

Affordable Housing Program Round Two 2008 Project Eligibility, Feasibility, and Scoring Guidelines

General Information:

The regulations governing the Federal Home Loan Bank of Boston's Affordable Housing Program (AHP) were issued by the Federal Housing Finance Board and may be found at 12 CFR Part 951. The most recent amendment was published on October 6, 2006, which became effective on January 1, 2007. The AHP regulations may change from time to time and may be obtained by accessing the Bank's web site, www.fhlbboston.com, or the Federal Housing Finance Board web site, www.fhfb.gov.

Eligible Housing:

In order for an application to be considered for funding, the requested subsidy must be used to:

1. Finance the purchase, construction, and/or rehabilitation of owner-occupied housing by or for very low-, low-, and moderate-income households (any household for which the aggregate income is 80 percent or less of the area median income as determined and published by the United States Department of Housing and Urban Development) for the retention period of five years; or
2. Finance the purchase, construction, and/or rehabilitation of rental housing, of which at least 20 percent of the units will be occupied by and affordable for very low-income households (50 percent or less of the area median income as determined and published by the United States Department of Housing and Urban Development) for the retention period of 15 years.

Limits/District Eligibility Requirements:

There is no limit on the number of applications that a member may submit in any one round.

However, a member may not be awarded more than 25 percent of the total available AHP funds in an individual round of the Affordable Housing Program, rounded to the nearest 100 dollars. Funds will be awarded only to those individual project applications in which the AHP subsidy requests will be fully funded within each member's limit. If a scored application falls in a position in the scoring ranking where the AHP subsidy request would only be partially funded due to the overall member award eligibility, that application and all other lower scoring applications for that member will be ineligible.

For any one project in any one round, no more than \$400,000 of direct subsidy and no more than a maximum \$800,000 can be requested. In no case will the Bank be obligated to provide more in subsidy than is required under the broader AHP regulation.

Homeownership applicants may not request more than \$30,000 per unit in AHP subsidy funds for any homeownership unit.

In addition, the Bank requires that each household receive homeownership counseling, including pre- and post-purchase counseling components, as well as a financial literacy component alerting home buyers to the characteristics of predatory lending under the competitive application program for applications receiving the First-Time Home-Buyer points.

All subsidy funds shall be used to directly benefit very low-, low-, and moderate-income households.

Please Note:

Applications for AHP Round Two 2008 will only be accepted through the AHP online application system. The application and instructions are available on and may be printed from the Bank's web site, www.fhlbboston.com/ahp under the Apply tab. The online application will be available beginning August 1. We ask that members and sponsors considering applying for AHP funds meet early to establish their "submitting relationship" and attend a Bank-sponsored training session or participate in a Bank-provided webinar (see www.fhlbboston.com/events). All applications are due by Friday 5:00 p.m. on September 12, 2008.

All parts of the application and the required attachments must be completed and submitted by the deadline in order for the application to be eligible for evaluation. Each response and attachment must be completed as requested in the application and instructions. Supporting documentation must be uploaded for each application or — so long as it is accompanied by the cover sheet generated upon completion of the online application — faxed to the Bank according to the instructions provided. All documentation is due no later than 5:00 p.m. on Friday, September 12, regardless of whether materials

are uploaded or faxed. All documents should be clearly labeled with the corresponding exhibit number and/or document description.

All applications must meet the following eligibility requirements:

1. **Owner-occupied or rental housing.**

An initiative must be either an owner-occupied initiative or a rental development.

2. **Application feasibility and need for subsidy.**

(i) Sources and uses of funds. The project's estimated uses of funds must equal its estimated sources of funds, as reflected in the development budget. An initiative's sources of funds must include:

(A) Any cash contribution by the sponsor, any cash from sources other than the sponsor, and estimates of funds the project sponsor has obtained, or intends to obtain, from other sources, including funds that have not yet been committed to the initiative (attach any commitment letters received as part of the application);

(B) Estimates of the market value of in-kind donations and volunteer professional labor or services committed to the initiative, but not the value of sweat equity; and

(C) Budgets with schedules for costs of housing development and operating costs. Both a housing-only and a total development budget are required as well as a fifteen-year operating pro forma for each. **In the housing-only budget and operating pro forma, do not include income generated by social services provided, commercial income, or other revenue sources, unless they pay for housing development or operating costs, and if they do, include only the portion paying housing costs.**

(ii) Initiative costs.

(A) *In general.* Costs, as reflected in the development budget, must be reasonable, in accordance with the Bank's AHP feasibility guidelines.

(B) *Cost of property and services provided by a member.* The purchase price of property or services, as reflected in the development budget for the initiative, sold to the project by a member providing AHP subsidy to the project, or, in the case of property, upon which the member holds a mortgage or lien, may not exceed the market value of such property or services as of the date the purchase price for the property or services was agreed upon. In the case of real estate owned by a member that is sold to a sponsor for this initiative by the member providing AHP subsidy to an initiative, or property sold to the sponsor upon which the member holds a mortgage or lien, the market value of such property deemed to be the "as-is" value of the property or "as-rehabilitated whichever is appropriate. The value should be as reflected in an independent appraisal of the property performed by a state certified or licensed appraiser, within six months prior to the date the Bank disburses AHP subsidy to the project.

(iii) *Operational feasibility and need for subsidy.* The initiative must be operationally feasible, in accordance with the Bank's AHP feasibility guidelines, based on relevant factors including, but not limited to, applicable financial ratios, geographic location of the initiative, needs of residents, and other nonfinancial application characteristics. The requested AHP subsidy must be necessary for the financial feasibility of the initiative, as currently structured, and the rate of interest, points, fees, and any other charges for all loans financing the application must not exceed a market rate of interest, points, fees, and other charges for loans of similar maturity, terms, and risk.

3. **Timing of subsidy use.**

The AHP subsidy must be likely to be drawn down by the development or used by the applicant to procure other financing commitments within 12 months of the date of approval of the application for AHP subsidy funds for the initiative, otherwise an application may be set aside and not scored. Applications awarded funds that are unable to draw down and use AHP funds within this period are subject to deobligation.

4. **Pass-through.**

The member must pass the benefits of the AHP funding through to the initiative and the end users. The developer/sponsor may not retain any portion of the AHP funds as profit or for the purpose of additional development other than the approved development fees. Evidence of the actual use of the subsidy will be required once the initiative has been completed.

- (i) *Owner-occupied initiatives.* The amount of AHP funding should pass directly through to the targeted end user. This benefit should be demonstrated in the application specifically by unit/house type.
- (ii) *Rental initiatives.* The amount of AHP funding and/or reduced interest should pass directly through to the rental development.

5. **Ineligible use of AHP funds.**

AHP funds may not be used to pay nonhousing-related development costs. The initiative must not use AHP subsidies to pay for:

- (i) Prepayment fees imposed by the Bank on a member for a subsidized advance that is repaid, unless, subsequent to such prepayment, the initiative is in financial distress that cannot be remedied through a project modification according to the AHP regulation; the prepayment of the subsidized advance is necessary to retain the initiative's affordability and income targeting commitments; subsequent to such prepayment, the project will continue to comply with the terms of the approved AHP application and for the duration of the original AHP retention period; and any unused AHP subsidy is returned to the Bank;
- (ii) Cancellation fees and penalties imposed by the Bank on a member for a canceled subsidized advance commitment; or
- (iii) Processing fees charged by members for providing direct subsidies to an initiative.

6. **Counseling costs.**

AHP subsidies may be used to pay for counseling costs only where:

- (i) Such costs are incurred in connection with the counseling of home buyers who actually purchase an AHP-assisted unit; and
- (ii) The cost of the counseling has not been covered by another funding source, including the member.

7. **Refinancing.**

The project may use AHP subsidies to refinance an existing single-family or multifamily mortgage loan, provided that the refinancing produces equity proceeds and such equity proceeds up to the amount of AHP subsidies are used only for the purchase, construction, or rehabilitation of housing units that meet AHP eligibility requirements. Applications for refinancing and rehabilitation must demonstrate that the AHP funds will be used for the rehabilitation of the housing units. Rehabilitation must be sufficient to ensure that the property will be maintained safely and operate efficiently throughout the retention period.

8. **Retention.**

The AHP regulation requires that a deed restriction or other legally enforceable mechanism be recorded at funding to secure the AHP funds for the retention period to ensure compliance, and to provide the member and the Bank with notice of sale or foreclosure and recapture of the required value of the subsidy. The Bank now provides a standard mortgage and note to be used to ensure the retention of the AHP-subsidized units. The standard mortgage and note replace the Bank's previous AHP covenants and documents. In addition, the Bank requires a rider to be used with an AHP-subsidized advance and the member financial institution's own mortgage(s) for the loan. An interim mortgage is to be used with ownership development initiatives that are funded with AHP funds during construction. A rider is required for HUD 202/811 initiatives. No other mortgages or notes will be accepted as security for AHP funds without prior approval of the Bank. Please see the Bank's web site at www.fhlbboston.com under Housing & Economic Growth, Forms and Applications, Affordable Housing Program.

9. **Reporting.**

Owner-occupied initiatives: The AHP-assisted units are approved subject to an affordability retention period of five years as described in the AHP regulation, submission of semiannual progress reports during development, and closeout monitoring review at completion.

Rental initiatives: The AHP-assisted rental units are approved subject to an affordability retention period of 15 years as described in the AHP regulation, submission of semiannual progress reports during development, close out monitoring review at completion, as well as annual compliance certifications and periodic monitoring reports after closeout until the end of the retention period. New in 2008, if the project is funded with tax credits and can be documented by a Form 8609, the Annual Compliance Certification and Period Monitoring reports may not be required.

In addition, the AHP monitoring requirements and rating system are described in the current AHP Implementation Plan which is available on the Bank's website. **If a new application is received from a member or sponsor with a previously funded AHP project that is not in good standing due to rating or missing reports, the new application may be set aside and not scored.**

10. **Application sponsor qualifications.**

The sponsor for the initiative must be qualified and able to perform its responsibilities as committed in the application or document that it will employ qualified assistance.

11. **Fair housing.**

The initiative, as proposed, must comply with applicable federal and state laws on fair housing and housing accessibility including, but not limited to, the Fair Housing Act, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and the Architectural Barriers Act of 1969, and must demonstrate how the initiative will be affirmatively marketed and identify the responsible party (or parties).

12. **Member underwriting.**

Housing organizations planning to apply for AHP funds in this round must provide a member with preliminary information as soon as possible to give the member's staff sufficient time to review the sponsor's credit and to underwrite the proposed project.

The member institution **must** underwrite the initiative proposed in the application and review the readiness of the proposal to use AHP funding. The member's analysis must be included in the application as a separate exhibit or be fully explained in any term sheets, letter of commitments, or letters of intent if other financing is being provided. Member underwriting is required whether a subsidized advance or a grant is being requested. It is expected that the member's senior management will review and approve all applications and fulfill the AHP reporting requirements for approved applications. Member institutions with maturity restrictions on advances are not eligible to participate in the AHP.

Please note that the Bank fully supports a member's decision to refuse to submit an AHP application if the member has not had sufficient time to review the proposed application. Therefore, housing organizations should use the months prior to the opening of the round to establish a relationship with a member and ensure a successful submission using the online AHP application.

Scoring of Applications

The Bank will score only those applications that in its judgment meet the AHP eligibility requirements. Points awarded in the various criteria will be either fixed or variable. Variable-point criteria have been determined to have varying degrees to which an application can satisfy the criterion. The application(s) that, in the judgment of the Bank, best achieve(s) each variable-point criterion shall receive the maximum point score available for that criterion. An application meeting a fixed-point criterion shall be awarded the total number of points allocated to that criterion. Points awarded become the application's "Qualifying Characteristics."

The Housing and Community Investment Department (HCI) of the Bank objectively reviews and evaluates scoring category responses for completeness and relevance to the guidelines and the regulations. All proposals are scored according to nationally established criteria, with application features scored against each other in the round. Under the Affordable Housing Program Implementation Plan, the Bank reserves the right to score applications first and review feasibility only for the top scoring initiatives.

Scoring Criteria

1. *Use of donated government property or other properties*

The creation of housing opportunities using a significant proportion (at least 20 percent) of:

Land or units conveyed at market value by the Federal government or any agency or instrumentality thereof; or

Land or units donated or conveyed by the Federal government or any other party for an amount significantly below the fair market value of the property, as defined as follows:

“Donated” means the price must be nominal, a small negligible amount, most often one dollar, and may be accompanied by modest expenses. The costs associated with transferring eligible donated property(ies) may include reasonable and documented transfer expenses and costs to clear municipal tax liens on land, providing total tax liens do not exceed twenty percent of the assessed value of the property (ies) being donated.

An “amount significantly below fair market value” means the property was or will be transferred for 50% or less of the fair market value, as documented by an independent appraisal from a state licensed or certified appraiser, and may be accompanied by modest expenses. The appraisal must be no older than six months and must be included.

Long-term, nominal-cost leases may qualify for the points.

5 points

Variable

Any combination of the following up to a maximum of five points total:

One point for land or units conveyed at market value by the Federal government or any agency or instrumentality thereof; or

Up to five points for land or units donated or conveyed by the Federal government or any other party for an amount as defined above.

Points awarded are based on the percent of total units, square footage of the land, or square footage of the building--pre-construction--in the project/program meeting the above criteria. Points will be allocated by using the greater of the ratio of donated or conveyed units, land square footage, or building square footage prior to construction to the comparable total units, square footage of the land, or square footage of the building prior to construction. In order for the points to be awarded, at least 20 percent of the units, square footage of the land, or square footage of the building must be donated or conveyed.

The agency or other party involved and the specific properties owned by that agency or party that are being donated or conveyed must be identified. The application must state if the member or sponsor has or had any ownership interest in the property. Donations or conveyances are considered for points only between parties that are not affiliated through ownership or control.

Supporting evidence of the transaction must be submitted in order for points to be awarded. Evidence includes executed and recorded deed(s); or letter from donating party committing to the donation or sale at a reduced price, with dollar amount if applicable; or other official documentation from donating entity. Supporting documentation for a conveyance significantly below the fair market value will also require an independent appraisal from a state-licensed or certified appraiser.

2. ***Sponsorship by a not-for-profit organization or government entity***

Project sponsorship by a not-for-profit organization, a state or political subdivision of a state, a state housing agency, a local housing authority, a Native American tribe, an Alaskan Native Village, or the government entity for Native Hawaiian Home Lands, where the sponsoring organization:

- (1) Has an ownership interest (including any partnership interest or a controlling interest) in a rental project; or
- (2) Is integrally involved in an owner-occupied project by exercising control over the planning, development, or management of the project, or by qualifying borrowers and providing or arranging financing for the owners of the units.

5 points

Variable

Rental applications

One point for rental applications with sponsoring organizations meeting the regulatory definition above.

An additional four points for those rental applications in which the qualifying sponsor organization, or wholly-owned or substantially-controlled subsidiary, or substantially-controlled affiliate, evidences a controlling ownership interest through the entire AHP retention period of fifteen years from the completion of the initiative.

Homeownership applications

Five points for ownership applications with sponsoring organizations that meet the regulatory definition above.

3. ***Targeting***

The extent to which a project creates housing for very low- and low- or moderate-income households. The number and percent of the total units of housing or mortgages that will be targeted to households with incomes at or below 80 percent of the area median income (AMI) must be specified. If units are targeted below 50 percent of AMI, the percentage of total units being targeted and the number of units must be specified. *For purposes of this scoring criterion, applications for owner-occupied initiatives and rental developments will be scored separately. The Bank's web site provides a link to the current HUD Income Guidelines for each state, it is available at <http://www.huduser.org/datasets/il.html>.*

20 points

Variable

Rental applications

For a rental application to be eligible, a minimum of 20 percent of the units must be targeted to households at or below 50 percent of the area median income.

The maximum number of points available under this scoring criterion will be awarded if 60 percent or more of the total units in the development are reserved for occupancy by households with incomes at or below 50 percent of the area median income (AMI).

Rental applications with less than 60 percent of the total units reserved for occupancy by households with incomes at or below 50 percent AMI will be awarded points on a declining scale based on the percentage of total units reserved for households with incomes at or below 50 percent AMI, and on the percentage of the remaining units reserved for households with incomes at or below 80 percent AMI.

Homeownership applications

Applications for owner-occupied initiatives and mortgage programs will be awarded points on a declining scale based on the percentage of total units in the initiative to be provided to households with incomes at or below 80 percent AMI. Maximum points will be awarded to ownership applications with the highest percentage of total units serving households with the lowest percentage AMI, within established maximum and minimum AMI.

4. ***Housing for homeless households***

The creation of transitional housing for homeless households that permits a minimum of six-months occupancy, or the creation of rental or ownership units, excluding overnight shelters, reserving at least 20 percent of the units for homeless households throughout the retention period. Points are awarded points as follows:

5 points

Variable

- a) *Scoring for applications in which at least half of the total units are new construction or are currently vacant:* 5.0 points times the percentage of total units designated for the homeless in which the application presents a *specific plan* for recruiting and serving the homeless.
- b) *Scoring for applications in which less than half of the total units are new construction or are currently vacant:* 1.5 points times the percentage of total units designated for the homeless in which the application presents a *specific plan* for recruiting and serving the homeless.

Points will be awarded to applications with such units that are set aside for and serve homeless households who can be certified as such by a third-party agency and that document that sufficient rental, contract or other income is committed to support the homeless units.

Overnight shelters are eligible for AHP funding, but do not qualify as providing housing for the homeless, and therefore do not qualify for points in this category. *Blank fields will be scored as zero.*

Homeless households are defined in the United States Code, Title 42, Chapter 119, Subchapter I, Section 11302 as:

- 1) an individual who lacks a fixed, regular, and adequate nighttime residence; and
- 2) an individual who has a primary nighttime residence that is —
 - a) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill);
 - b) an institution that provides a temporary residence for individuals intended to be institutionalized; or
 - c) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

For purposes of this definition, the term "homeless" or "homeless individual" does not include any individual imprisoned or otherwise detained pursuant to an Act of the Congress or a State law.

5. ***Promotion of empowerment***

The provision of housing in combination with a program available to all residents offering: employment; education; training; home-buyer, homeownership, or tenant counseling; daycare services; resident involvement in decision-making affecting the creation or operation of the project; or other services that assist residents to move toward better economic opportunities, such as welfare to work opportunities. *Services must lead to economic empowerment of the residents.*

Letters of documentation are required from all providers, other than the lead sponsor or the lead member, describing the particular services they are offering to the residents or home owners, the provider's delivery of services throughout the retention period, how these services will be funded, and the period of time that the funding will be provided.

Documentation can also include copies of contracts or a memorandum of understanding (MOU) and must be attached where the application specifies. All documentation should be current within twelve months of application submission. The lead sponsor or member must document the same details in the Initiative Description portion of the application.

10 points

Variable

Two and a half (2.5) points each, up to a maximum of 10 points, for any of the following distinct activities or services for this initiative that lead to economic empowerment of the residents and that are checked in the application and evidenced by a letter or plan submitted in the application where indicated:

- Employment opportunities
- Education: GED
- Education: ESL or other literacy programs
- Education: Related to economic empowerment (other than employment training)
- Employment training
- Job placement
- Matching residents with economic or job opportunities

- Home-buyer, homeownership, or tenant counseling with financial literacy training
- Landlord training
- Daycare services, allowing the resident to pursue economic opportunities
- After-school, weekend, and summer youth programs, allowing the resident to pursue economic opportunities
- Adult daycare services (for adult dependents of the resident), allowing the resident to pursue economic opportunities
- Home-employment training
- Training for daycare providers
- Managed healthcare, including on-site primary health care services or programs including vaccination and screening programs, or on-site health care management programs — as part of a program offered to all residents that supports the residents' ability to find or sustain employment or be self-sufficient
- Financial planning
- Micro-business lending program, training, or incubator
- Sweat equity
- Legal authority for operation of the rental development
- Representative on board of directors, when elected, selected, or appointed by this initiative's residents
- Residents' council, or house meetings, with demonstrated involvement in operational decision-making
- Homeowners' association
- Transportation services, when provided by the initiative
- Family self-sufficiency program

6. *First District priority*

The Bank's Advisory Council has recommended and the Board of Directors has approved the following criteria and allocation of points under the first district priority:

30 points total, allocated as follows:

First-time home buyers

5 points

Variable

First-time home buyers are defined as (from 42 U.S.C. § 12704(14)) "...an individual and his or her spouse who have not owned a home during the three-year period prior to purchase of a home, except that —

(a) any individual who is a displaced homemaker may not be excluded from consideration as a first-time homebuyer under this paragraph on the basis that the individual, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse;

(b) any individual who is a single parent may not be excluded from consideration as a first-time homebuyer under this paragraph on the basis that the individual, while married, owned a home with his or her spouse or resided in a home owned by the spouse; and

(c) an individual shall not be excluded from consideration as a first-time homebuyer under this paragraph on the basis that the individual owns or owned, as a principal residence during such three-year period, a dwelling unit whose structure is—

(i) not permanently affixed to a permanent foundation in accordance with local or other applicable regulations, or

(ii) not in compliance with state, local, or model building codes, or other applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure."

Up to 5.0 points, based on the total units that are newly constructed or rehabilitated, meeting the minimum threshold for rehabilitation costs of \$15,000 per unit, will be awarded for the construction or financing of ownership initiatives (subdivisions, interest-rate buy-downs, down-payment and closing-cost assistance, and matched-savings programs) that specifically designate units for first-time home buyers. The maximum award is \$30,000 in AHP subsidy for an ownership unit.

Points will be awarded under this category to projects that provide financing for first-time home buyers that result in new construction or rehabilitation (meeting the minimum threshold for rehabilitation costs of \$15,000 per unit) and document and provide evidence that the initiative has an established pre- and post-purchase counseling program for participating home buyers from a HUD-certified or nonprofit homeownership counseling agency that the Bank recognizes as experienced in home-buyer or home-owner counseling.

In addition, the pre- and post-purchase counseling curriculum must include and clearly describe the financial literacy education, specifically alerting borrowers to the characteristics of predatory lending. Examples of acceptable financial literacy guidelines and links to other resources may be found at the following web sites:

- www.fdic.gov/consumers/consumer/moneysmart/
- www.fdic.gov/consumers/consumer/predatorylending/index.html
- www.bos.frb.org/consumer/pfe/ma.htm
- www.stopmortgagefraud.com

Applications using any of these links, must provide the parts of their programs that specifically satisfy the scoring requirements of the AHP. Points will not be awarded otherwise.

Points are awarded based on the percentage of total units in the application that are new units or are units that meet the minimum rehabilitation threshold of \$15,000.

Note: Limited-equity cooperatives and lease-purchase initiatives are treated as rental applications for AHP scoring, feasibility review, and retention requirements and are not eligible for points under this category. However, cooperative initiatives that demonstrate the conveyance of ownership to residents within 24 months, and are scored as an owner application, are eligible for points under this category.

Member financial participation

15 points

Variable

Member financial participation (excluding the pass-through of AHP direct subsidy grant funds) in the initiative, and the extent of such participation, including loans, investments, supporting bond purchases, the provision of concessionary rates, fee waivers, or donations.

The first 10.0 points will be awarded, multiplying the points times the ratio of member financial participation to the amount of AHP subsidy that is requested for the initiative. Member's funds must be explicit and well-documented in the AHP and Member Funding section of the online application. Up to a maximum of 10.0 points will be awarded to rental and owner-occupied applications that make use of Bank advances, including AHP subsidized advances, or for applications for AHP direct subsidies (grants) in which the member institution demonstrates that it will have significant additional financial involvement in the initiative through loans, investments, or its own grants in proportion to the amount of AHP subsidy requested.

Up to an additional 5.0 points will be awarded to initiatives making use of member-provided, long-term, fixed-rate financing (AHP and non-AHP) with a principal amount equal to or greater than the value of the AHP subsidy requested for the initiative, with the full 5.0 points going to initiatives using member financing with terms of 15 years or greater and 2.0 points going to initiatives using member financing with terms of five years or greater, with projects falling between these two benchmarks receiving a proportionate share of the points.

No points (of the 5.0 additional points) will be awarded for terms less than two years. For those with multiple long-term loans, the principal and terms of the long-term financing will be aggregated for the comparison using a weighted average for both the principal and the term. In the event that the loan principal of the longest-term loan exceeds the direct subsidy plus the advance subsidy, the points will be awarded based only on the term of that loan. Grants from the member will have an implied term equal to the retention period for the initiative type (five years for ownership and fifteen years for rental).

Letters or documentation of firm commitment must be included with the application. The amount of the member's involvement and all costs associated with it must be clearly accounted for in the application's feasibility and sources and uses sections, as well as the detailed development budget. The costs must flow through, as appropriate, in a rental project

into the Rental Subsidy Calculation or in an owner-occupied initiative into the Ownership Subsidy Calculation. (If a Habitat application, these costs must flow through, as appropriate, into the Habitat screens.)

Note: Member underwriting is required whether a subsidized advance or a direct subsidy (grant) is being requested. It is expected that the member's senior management will review and approve the AHP application. Similarly, the member has the responsibility to evaluate and be satisfied with the sponsor's and/or borrower's credit standing, development experience, and performance track record. It is expected that the underwriting will include those items as well as an analysis that the initiative is financially and physically feasible. In evaluating the project's financial feasibility and viability, the member should indicate its analysis of the project's debt service coverage ratio, loan-to-value, loan-to-cost ratios, and operating income and expenses relative to compliance or deviation with its underwriting standards. A copy of the underwriting should be included with the term letter or application. The Federal Home Loan Bank of Boston will neither perform nor be responsible for the underwriting of the application for the member or the evaluation of the credit record or track record of the sponsor or borrower for the member.

Rural **5 points** Fixed

Points will be awarded to initiatives financing housing located in rural areas.

The definition of rural is obtained from the following site:
<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

In order to receive the points, all addresses in the initiative must be identified and must qualify as rural. However, for countywide initiatives where specific street addresses are not yet known, the entire county must qualify as rural. Statewide initiatives do not qualify.

Economic diversity **5 points** Fixed

Projects will be awarded points for the creation of housing that is part of a strategy to end isolation of very low-income households by providing economic diversity through mixed-income housing in low- or moderate-income neighborhoods, or providing very low- or low- or moderate-income households with housing opportunities in neighborhoods or cities where the median household income equals or exceeds the median income for the larger surrounding area -- such as the city, county, or Primary Metropolitan Statistical Area — in which the neighborhood or city is located.

Points will be awarded for an initiative located in a census tract where the median income is no more than 80 percent of the Metropolitan Statistical Area/Metropolitan Division (MSA/MD) median income and in which at least 20 percent of the units are market-rate units, or for an initiative located in a census tract where the median income is at least 100 percent of the Metropolitan Statistical Area/Metropolitan Division (MSA/MD) median income and in which at least 20 percent of the units are reserved for very low-, low-, or moderate-income households.

For both options, the Bank will compare the median family incomes of the census tract in which the project is located (based upon the project address(es)) to the median family income of the Metropolitan Statistical Area/Metropolitan Division (MSA/MD). The median family incomes will be obtained using the Federal Financial Institutions Examination Council's Geocoding/Mapping and Census Report System, which can be found at www.ffiec.gov. In order to receive the points, all addresses in the initiative must be identified and must qualify. County-wide initiatives and state-wide initiatives do not qualify.

7. ***Second district priority***

5 points Fixed

The Bank will award five (5) points where an applicant is developing an initiative that utilizes a community land trust mechanism or other similar mechanism in which the project (land and/or housing units) is conveyed subject to either an option to purchase or a reversionary interest held by a governmental agency or nonprofit entity involved in creating affordable housing for use by very low-, low- and/or moderate-income households.

The maximum score that an initiative may receive under this category is 5.0 points and a draft of the legal document that will be in place at the time of the financial closing must be included with the application.

8. ***Subsidy per unit***

An application is also scored to the extent to which it proposes to use the least amount of AHP subsidy funds (direct subsidy and/or interest-rate subsidy requested to support a subsidized advance) per AHP-targeted unit. In the case of an application for an initiative financed by a subsidized advance, the total amount of AHP subsidy used by the project will be estimated based on the amount of direct subsidy requested plus the Bank's calculated forward cost of funds at intake necessary to provide an initiative an 18-month guarantee of the rate requested in the application.

For purposes of this scoring criterion, applications for owner-occupied initiatives and rental initiatives will be scored separately.

(A) Ownership applications

5 points

Variable

Up to 5.0 points will be awarded based upon the ranking of the application against all other ownership applications submitted, with 5.0 points awarded to the ownership application or applications that use the least amount of AHP subsidy dollars per unit, and no points awarded to the ownership application or applications using the greatest amount of AHP subsidy dollars per unit. Applications falling between these two benchmarks will receive a proportionate share of the points, declining as the subsidy per unit increases.

(B) Rental applications

5 points

Variable

Up to 5.0 points will be awarded based upon the ranking of the application against all other rental applications submitted, with 5.0 points awarded to the rental application or applications that use the least amount of AHP subsidy dollars per unit, and no points awarded to the rental application or applications using the greatest amount of AHP subsidy dollars per unit. Applications falling between these two benchmarks will receive a proportionate share of the points, declining as the subsidy per unit increases.

9. ***Community stability***

Points will be awarded to projects to the extent that they promote community stability. As a threshold issue, initiatives should make every attempt not to displace low- or moderate-income households, or if such displacement will occur, assure that such households will be assisted to minimize the impact of such displacement. In the event displacement of residents will occur, the sponsor must submit a plan for the temporary or permanent relocation for affected residents, which meets applicable federal and/or state laws. Applications where displacement will occur that do not submit the required plan will be ineligible for funding.

15 points

Variable

Three points each, up to a maximum of 15 points, will be awarded for a housing development that:

- a) Contributes to or benefits from community organizing activities, including crime-watch efforts that will increase the physical security of the neighborhood, or provides citizenship and leadership-development opportunities. In order to receive the points, a minimum of two of the following items must be selected and fully described in the narrative field provided in the online application:
 - Resident participation in a formal neighborhood crime watch organization or involvement in community policing efforts, including being a block captain or liaison with local police;
 - Leadership and citizenship development for the residents through town, city, or community-affiliated organizations or opportunities;
 - Resident participation through a tenants' council or homeowners' association;
 - Leadership or citizenship opportunities that are part of a community-wide development effort, such as a voter registration or an organized campaign to improve the economic, housing, and livability of the community;
 - Evidence indicating a key role of the residents in bringing this housing initiative to fruition; and,
 - Opportunities through documented evidence of residents having substantial participation and decision-making authority on the sponsor's board of directors or other committees.

- b) Reuses existing buildings, or is built upon land that was used for housing, commercial, or industrial purposes. Projects impacting open or dedicated green space, agricultural, or forested land are not eligible for points. Documentation must be included.
- c) Has access to mass transportation within ½ mile of the development, or has no- or low-cost community transportation services available to all of the residents.
- d) Is developed at a density of at least eight (8) units per acre. Land considered permanently undevelopable, including dedicated green space or land legally reserved for conservation will not be included as part of the density calculation. Documentation of undevelopable or dedicated land must be included.
- e) Incorporates at least six of the following high-performance, health-conscious, and sustainable building technologies into the entire initiative (any units not benefiting from these technologies should be identified and the reason described):

Each item chosen must be fully described in the narrative field provided in the online application to obtain the points.

- Overall initiative compliance with Energy Star ratings documented by a copy of a preliminary rating or compliance documentation.
- LEED-certified, Efficiency Vermont, or REEP initiative documented by a copy of a preliminary rating or compliance documentation.
- Large R-value insulation that exceeds code
- Compact fluorescent lamps (CFL) or Energy Star-qualified light fixtures installed in all units and common areas
- Energy Star-labeled appliances
- Low-e argon windows or other new energy-efficient or Energy Star-labeled windows
- On demand water heaters or solar hot water heating
- High efficiency (87 percent or better) heat pumps or furnaces
- Solar photovoltaic (PV) panels, passive solar design, geo-thermal solar panels, or other solar energy technology
- Heat-recovery whole house or continuous ventilation
- Low VOC (volatile organic compounds) emitting paints, glazes, adhesives, flooring, carpeting, or other materials
- Durable or renewable/rapidly-renewable materials, such as brick, cement-fiber siding, bamboo flooring, and lumber certified as sustainable.
- Storm water management techniques, such as reducing impervious surfaces, retaining and treating storm water, or improving site grading and drainage
- Water-efficient design practices, including efficient irrigation systems, water reuse systems, and water-efficient equipment (low flow toilets, faucets, showerheads)
- Reuse of materials or using recycled content materials
- On-site or contracted construction waste recycling program

06/27/08

Questions?

If you have questions, please see the additional information on the web site. You may also contact your community investment manager, or any of the housing and community investment staff noted below.

Kenneth A. Willis, vice president/director	617-292-9631	kenneth.willis@fhلبoston.com
Mary Ellen D. Jutras, assistant vice president/deputy director	617-292-9607	mary.ellen.jutras@fhلبoston.com
Theo Noell, manager of programs and outreach	617-292-9668	theodore.noell@fhلبoston.com
Martin Corona, senior community investment manager	617-292-9770	martin.corona@fhلبoston.com
Christine Gimbel, senior community investment manager	617-292-9677	christine.gimbel@fhلبoston.com
Tobi Goldberg, senior community investment manager	617-292-9653	tobi.goldberg@fhلبoston.com
Kathy Naczas, senior community investment manager	617-292-9646	kathy.naczas@fhلبoston.com
Paulette Vass, community development advance manager	617-292-9792	paulette.vass@fhلبoston.com
April Gancarz, housing and community investment compliance analyst II	617-292-9606	april.gancarz@fhلبoston.com
Holly Frades, housing and community investment assistant	617-292-9713	holly.frades@fhلبoston.com

Attachment A

Affordable Housing Program Round Two 2008 Other Application Issues and Feasibility Guidelines

Project Cost, Feasibility, and Scoring Guidelines

The Bank has established guidelines for the review of an applicant project's cost, financial feasibility, and need for AHP subsidy. These guidelines will be applied at the time of application, prior to funding of approved AHP subsidies, in the course of any requested project modifications, and upon project completion. Application of these guidelines will determine the actual amount of subsidy awarded, funded, and remaining in an approved project. The Bank will consider appropriate exceptions to these guidelines on a case-by-case basis substantiated by information and documentation justifying need to the satisfaction of the Bank for such exception.

For all rental and co-operative ownership applications and disbursement requests:

Item	Range/Guideline
Per square foot construction cost	Typically, for new construction or substantial rehabilitation initiatives, not to exceed the limits on a gross residential square footage basis, unless an acceptable explanation is provided:

State	Apart- ments	Condo- miniums	Single Family Homes	Town- homes
California	157	171	186	144
Connecticut	157	171	185	144
Georgia	122	133	144	112
Illinois	149	162	176	137
Indiana	133	145	157	122
Maine	128	139	151	117
Massachusetts	157	172	186	144
Michigan	136	148	161	125
New Hampshire	127	139	150	117
New Jersey	159	174	188	146
New York	157	171	185	144
Ohio	137	149	162	126
Pennsylvania	142	155	168	130
Rhode Island	152	166	180	140
Vermont	122	133	144	112

Source: R.S. Means/Reed Construction Data - Median Construction Cost Per Gross Residential Square Foot (2006/2007 bids including materials, labor, and site work)

This limit may be reviewed and adjusted per round, as needed.

If a construction cost limit is not readily available for those projects located outside of the Bank's district, the Bank will rely upon the reasonable costs that the respective FHLBank district (within which the project is located) has determined and published in the annual AHP Implementation Plan.

Soft construction cost	Typically, 15-30 percent of total development cost.
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Item	Range/Guideline
Hard cost contingency	Typically, 5-10 percent of hard construction cost for new construction. 7.5-15 percent of hard construction cost for rehabilitation.
Developer fee	Typically, the developer's fee includes any developer overhead, fee and development consultant costs, the total of which shall not exceed 12.5 percent of total development cost, net of fee. However, if a primary funding source (such as the Low Income Housing Tax Credit program or HUD) allows a higher fee or requires a lower fee amount, the allowed amount of the developer fee of the AHP shall be the same, net of fee. In such case, any allowed developer fee in excess of 12.5 percent, net of fee, must be loaned back into the development, treated as equity or paid out of surplus cash flow in reasonably even installments, as available, over the 15 year retention period, at a market rate of interest. In any other case, whenever the amount of developer fee proposed is in excess of 12.5 percent, net of fee, the developer fee and the requested subsidy amount will be proportionately reduced.
Tax credit sale (LIHTC)	Typically, not less than 92 cents on the dollar yield to the project.
Vacancy rate (residential)	Typically, 5 percent (with Section-8), up to 10 percent depending on the market.
Housing operating cost	Typically, \$3,000-\$6,000 per unit per year, excluding resident services.
Replacement reserve	Typically, \$250-\$650 per unit per year.
Operating reserve	Typically, no more than six months of operating expenses including debt service and replacement reserves. Also required: 1) Source(s) utilized to fund the reserves, 2) the purpose of the reserve, 3) if the reserve is required, and if so, by whom, 4) anticipated draws on the reserve, and 5) reserve balance at Year 15.
Management fee	Typically, 5-8 percent of rents, net of vacancy reserves, for 50 plus unit projects. Typically, \$30-\$75 per unit/per month for 1-50 unit projects.
Debt service coverage ratio	Typically, 1.0:1 up to 1.25:1 with the replacement reserves being treated as an expense, and the funding of operating reserves being treated as income (but identified separately on the pro formas). The funding of operating reserves should not be reflected in the Net Operating Income (NOI) or in the calculation of the debt service coverage ratio and be set-aside from the cash flow.
Net Cash Flow as a percent of Effective Gross Income	Typically, up to 13 percent. This test provides an alternative measure for projects where the debt service coverage ratio is skewed, where the loan to value ratio is less than 50 percent.
Cash flow	Project shows positive cash flow over the retention period.
Distribution of net cash flow to sponsor/owner	Explanation of cash flow in excess of 15 percent net operating income.
Treatment of Operating Reserves	The determination of project financial feasibility will be calculated without the benefit of including an operating reserve as either a source of revenue or expense to the project. In the event, during the retention period, a project has a negative cash flow, a separately established operating reserve may be used to cover the deficit.

Item	Range/Guideline
Useful Life	The project must be feasible for a useful life that is at least as long as the retention period. The initial development work along with repair and replacement reserves must support the physical asset through the appropriate period.

For all ownership applications and disbursement requests:

- The sum of the developer fee and consultant and developer overhead exceeds 12.5 percent of total development cost, net of fee, or in the case of a mortgage financing program, the sum exceeds one percent of the proposed total amount of mortgages to be issued in the initiative, net of fee.

Item	Range/Guideline
Construction costs	Typically, for new construction or substantial rehabilitation initiatives, not to exceed the limits on a gross residential square footage basis, unless an acceptable explanation is provided:

State	Apart-ments	Condo-miniums	Single Family Homes	Town-homes
California	157	171	186	144
Connecticut	157	171	185	144
Georgia	122	133	144	112
Illinois	149	162	176	137
Indiana	133	145	157	122
Maine	128	139	151	117
Massachusetts	157	172	186	144
Michigan	136	148	161	125
New Hampshire	127	139	150	117
New Jersey	159	174	188	146
New York	157	171	185	144
Ohio	137	149	162	126
Pennsylvania	142	155	168	130
Rhode Island	152	166	180	140
Vermont	122	133	144	112

Source: R.S. Means/Reed Construction Data - Median Construction Cost Per Gross Residential Square Foot (2006/2007 bids including materials, labor, and site work)

This limit may be reviewed and adjusted per round, as needed.

If a construction cost limit is not readily available for those projects located outside of the Bank's district, the Bank will rely upon the reasonable costs that the respective FHLBank district (within which the project is located) has determined and published in the annual AHP Implementation Plan.

Item	Range/Guideline
Developer fee	Typically, the developer's fee includes any developer overhead, fee and development consultant costs, the total of which shall not exceed 12.5 percent of total development cost, net of fee. The sponsor of a mortgage financing program may not receive a developer fee, including overhead, fee and development consultant costs in excess of one percent of the proposed total amount of mortgages to be issued in the initiative, net of fee. Whenever the amount of developer fee proposed is in excess hereof, the developer fee and the requested subsidy amount will be proportionately reduced.
Mortgage term	A reasonable term to ensure household affordability, typically, not less than a 15-year term with an interest rate which is demonstrated to be affordable.
Low or zero interest rate first mortgages, with in-kind donations (Habitat)	The sources and uses of funds must equal, excluding donated materials and labor, and in the case of a zero percent mortgage after the discounted value of the mortgage is added in as a source of funds. The rate used for the calculated discounted value of these mortgages will be determined based upon a standard Federal Home Loan Bank of Boston 10-year regular advance rate as of open date of the round application period, with a spread of 350 basis points to reflect the characteristics of this type of loan.

Attachment B

Affordable Housing Program Round Two 2008 Subsidy Calculation Instructions

Amortizing subsidized advances with terms of 10 years or greater, up to a term of 20 years with an amortization of 30 years are available. Non-amortizing advances are no longer being offered. At application submission, the Bank uses a calculated forward cost of funds to determine the amount of subsidy necessary to provide the interest rate as requested in the application. The rate used to calculate the subsidy is based on an anticipated draw down 18 months from approval of the AHP award.

At approval, the rate and subsidy will be finalized and a subsidized advance agreed to, provided that the amount of interest subsidy required, and any AHP direct subsidy, does not exceed the Bank's subsidy limit for a single application. In the event that it does, the Bank will hold further discussions with the member and sponsor to determine what rate, principal amount, and term would be effective for the initiative without exceeding the Bank's limit.

Two options will be available, either a rate guarantee with a mandatory take down, or if a mandatory take down cannot be committed to, there will be no interest guarantee, but the amount of interest subsidy will remain available, provided progress is acceptable. Rate, principal, and term may be adjusted.

In order to help you estimate the approximate amount of subsidy funds that must be committed to a specific AHP advance, we have developed the following calculation. All calculations may be done on a Hewlett Packard 12C or an equivalent calculator or by using a computer spreadsheet. These procedures apply only to an amortizing AHP advance, and they yield only an estimate of the subsidy associated with the advance. Please note that these instructions are provided for your information only. All actual calculations will be done automatically in the online AHP application.

Example (this example is an approximation): Assume an amortizing AHP advance of \$500,000 at 4.0 percent for 20 years (with a 20-year amortization period) is being requested by the member. Assume the 18-month (in the application we will use a 22-month rate to accommodate the application and review period) Community Development advance forward-calculated rate for a 20-year amortizing advance is 5.20 percent (based on 06/20/08 rates).

Using HP-12C	Enter:	500,000 PV	(advance amount)
Calculator	Enter:	240n	(term in months)
	Enter:	.3333333i	(advance rate of 4.0 percent expressed as a monthly rate) $[4.0 \div 12]$
	Enter:	PMT	(= -3,029.901541)
	Enter:	.3837299i	(CDA rate of 5.20 percent expressed as a monthly rate) $[5.20 \div 12]$
	Enter:	PV	(present value = 474,669.4925)
	Enter:	500,000-	(advance amount)
	Enter:	CHS	(change sign)
	Answer:	\$25,331	(rounded interest subsidy associated with requested AHP amortizing advance)

Current Federal Home Loan Bank of Boston rates are available at the Bank's web site, www.fhlbboston.com. Forward rate indications are available upon request. If you need assistance with the estimated calculation, please contact the Housing and Community Investment Department at 1-888-424-3863.