/or Subsidized Advance, as applicable
- Cost certification or other documentation
- IRS Form 8609 for LIHTC initiatives

Long Term Monitoring (LIHTC)

- If an IRS Form 8609(s) is received at closeout and the LIHTC project remains in compliance with the tax credit regulations, the ACC and PMR will not be required
- If the LIHTC project is issued an IRS Form 8823, you will be required to notify FHLB Boston and forward a copy of the form

Long-Term Monitoring (Rental Only)

- Annual Compliance Certification (ACC)
 - Completed annually until end of 15-year affordability retention period
 - Certify tenants rents and incomes are in compliance with QC and Agreement
 - Certify housing is habitable

Long-Term Monitoring (Rental Only)

- Periodic Monitoring Report (PMR)
 - Every 2, 4, or 6 years (depending on subsidy received)
 - Certify tenants rents and incomes are in compliance with QC and Agreement
 - Certifying housing is habitable
 - Rent roll of all units on our form
 - Third-party income documentation for at least 10 percent of AHP units turned over since last report

Modifications to Project or QC

- When project has any changes, sponsor must notify FHLB Boston
- Includes, but not limited to:
 - Major changes to the development budget or funding sources
 - Number of units or unit targeting
 - Any changes in QC or scoring elements
 - Change in ownership
- Project will be re-scored to determine if still eligible for funding

Why a Project is Placed on the Watch List

- Issues not resolved within 180 days
- Not compliant with regulations
- Non-compliance with targeting or QC
- Experiencing financial distress
- Subject to a lawsuit and/or noncompliance
- Late or delinquent AHP reports
- Delayed completion
- Other

Watch List

- The sponsor and Member will receive notice when added to the Watch List
- CIM will work with the Member and the Sponsor to cure any noncompliance issues
- May affect future funding

Questions?

For Further Assistance

- **Martin Corona**, (CT, RI, and Southeastern MA), 617-292-9770
- **Christine Gimbel**, (Middlesex, Norfolk, Suffolk, and Worcester counties in MA), 617-292-9677
- **Tobi Goldberg**, (Essex County, MA and ME), 617-292-9653
- **Kathy Naczas**, (VT, NH, Berkshire, Franklin, Hampden, and Hampshire counties in MA), 617-292-9646
- **Theo Noell**, Manager of Programs and Outreach, 617-292-9668
- **Mary Ellen Jutras**, Assistant Vice President/Deputy Director, 617-292-9607
- **Ken Willis**, Vice President/Director, 617-292-9631

We look forward to working with you!