

**Federal Home Loan Bank of Boston**  
**2009 AFFORDABLE HOUSING PROGRAM**  
**IMPLEMENTATION PLAN**

**Background**

On August 4, 1997, the Federal Housing Finance Agency (Finance Agency), previously known as the Federal Housing Finance Board (Finance Board) under the authority of 12 U.S.C. 1430 (j) issued final rule 97-44 amending 12 CFR 1291 that governs the Affordable Housing Program and has subsequently amended same with the most recent amendment having been published on October 6, 2006. Section 1291.3(a) of the regulation requires the Federal Home Loan Banks to develop an implementation plan governing portions of the administration of the Affordable Housing Program (AHP). The Bank's board of directors, after consultation with its Advisory Council, is required to adopt a written implementation plan that addresses the following, at a minimum:

**Plan Elements**

- (i) The applicable median income standards adopted by the Bank consistent with the definition of median income for the area;  
Income eligibility for recipient households in both owner-occupied and rental projects shall be based on median income standards for the area, as published annually by HUD, adjusted for family size.  
  
In addition, the median income for an area, as determined by the Federal Financial Institutions Examination Council, will also be used in determining eligibility for the Economic Diversity scoring category (see Attachment B).
- (ii) The requirements for the competitive application program established by the Bank;  
The Bank's requirements for the competitive application program are included in this plan as Attachment B.
- (iii) The requirements for any homeownership set-aside programs adopted by the Bank;  
The Bank's requirements for a homeownership set-aside program are included in this plan as Attachment E.
- (iv) The requirements for funding revolving loan funds, if adopted by the Bank;  
The Bank is not adopting the funding of revolving loan funds at this time.
- (v) The requirements for funding loan pools, if adopted by the Bank;  
The Bank is not adopting the funding of loan pools at this time.
- (vi) The Bank's requirements for monitoring under its competitive application program and any homeownership set-aside programs, pursuant to § 1291.7;  
The Bank's procedures for carrying out its initial and long-term monitoring obligations under the competitive application program are included in this plan as

Attachment C. The procedures for the homeownership set-aside monitoring can be found in Attachment E.

- (vii) Requirements, including time limits, for re-use of repaid AHP direct subsidy, if adopted by the Bank.

At this time, the Bank does not allow for re-use of AHP direct subsidy in a project, except in the case of competitive application ownership projects where the land is held by a land trust or similar mechanism and where the AHP subsidy funds were used in conjunction with construction or development of the housing.

- (viii) The retention requirements for projects and households under the competitive application program and any Bank homeownership set-aside programs.

The competitive program retention requirements can be found in Attachment C and the homeownership set-aside retention requirements can be found in Attachment E.

Additional plan elements are included below with individual headings or as attachments to this document, and are used in conjunction with the regulation.

### **Funding Allocation and Schedule**

Funds available from the Bank's annual contribution, based on applicable net income from the prior year, to the Affordable Housing Program will be allocated as follows:

- Competitive Application Program - 85 percent;
- Homeownership Set-Aside Program - 15 percent, with one-third of the 15 percent allocated to first-time home buyers.

The Bank will conduct two competitive application-funding rounds. Each funding round will make available approximately 50 percent of the annual funds available to the program, plus or minus the addition of funds from the cancellation, recapture, or reduction of subsidy from previously approved projects or deduction of funds due to the authorized increase of subsidy to previously approved projects.

In years when no amendments are made to the Plan, the Bank's board of directors will approve the dates of any subsequent funding rounds. The Bank's board of directors, or a committee of directors authorized by the Board, will approve applications in descending order, starting with the highest scoring application, until remaining AHP funds are insufficient to fund the next highest scoring application. At least four (4) and up to the next six (6) highest scoring applications may be approved as alternates and may be approved for funding prior to the application deadline for the next competitive offering, if previously committed AHP subsidy funds become available.

## **2009 Supplemental Funding and Schedule**

In 2009, Bank earnings were unavailable for allocation to the Affordable Housing Program. For 2009, from the Bank's pool of recaptured and deobligated subsidy funds, the following allocation will be made:

- Homeownership Set-Aside Program: Minimum \$1,000,000
- Competitive Application Program: Minimum \$2,000,000

Funds available above the initial minimums will be distributed first to the Competitive Application Program until the application due date of September 25, 2009. All funds received after that date until the end of the calendar year, will be distributed with 15 percent going to the homeownership set-aside program and 85 percent going to the competitive application program. The additional funds in the competitive program will be used to fund any alternates. If the funds are insufficient to fund alternates, or if there are any remaining AHP funds at the end of the year, the remaining funds will be rolled to the 2010 program.

The schedule for the Competitive Application Program will be:

Application Period Open: Monday, August 17, 2009  
Applications Due: Friday, September 25, 2009

A committee of the Board of Directors will review and recommend, and the full Board will approve the applications at the November meetings.

### **Additional District Eligibility Requirements Adopted by the Bank**

The regulation allows a Bank to require that a project receiving AHP subsidies to meet one or more additional eligibility requirements adopted by the Bank's board of directors and included in the AHP Implementation Plan after consultation with the Advisory Council. The optional requirements include AHP subsidy limits, i.e. limits on maximum amount of AHP subsidy available per member each year, or per member, per project, or per project unit in a single funding period, or home-buyer or home-owner counseling, i.e. a requirement that a household complete a homeownership counseling program.

The Bank has established the following four additional eligibility requirements for access to AHP subsidy:

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

In a standard competitive funding 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.

In the 2009 supplemental funding round however, a member may not submit applications with requests for more than \$1,600,000 in total AHP subsidy.

2. For any one project in any one round, no more than \$500,000 of *direct subsidy* and no more than a maximum of \$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.
3. Homeownership applicants may not request more than \$30,000 per unit in AHP subsidy funds for any homeownership unit.
4. 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 homeownership set-aside program and under competitive application program for applications receiving the First-Time Home-Buyer points.

### **Project Cost, Feasibility, and Scoring Guidelines**

The Bank has established guidelines for the review of a 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. Project cost and feasibility/need for subsidy guidelines are included in this plan as Attachment A.

The Bank's scoring guidelines adopted are consistent with the regulation and are included in this plan as Attachment B.

### **Additional Review at Application**

AHP applications submitted by members or sponsors that are involved in previously funded AHP applications that are on the Watch List, or are more than 60 days delinquent in submitting required Semiannual Project Progress Reports, Annual Compliance Certificates or Periodic Monitoring Reports, may be determined to be ineligible and not scored. AHP sponsors with previously awarded AHP initiatives may be deemed ineligible if they cannot demonstrate the capacity to simultaneously complete the projects.

In the case of homeownership projects where the sponsor extends permanent financing to the home buyer, the sponsor's cash contribution shall include the present value of any payments the sponsor is to receive from the buyer, which shall include any cash down payment from the buyer,

plus the present value of any purchase note the sponsor holds on the unit. If the note carries a market interest rate commensurate with the credit quality of the buyer, the present value of the note equals the face value of the note. If the note carries an interest rate below the market rate, the present value of the note shall be determined using the market rate, defined in the Project Cost and Feasibility Analysis Guidelines (Attachment A), to discount the cash flows.

### **Use and Restrictions on Use of AHP Subsidy Funds**

Program funds may be used only for the direct costs of producing or financing affordable housing. Uses include acquisition, construction, rehabilitation costs, related soft costs, interest-rate buy-downs, down-payment and closing-cost assistance, and matched-savings programs. Only those units that are affordable, as defined by AHP regulations, are eligible for funding.

Supportive services and commercial space associated with a development are ineligible for AHP funding. The developer/sponsor can not retain any portion of the AHP funds as profit or for the purpose of additional development (excluding approved development fees) or for capitalized or other project reserves.

AHP subsidies may not be used to pay prepayment fees imposed by the Bank on a member in connection with the prepayment of a subsidized advance, unless (i) the project is in financial distress that cannot be remedied through a project modification pursuant to Section 1291.5(f) of the AHP Regulations, (ii) the prepayment of the subsidized advance is necessary to retain the project's affordability and income targeting requirements, (iii) subsequent to such prepayment, the project will continue to comply with the terms of the application for the AHP subsidy, as approved by the Bank, and the AHP Regulations for the duration of the original retention period, (iv) any unused AHP subsidy is returned to the Bank and made available for other AHP projects and (v) the amount of AHP subsidy used for the prepayment fee may not exceed the amount of the member's prepayment fee to the Bank.

AHP subsidy may not be used to pay for cancellation fees and penalties imposed by the Bank on a member for a subsidized advance commitment that is cancelled. AHP subsidy also may not be used to pay for processing fees charged by members for providing direct subsidies to a project.

A competitive application 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 the AHP subsidy in the project shall be used only for the purchase, construction, or rehabilitation of housing units meeting the eligibility requirements of the AHP Regulation.

### **Time Limits on Use of AHP Subsidies**

Some or all of the AHP subsidies must be likely to be drawn down by the project or used by the project to procure other financing commitments within 12 months of the date of approval of the application for subsidy funding the project.

Extensions to the above requirements may be granted on a case-by-case basis, at the Bank's sole discretion, if in the Bank's judgment, sufficient evidence is provided documenting progress toward project completion and funding.

Projects not meeting the above standards or approved extensions are subject to cancellation by the Bank of AHP subsidy commitments.

The Bank will disburse subsidies only to institutions that are members of the Bank at the time a draw down request is received. If an institution with an approved application for AHP subsidy withdraws from membership for any reason, the Bank may disburse AHP subsidies to a member of the Bank to which the institution has transferred its obligations under the approved application, or the Bank may disburse AHP subsidies through another Federal Home Loan Bank to a member of that Bank that has assumed the institution's obligations under the approved AHP application.

AHP subsidies must be disbursed by members to project sponsors for approved purposes within 90 days of disbursement by the Bank. A period longer than 90 days may be approved in advance in writing by the Bank where it is deemed necessary to assure the successful completion of an approved project, subject to such terms and conditions as the Bank deems appropriate to assure full and proper use of AHP funds. When AHP funds will not be disbursed within the 90 days, it will be required that the member disburse the funds to an interest-bearing escrow account in the sponsor's name.

### **Verification of compliance**

Prior to funding initial disbursements of AHP subsidy to approved projects, the Bank will obtain information and pertinent facts and conduct a financial review to verify that the project/program meets and maintains compliance with the regulatory eligibility requirements and feasibility standards of the Implementation Plan and all scoring items identified as "qualifying characteristics" in the approved application. Applicant members or sponsors are required to provide the Bank with any and all information necessary for the Bank, in its sole judgment, to ensure compliance prior to funding.

Disbursements occurring after a completed compliance verification for a previous disbursement need only verification from the sponsor that there is no change in project qualifying characteristics or the need for AHP subsidy and that no change has been made in the project development or operating budgets.

### **Project Completion Definitions**

In the case of rental projects, project completion will be achieved at the earlier of the issuance of a certificate of occupancy or when 80 percent of project units are leased.

In ownership projects, completion will be achieved when all AHP subsidies are disbursed to eligible households. Disbursement to eligible households will be considered complete upon the transfer of the units to the home buyers.

**Modifications of approved applications and changes in subsidy amount prior to or following project completion**

Prior to or after final disbursement of funds to a project from all funding sources, or after completion of the project, the Bank, in its discretion, may approve in writing a modification to the terms of an approved application for subsidy funding the project if there is or will be a change in the project that would change the score that the project application received in the funding period in which it was originally scored and approved, had the changed facts been operative at that time, provided that:

- (1) The project, incorporating any such changes, would meet the regulatory eligibility requirements;
- (2) The application, as reflective of such changes, continues to score high enough to have been approved in the funding period in which it was originally scored and approved by the Bank; and
- (3) There is good cause for the modification and the analysis and justification for the modification are documented by the Bank in writing.

Modifications involving any other increase in AHP subsidy will be approved or disapproved by the Bank's board of directors. The authority to approve or disapprove such requests will not be delegated to Bank officers or other Bank employees.

For interest-rate write-downs: In cases where AHP direct subsidy has been approved prior to closing to reduce the principal amount or the interest rate on a loan to a project (and an interest rate assumption was made in determining the amount of subsidy needed at the time of approval), the final amount of subsidy awarded to the project may be subject to change due to interest rate changes.

For subsidized advances: If the amount of subsidy required to maintain the debt service cost for the loan decreases from the amount of subsidy initially approved by the Bank due to a decrease in applicable market interest rates between the time of approval and the time the lender commits to the interest rate to finance the project, the Bank shall reduce the subsidy amount accordingly.

**Increases**

All increases in AHP subsidies, unless they are due to interest rate adjustments as provided in the AHP regulation, must be submitted through the competitive round process. In the event an AHP award is approved in a competitive round that is an increase in the amount of the subsidy the following must occur:

- (1) The old award must be deobligated.

- (2) The new award must be for the combined amount of the old award and the increased amount, but shall not exceed the per unit subsidy limit (for ownership applications) or the application subsidy limits for all applications in effect in the round in which the new award is made.

The new award must be the effective award in all respects including (but not limited to) the Qualifying Characteristics, file number, and reporting and all other aspects of the transaction, including AHP retention.

### **Advisory Council-Related Requirements and Policies**

The membership of the Advisory Council (Council) will be appointed by the board of directors of the Bank on a yearly basis. In making appointments to the Council consideration will be given to the size of the Bank's District and the community lending needs and activities within the District. Council members will be appointed from persons who reside in the Bank's District and are drawn from community and not-for-profit organizations actively involved in providing or promoting low- or moderate-income housing or community lending in the District.

The Bank's Advisory Council will consist of seven (7) to fifteen (15) members, at least two (2) of which will be appointed from each of the six (6) states within the Bank's District and two (2) will be appointed on a rotating basis from among either the six executive directors of the state housing finance agencies or the six state departments of housing and/or community development within the Bank's district.

Nominations for open Council positions will be solicited from the Bank's board of directors, member institutions, past and present Council members and community and not-for-profit organizations.

According to these policies, members of the Council will be appointed by the board of directors for staggered three-year terms to provide continuity in experience and service to the Advisory Council. Advisory Council members are initially appointed to serve for one 3-year term with one option to be reappointed for a second 3-year term. Reappointments will be at the sole discretion of the Board. No Advisory Council member may be appointed to serve more than two consecutive 3-year terms.

The members of the Advisory Council will annually elect from among their membership a chairperson and vice chairperson. The Council may designate a member or request that a member of the Bank's staff be designated as secretary for the Council.

Council members will meet once each quarter with representatives from the Bank's board of directors. Council members will advise the board on ways that the Bank can better carry out its housing finance and community-lending mission, but not limited to, advice on the low- and moderate-income housing and community lending programs and needs in the Bank's District, and on the use of AHP subsidies, Bank advances, and other Bank credit products for these purposes.

By May 1 of each year, the Council will report to the Finance Agency the Council's analysis of the community lending activities of the Bank. Within 30 days after the date the Advisory Council's annual analysis is submitted to the Finance Agency, the Bank shall publish the analysis on its publicly available website.

Advisory Council members will not receive a fee for serving on the Council. Council members will be reimbursed for travel expenses, including transportation and subsistence, for each day devoted to attending meetings with representatives of the board of directors of the Bank and meetings requested by the Finance Agency.

The Advisory Council's advice to the board of directors and the Bank shall include recommendations on:

- The amount of AHP subsidies to be allocated to the Bank's competitive application program and any Bank homeownership set-aside programs;
- The AHP Implementation Plan and any subsequent amendments thereto;
- The scoring criteria, related definitions, and any additional optional District eligibility requirements for the competitive application program;
- The eligibility requirements and any priority criteria for any Bank homeownership set-aside programs; and
- Appointments of independent directors to the Bank's board of directors.

The Bank shall comply with requests from the Advisory Council for summary information regarding AHP applications from prior funding periods.

A Bank's board of directors shall not delegate to Bank officers or other Bank employees the responsibility to appoint persons as members of the Advisory Council, or to meet with the Advisory Council at the quarterly meetings required by the Act (12 U.S.C. 1430(j)(11)).

### **Board of Directors-Related Requirements and Policies**

The Bank's board of directors, after consultation with its Advisory Council, shall be responsible for:

- Adoption of the AHP Implementation Plan required pursuant to § 1291.3 of this part; and
- Approving or disapproving the applications for AHP subsidy pursuant to §1291.5(e) of this part.

Prior to adoption of the Bank's implementation plan, and any subsequent amendments thereto, the Bank will provide the Advisory Council an opportunity to review the plan and any subsequent amendments and the Advisory Council shall provide its recommendations to the Bank's board of directors.

The Bank's board of directors shall not delegate to Bank officers or other Bank employees the responsibilities set forth in the AHP Regulation.

Other duties include, but are not limited to:

- Appointment of the Advisory Council members.
- Quarterly meetings with the Advisory Council to solicit advice on ways in which the Bank can better carry out its housing finance and community-lending mission, as noted in the previous section.
- Approval, or disapproval, of modifications involving increases in subsidy. The authority to approve or disapprove of such requests shall not be delegated to Bank officers or other Bank employees. All modifications and requests for increases to subsidy are presented bi-annually as part of the Semiannual Report to the Board.

In addition, the Bank's board of directors shall not delegate to Bank officers or other employees the responsibility for adopting its homeownership set-aside program policies, which can be found in Attachment E.

### **General**

The Bank will submit amendments of its AHP implementation plan to the Finance Agency within 30 days after the date the Bank's board of director's approves such amendments.

The Bank shall publish its current AHP Implementation Plan on its publicly available website, and shall publish any amendments to the AHP Implementation Plan on the website within 30 days after the date of their adoption by the Bank's board of directors.

The Bank will provide such reports and documentation concerning the AHP as the Finance Agency may request from time to time.

The Bank has developed (and will continue to develop) policies and procedures to both administer this plan and the remaining portions of Section 1291 of the Code of Federal Regulations, as amended. The policies and procedures are available upon request.

### **Conflicts of Interest**

The Bank's board of directors has adopted a written policy regarding conflict of interest. The policy applies to Bank directors, employees, and Advisory Council members.

## ATTACHMENT A

### **Federal Home Loan Bank of Boston AFFORDABLE HOUSING PROGRAM IMPLEMENTATION PLAN**

#### **2009 Project Cost and Feasibility Analysis Guidelines**

The Bank's Housing and Community Investment department will evaluate Affordable Housing Program (AHP) applications and requests for the disbursement of AHP subsidy funds using the following guidelines. These guidelines will be used as benchmarks for evaluating applications and disbursement requests and may be used as the basis for rejecting or disqualifying an application or disbursement request or reducing the amount of subsidy requested.

The Bank, following an initial scoring run of all applications, may perform the feasibility analysis only on the applications that score high enough to be awarded funding or alternate status, plus the next ten highest ranked applications and any applications whose score is recalculated in subsequent scoring runs due to clarifications or corrections that make them eligible for funding awards or alternate status. The remaining applications may not be reviewed for feasibility.

The feasibility review will encompass the qualifying characteristics of the application, the financial information contained in the application, the relevant exhibits, and the information submitted to support a disbursement request or to answer a Bank inquiry. The application's initial and subsequent sources and uses information, development budget, detailed construction budget, operating pro forma, market analysis, and the need for the requested subsidy will be reviewed. Additionally, the Bank will review the readiness of the project to proceed, the completeness of the project's development program and its financing arrangements.

The experience of the sponsor and its development team to undertake, construct and operate the project will also be considered. As part of that consideration, the Bank will review the previous experience of the member and the sponsor in complying with the requirements of the Bank's AHP. Such experience will be an indication of the performance of the sponsor and member in complying with such requirements on any new application(s).

The Bank reserves the right to review all project costs, related expenses, and fees, whether or not the items are listed as part of these guidelines. Applications or disbursement requests may be rejected or disqualified for unexplained or excessive costs or fees. Projects that vary from the guidelines will be investigated further to establish the reasonableness of the variation.

For all applications and disbursement requests:

<b><u>Item</u></b>	<b>Range/Guideline</b>
Consideration as a Project	<p>The Bank determines, in its sole discretion, what constitutes a “project.” Factors the Bank may consider include the ownership structure of the project, how the final legally enforceable retention agreement is secured to the real property, how other funders are defining a project, the presence or absence of immediately contiguous “projects” with the same sponsor(s) or owner(s), and how costs are allocated and accounted for (e.g. one cost certification).</p> <p>For example, but not limited to these examples, any of the following may affect consideration of an initiative as an AHP project. If an initiative:</p> <ul style="list-style-type: none"><li>• Has more than one owning entity separately owning parts of the project;</li><li>• Is located in more than one state; or</li><li>• Is part of a larger project where both pieces are viewed and funded by other funders as one project.</li></ul> <p>Once approved, the Project Owner, the Project Sponsor, and the Member must promptly report to the FHLB Boston's Housing and Community Investment Department any material changes in the financial structure of the Project, including but not limited to, any new sources of funds, failure to receive other Project-related funds and compensated tax credit utilization, or any other material changes in the Project's scope and terms. Any of these may affect the consideration as an AHP project.</p>
Market Data	<p>Evidence of the need for the type of development and the units proposed. For rental projects this information should include market rental, occupancy, and absorption data for the geographic location. For homeownership projects this information should include comparable housing prices and occupancy data for the geographic location. For both types of projects this data must relate directly to the affordability targets, the needs of the tenants, and demonstrate feasibility.</p>

<u>Item</u>	<b>Range/Guideline</b>
Readiness of project	<p data-bbox="586 394 1398 569"><b>Time Limits:</b> Must provide a development schedule that demonstrates the ability to be completed, including the use of all AHP funds, within twenty-four months. Occupancy is expected within a reasonable time after completion. Exceptions will be considered at the Bank’s sole discretion.</p> <p data-bbox="586 615 1325 680"><b>Site Control:</b> At the time of application, demonstrate site control of 100% of the location(s) through:</p> <ul data-bbox="586 688 1398 1423" style="list-style-type: none"><li>• Deed in the name of the Sponsor or ownership entity in which the Sponsor has an “ownership interest,”</li><li>• Executed purchase contract or option to purchase (contract or option cannot expire before 60 days after the AHP award date);</li><li>• Executed lease or option to lease for a term of at least 20 years (lease option cannot expire before 60 days after the AHP award date);</li><li>• Resolution from the local government or other organization that is committing to transfer the property describing the terms of the commitment, the transfer price, and the location of the property; or</li><li>• In the case of acquisition of properties vacant due to foreclosure, the sponsor must provide an executed and notarized agreement with the owners of such properties that the sponsor will be allowed to acquire properties in the areas identified and at the acquisition costs identified in the application within six months after project approval.</li><li>• The above does not apply to owner-occupied rehabilitation initiatives.</li></ul> <p data-bbox="586 1470 1398 1535"><b>Zoning:</b> At the time of application, demonstrate that the project complies with current zoning by providing:</p> <ul data-bbox="634 1543 1373 1717" style="list-style-type: none"><li>• A municipal or planning commission resolution,</li><li>• Letter from local municipal officials, or</li><li>• A permit or a legal opinion from the municipality’s or the developer’s attorney indicating that the project complies with the zoning for the project area.</li></ul> <p data-bbox="586 1726 1390 1898">If the project is undergoing challenges to a grant of zoning relief, the Bank will secure the necessary documentation and make a determination whether the project meets this benchmark. This benchmark does not apply to owner-occupied rehabilitation projects.</p>

<u>Item</u>	<u>Range/Guideline</u>
Capacity of the sponsor and development team	<p><b>Funding Commitments:</b> At the time of application, the project must evidence commitments for at least 50 percent of the funding sources less AHP at the AHP application. Calculation: (Total development sources minus (AHP direct subsidy and AHP subsidized advance principal)) divided by two. Tax credit initiatives must have received a tax credit award letter and must also submit additional commitment letters, in a combination that equals fifty percent, including commitments for Tax Credit Assistance Program (TCAP), Tax Credit Exchange Program, and/or letters of intent from an investor or investor fund/group. Acceptability of sufficient commitments is determined at the sole discretion of the Bank.</p> <p>A record of successful similar developments on the part of the sponsor or its related development team. Review of the sponsor's previous performance and all team members' participation in previous AHP developments and satisfaction that their AHP projects are in compliance with the regulation and that all required reports have been submitted.</p>
Submission/calculation errors	<p>In addition, the following will be required:</p> <ul style="list-style-type: none"><li>• Current (within two months) Certificate of Good Standing from its state of formation, or its equivalent (as determined in the Bank's sole discretion) for each sponsor.</li><li>• For each sponsor, submission of Bank-supplied statement on the sponsor's letterhead, signed by the sponsor's board and/or board chair. In the case of a for-profit sponsor that does not have a board of directors, the statement may be signed by the chief executive officer of the organization. Statement will include status of current obligations and verification of compliance with all major funders including loan and tax payments.</li></ul> <p>Calculations in the application, exhibits and disbursement requests are to be free of errors and consistent throughout. Applications with submission errors, omissions, or inconsistencies that result in an incomplete feasibility analysis will not be scored at the department's discretion.</p>

<u>Item</u>	<u>Range/Guideline</u>				
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:				
	<b>State</b>	<b>Apartment-ments</b>	<b>Condo-min-iums</b>	<b>Single-Family Homes</b>	<b>Town-homes</b>
	<b>California</b>	162	176	190	146
	Bakersfield	160	174	188	144
	Eureka-Arcata-Fortuna	162	176	190	146
	Fresno	163	177	192	147
	Los Angeles-Long Beach-Santa Ana	156	170	184	141
	Oxnard-Thousand Oaks-Ventura	161	176	190	145
	Riverside-San Bernardino-Ontario	156	169	183	140
	Sacramento--Arden-Arcade—Roseville	166	181	196	150
	Salinas	167	181	196	150
	San Diego-Carlsbad-San Marcos	157	171	185	142
	San Francisco-Oakland-Fremont	184	201	217	166
	San Jose-Sunnyvale-Santa Clara	179	194	210	161
	San Luis Obispo-Paso Robles	157	171	185	142
	Santa Barbara-Santa Maria-Goleta	161	175	190	145
	Santa Rosa-Petaluma	173	188	203	156
	Visalia-Porterville	161	175	189	145
	<b>Connecticut</b>	161	176	190	145
	Bridgeport-Stamford-Norwalk	163	178	192	147
	Hartford-West Hartford-East Hartford	161	176	190	145
	New Haven-Milford	163	177	192	147
	Norwich-New London	156	169	183	145
	<b>Georgia</b>	125	137	148	113
	Athens-Clarke County	123	134	145	111
	Atlanta-Sandy Springs-Marietta	135	147	159	121
	<b>Illinois</b>	153	167	181	138
	Chicago-Naperville-Joliet	170	185	200	153
	Rockford	155	169	183	140
	<b>Indiana</b>	137	149	161	124
	Bloomington	135	146	158	121
	Fort Wayne	130	141	153	117
	Indianapolis	133	145	157	120

<u>Item</u>	<u>Range/Guideline</u>				
	State	Apart-ments	Condo-min-iums	Single-Family Homes	Town-homes
<b>Maine</b>		131	143	155	118
Bangor		131	143	154	118
Portland-South Portland		133	145	157	120
<b>Massachusetts</b>		162	176	190	146
Barnstable Town		156	170	184	141
Boston-Cambridge-Quincy		175	191	206	158
Springfield		151	164	178	136
Worcester		163	177	192	146
<b>Michigan</b>		140	152	165	126
Ann Arbor		153	167	180	138
Detroit-Warren-Livonia		157	171	185	141
Grand Rapids-Wyoming		127	138	149	114
Holland-Grand Haven		132	144	156	119
Kalamazoo-Portage		139	151	164	125
Lansing-East Lansing		146	159	172	132
<b>New Hampshire</b>		131	142	154	118
Concord		115	125	136	104
Lebanon		118	129	139	107
Manchester-Nashua		131	142	154	118
<b>New Jersey</b>		164	178	193	148
Philadelphia-Camden- Wilmington		175	190	206	158
<b>New York</b>		162	176	190	146
Albany-Schenectady-Troy		147	160	173	133
Buffalo-Niagara Falls		200	217	235	180
NY-Northern NJ-Long Island Poughkeepsie-Newburgh- Middletown		182	198	214	164
Rochester		177	193	209	160
Syracuse		143	156	169	129
<b>Ohio</b>		140	152	165	126
Akron		141	154	166	127
Cincinnati-Middletown		146	159	172	132
Cleveland-Elyria-Mentor		139	151	163	125
Columbus		150	163	176	135
Dayton		142	155	167	128
Toledo		137	149	161	123
<b>Pennsylvania</b>		149	162	175	134
Allentown-Bethlehem-Easton		146	159	171	132
Harrisburg-Carlisle		156	170	184	141
Philadelphia-Camden- Wilmington		146	159	172	132
Pittsburgh		173	189	204	156
		149	163	176	135

<u>Item</u>	<b>Range/Guideline</b>				
	<b>State</b>	<b>Apartment-ments</b>	<b>Condo-min-iums</b>	<b>Single-Family Homes</b>	<b>Town-homes</b>
<b>Rhode Island</b>		157	171	185	142
Providence-New Bedford-Fall River		158	171	185	142
<b>Vermont</b>		125	136	148	113
Burlington-South Burlington		131	143	155	119
Lebanon		121	132	143	109

Source: R.S.Means/Reed Construction Data - Median Construction Cost Per Gross Residential Square Foot (2007/2008 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 available for a MSA, the Bank will use the state average. If a construction cost limit is not readily available for other areas, 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.

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

<b>Item</b>	<b>Range/Guideline</b>
Soft construction cost	Typically, 15-30 percent of total development cost.
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)	The Low Income Housing Tax Credit (LIHTC) yield should reflect the current market conditions and the credit of the project. Required: 1) yield; 2) whether the yield provided is based on the tax credit application or the syndicator's letter of intent/partnership agreement; 3) name of syndicator; and 4) date the letter of intent or partnership agreement was signed.
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.

Item	Range/Guideline
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.
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.

<b>Item</b>	<b>Range/Guideline</b>
Member Underwriting	<p>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.</p>

For all ownership housing applications and disbursement requests:

<b>Item</b>	<b>Range/Guideline</b>
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

**Federal Home Loan Bank of Boston  
AFFORDABLE HOUSING PROGRAM  
IMPLEMENTATION PLAN**

**2009 Scoring Guidelines**

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."

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.

An "amount significantly below fair market value" is defined as 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 from the date of closing/transfer and must be included. If an appraisal was not performed and was not required for the sale or transfer, the city/town tax assessment may be considered.

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 or maintains 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 the current HUD Income Guidelines for each of the six New England states. In other states, 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 as follows:

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 60 percent of the area median income (AMI).

Homeownership applications with less than 60 percent of the total AHP units reserved for occupancy by households with incomes at or below 60 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 60 percent AMI, and on the percentage of the remaining units reserved for households with incomes at or below 80 percent AMI.

Examples:

Disclaimer: the examples below are for illustration purposes only to show how the points are calculated and do not constitute a promise to award points based on income targeting percentages or subsidy per unit ranges as identified. Points are calculated and awarded during each round based on all the applications received which satisfy the AHP eligibility requirements to the satisfaction of the Bank.

*Rental Example:*

The following table presents four hypothetical projects to illustrate how the income targeting points are calculated. We have used ten units in each example to illustrate the variations.

	<b>Project 1</b>	<b>Project 2</b>	<b>Project 3</b>	<b>Project 4</b>
<b>Total Units</b>	10	10	10	10
<b>&lt;=50 % AMI</b>	6	5	2	2
<b>51-80 % AMI</b>	4	5	8	0
<b>&gt;80% AMI (Market )</b>	0	0	0	8
<b>Total points</b>	<b>20.0000</b>	<b>18.3333</b>	<b>9.3333</b>	<b>4.0000</b>
% VLI units (<=50%)	60%	50%	20%	20%
% 51-80 %AMI units	40%	50%	80%	0%
% Market units	0%	0%	0%	80%

*Ownership Example:*

The following table presents four hypothetical projects to illustrate how the income targeting points are calculated. We have used ten units in each example to illustrate the variations.

	<b>Project 1</b>	<b>Project 2</b>	<b>Project 3</b>	<b>Project 4</b>
<b>Total Units</b>	10	10	10	10
<b>&lt;=50 % AMI</b>	4	0	2	0
<b>51-60 % AMI</b>	2	5	0	0
<b>Subtotal: &lt;=60 % AMI</b>	6	5	2	0
<b>61-80 % AMI</b>	4	5	8	10
<b>Total points</b>	<b>20.0000</b>	<b>18.3333</b>	<b>9.3333</b>	<b>4.0000</b>
% 60% AMI units	60%	50%	20%	0%

There are two substantive differences between the income targeting examples for rental and homeownership projects presented above. First, targeting points for rental projects are based on the percentage of units for households earning at or below 50 percent of the area median income. For owner-occupied projects, the points are based on the percentage of units for households earning at or below 60 percent of the area median income.

Second, per the AHP regulation, unrestricted or market rate units are excluded from the calculation of percentages of total units for homeownership projects. Market-rate units are included in the unit percentages for rental projects.

#### 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:* 2.5 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.*

The Bank's definition of homeless is based on the definition in U.S. Congress: H.R. 840, titled: "To amend the McKinney-Vento Homeless Assistance Act to consolidate the housing assistance programs for homeless persons under title IV of such Act, and for other purposes." If this definition is subsequently amended when approved by the United States Senate, those changes will be incorporated at that time.

- 1) an individual who lacks a fixed, regular, and adequate nighttime residence; and
- 2) include – an individual who has a primary nighttime residence that is
  - 
  - A) an individual who –
    - i) is sharing the housing of other persons due to loss of housing, economic hardship, or a similar reason;
    - ii) is living in a motel, hotel, or camping ground due to the lack of alternative adequate accommodations; or
    - iii) is living in an emergency or transitional shelter;
  - B) an individual who has a primary nighttime residence that is a public or private place not designated for or ordinarily used as a regular sleeping accommodation for human beings;

- C) an individual who is living in a car, park, public space, abandoned building, sub-standard housing, bus or train station, or similar setting; and
- D) an individual living in an institution that provides a temporary residence for individuals intended to be institutionalized.

For purposes of this definition, the term “homeless” or “homeless individual” does not include any individual imprisoned pursuant to an Act of the Congress or a State law. Such term includes individuals who have been released from prison on probation or parole.

### 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 or homeownership counseling with pre-purchase, post-purchase, and financial literacy education specifically alerting borrowers to the characteristics of predatory lending
- Tenant counseling including tenant rights and landlord/tenant relationships
- Landlord training for home buyers or multifamily properties
- Daycare services, allowing the resident to pursue economic opportunities
- After-school, weekend, and summer youth programs, allowing the resident to pursue economic opportunities
- Adult day health 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 including a financial assessment or credit counseling, determination of goals, and a strategy for savings or plan to resolve debt.
- Micro-business lending program, training, or incubator
- Sweat equity
- Legal authority for operation of the rental development (Examples include mutual or cooperative housing where the tenants have clear legal authority for the operation of the rental development that can be evidenced or documented. Other options are permitted with evidence or documentation.)
- 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
- Substance abuse counseling – as part of a program offered to all residents that supports the resident's ability to find or sustain employment or be self-sufficient

#### 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 AHP 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 AHP 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/](http://www.fdic.gov/consumers/consumer/moneysmart/)
- [www.fdic.gov/consumers/consumer/predatorylending/index.html](http://www.fdic.gov/consumers/consumer/predatorylending/index.html)
- [www.bos.frb.org/consumer/pfe/ma.htm](http://www.bos.frb.org/consumer/pfe/ma.htm)
- [www.stopmortgagefraud.com](http://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 AHP 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

Points are awarded for 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. To be considered for points, a minimum term of six months is required for all construction financing and/or lines of credit.

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 and/or conditional commitment must be included with the application. In lieu of a conditional commitment, letters of intent and term sheets may be accepted. 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.

Defined rural locations can be 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](http://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*

<b>5 points</b>	<b>Variable</b>
-----------------	-----------------

The Bank will award up to five (5) points where an applicant is developing an initiative that creates or maintains family housing. Points will be awarded as follows:

5 points	75 percent or more of the total units are units with two or more bedrooms
3.5 points	50 to 74 percent of the total units are units with two or more bedrooms
2 points	25 to 49 percent of the total units are units with two or more bedrooms
0 points	Less than 25 percent of the total units are units with two or more bedrooms

The maximum score that an initiative can receive under this category is 5.0 points based on the unit/bedroom information supplied in the Location section of the online 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.

Examples:

Disclaimer: the examples below are for illustration purposes only to show how the points are calculated and do not constitute a promise to award points based on income targeting percentages or subsidy per unit ranges as identified. Points are calculated and awarded during each round based on all the applications received which satisfy the AHP eligibility requirements to the satisfaction of the Bank.

*Ownership Example:*

Points calculated under this category vary by round according to the ownership applications received. The following is a hypothetical example to illustrate how the points are awarded.

Maximum subsidy per unit = \$30,000 (0 points)

Minimum subsidy per unit = \$9,350 (5 points)

Median subsidy per unit = \$24,500 (2.5 points)

Points are awarded to the extent that the subsidy per unit requested of a specific application is closest to the minimum subsidy per unit submitted. If the subsidy per unit is less than the median then points will range from 5.0 to 2.5 and if more than the median, will range from 2.5 to 0.

Subsidy per unit of a specific application: \$15,000; **Points awarded = 4.0677**

*Rental Example:*

Points calculated under this category vary by round according to the rental applications received. The following is a hypothetical example to illustrate how the points are awarded.

Maximum subsidy per unit = \$77,554 (0 points)

Minimum subsidy per unit = \$6,154 (5 points)

Median subsidy per unit = \$18,126 (2.5 points)

Points are awarded to the extent that the subsidy per unit requested of a specific application is closest to the minimum subsidy per unit submitted. If the subsidy per unit is less than the median than points will range from 5.0 to 2.5 and if more than the median, will range from 2.5 to 0.

Subsidy per unit of a specific application: \$50,000; **Points awarded = 1.1591**

**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. **In the description, please demonstrate the relationship or connection between the activity described, the residents of the specific initiative, and the community. There should be a link between the residents of the initiative and the people of the community and/or the initiative and the community. This is not about the work done by the sponsor organization, but is about linking the residents of this initiative to community organizing activities on an ongoing basis. Some examples are:**

- 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) Site/Location. Check all that apply, fully describe, and provide documentation or evidence:
- Reuses an existing building or is an adaptive reuse of an existing structure, where the existing building is attached and is at least fifty percent of the total development;
  - Reuses a documented Brownfield site;
  - Infill development of housing recycling empty or vacant lots to renew neighborhoods; or
  - The project targets foreclosure properties or Neighborhood Stabilization Program-designated areas, recognizing the increasing inventory of foreclosed properties and targets those units to put them back into the housing stock.
  - Located in existing downtown or urban location; or
  - The project is a tightly clustered development resulting in a significant amount of green space/recreation space.
- c) Has access to mass transportation within ½ mile of the development, or has 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. **In addition, please clearly demonstrate/discuss the end cost benefits of green elements in this initiative.** (Any units not benefiting from these technologies should be identified and the reason(s) they are not benefiting should be 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

ATTACHMENT C

**Federal Home Loan Bank of Boston  
AFFORDABLE HOUSING PROGRAM  
IMPLEMENTATION PLAN**

**2009 Procedures for Compliance Monitoring**

The Bank’s Housing and Community Investment Department will monitor projects that receive funding under the Affordable Housing Program, in accordance with the Bank’s compliance monitoring program. The compliance monitoring program will provide reasonable assurance that each funded project is in compliance with respect to the following items:

1. Use of Affordable Housing Program funds,
2. Eligibility of beneficiaries,
3. Compliance with the approved AHP application and Qualifying Characteristics,
4. Compliance with the FHFB regulations, and subsequent amendments and interpretive rulings, and
5. Compliance with the Bank’s AHP Policies and Procedures.

Rental projects must include a legally enforceable retention document ensuring compliance with the stated income targets for 15 years after project completion. Homeownership projects must have similar agreements that extend for five years from the date of closing. In the case of rehabilitation of a unit currently occupied by the owner where there is no closing, an agreement must be in place 5 years from the last paid invoice. The current legally enforceable retention documents accepted by the Bank are the Bank-provided mortgage and note, which are available on the Bank’s web site. Other documents will be accepted at the sole discretion of the Bank.

**Rating System and Watch List**

The Bank maintains a rating system and Watch list to monitor and manage projects that may encounter difficulties either in the development stage or post project-completion.

Rating System

Rating	Reason
1	The initiative is in full compliance with the AHP regulation and HCI policies and procedures and no reports or documents are due to the Bank.
2	The initiative is in overall compliance with the AHP regulation, but is missing reports or documentation requested but not required for compliance or regulatory purposes. Can also be related to any items not listed under the “3” or “4” rating.

3	The initiative has not started within two years of receiving approval for AHP funding, or the initiative has started but has not been physically completed within two years of approval. Also, an initiative may receive this rating if the overdue document that caused its “2” rating was not received within 90 days of receiving that rating; if it was complete but the close-out monitoring was not finished within six months for a homeownership project and 10 months for a rental project; or if it was missing required documentation, such as a Semiannual Progress Report, Annual Compliance Certification, or a Periodic Monitoring Report. Finally, an initiative may receive this rating if it requires special ongoing monitoring or have other deficiencies.
4	If the cause of an initiative’s “3” rating is not resolved within 180 days, it will receive this rating and be added to the Watch list.

**Watch List**

Other projects may be rated a “4” and placed on the Watch List. These may include, but are not limited to, projects that have regulatory issues, those in non-compliance with HCI policies and procedures, and initiatives deemed in danger of financial default. The issues causing the “4” rating are described and an action plan and time-frame are established with the member and sponsor to guide the resolution of whatever issues caused the project to be added to the list. The Bank may require quarterly reports, recapture disbursed subsidy funds, assign interest penalties, or deobligate any undisbursed subsidy funds.

**Initial Monitoring**

**Prior to and During Construction, Rehabilitation or Implementation of a Financing Program.** The project sponsor or owner shall report to the member bank, and the member bank to the Federal Home Loan Bank (Bank), semiannually regarding project development status. The Bank uses the report to determine, at a minimum, whether the project is making reasonable progress toward completion and occupancy. Both ownership and rental projects are subject to this requirement. Semiannual project status reports (SAPR) will be required of all unfunded, partially funded and fully funded projects until project completion or occupancy occurs. In the case of rental projects, project completion will be achieved at the earlier of the issuance of a certificate of occupancy or when 80 percent of project units are leased. In ownership projects, completion will be achieved when all AHP subsidies are disbursed to eligible households. Disbursement to eligible households will be considered complete upon the transfer of the units to the home buyers.

Where AHP funds are used to finance the purchase of owner-occupied units, the sponsor must maintain household income verification documentation available for review by the member or the Bank. The sponsor and the member must provide annual certification to the Bank until all approved AHP subsidies are disbursed to eligible households. Owner-occupied projects, within one year after disbursement and/or project completion, the member shall review project documentation and certify to the Bank that (1) the AHP subsidy has been used in accordance with the approved AHP application and (2) the AHP-assisted units are subject to a deed

restriction or other legally enforceable affordability retention agreement or mechanism meeting the requirements of section 1291.9(a)(7) or (a)(8) of the AHP regulation.

If, in the judgment of the Bank, there is lack of material progress in the timely completion of a project the Bank may, at its sole discretion, rescind approval of undisbursed AHP funds and/or require recapture of previously disbursed AHP funds. Any interest accrued on disbursements of AHP funds not used at the time of recapture shall also be recaptured by the Bank and deposited in the AHP pool. Similarly, extensions of funding commitments will be made solely at the discretion of the Bank.

#### Compliance Verification at Subsidy Disbursement

Prior to disbursement of an AHP subsidy, the Bank will review the following items:

1. The executed agreement among the Bank, the member; and the sponsor/owner
2. Applicable deed restrictions or other legally enforceable affordability retention mechanisms;
3. Feasibility analysis, including review of project development sources and uses of funds; project operating budgets; need for subsidy and sponsor/owner capacity to develop and operate the project as specified in the approved AHP application. The review will also verify the project's compliance with eligibility requirements and application commitments.

Disbursements occurring after a completed compliance verification for a previous disbursement need only a certification from the sponsor that there is no change in project qualifying characteristics and that no change has been made in the project development or operating budgets.

#### Compliance Verification at Project Completion

##### **Owner-Occupied Projects**

Within one year after completion, the Bank shall complete a compliance close out review and obtain the member certification that the AHP subsidy has been used in accordance with the approved AHP application and project completion. That review will determine that the project meets the following requirements, at a minimum: (1) the AHP subsidies were used for eligible purposes according to the commitments made in the approved AHP application, (2) the incomes of households that own AHP-assisted units did not exceed the levels committed to in the AHP application at the time the households were qualified by the sponsor to participate in the project, (3) the project's actual costs were reasonable in accordance with the Bank's project cost guidelines, and the AHP subsidies were necessary for the financial feasibility and completion of the project as currently structured; (4) each AHP-assisted unit is subject to AHP retention agreements that meet the requirements of Section 1291.9(a)(7) or (a)(8) of the AHP regulation, as applicable, and (5) the services and activities committed to in the AHP application have been

provided in connection with the project and all scoring commitments as listed in the Qualifying Characteristics were met. An on-site review shall be performed whenever the project has more than \$500,000 in AHP subsidy or significant compliance issues appear to exist.

### **Rental Projects**

Within one year and 120 days after project completion, the Bank shall complete a final compliance review in accordance with the AHP regulation section 1291.7(a)(1)(C) that will include a review of documentation to determine that (1) the AHP subsidies were used for eligible purposes in accordance with the commitments made in the approved AHP application, (2) the household incomes and rents comply with the income targeting and rent commitments made in the AHP application, (3) the project's actual costs were reasonable in accordance with the Bank's project cost guidelines, and the AHP subsidies were necessary for the financial feasibility and completion of the project as currently structured, (4) each AHP-assisted unit is subject to AHP retention agreements that meet the requirements of Section 1291.9(a)(7) or (a)(8) of the AHP regulation, as applicable, and (5) the services and activities committed to in the approved AHP application have been provided in connection with the project and all scoring commitments as listed in the Qualifying Characteristics were met. This review may be performed on-site or by reviewing documentation submitted to the Bank by the member and sponsor. An on-site review shall be performed whenever the project has more than \$500,000 in AHP subsidy or significant compliance issues appear to exist.

As part of the final compliance review, the project owner must (1) certify to the member and the Bank that the services and activities committed to in the AHP application have been provided in connection with the project, (2) provide a list of actual tenant rents and incomes to the member and Bank and certify that they are accurate and in compliance with the rent and income targeting commitments made in the AHP application and that the project is habitable and (3) maintain documentation regarding tenant rents and incomes and project habitability available for review by the member or Bank to support such certifications.

In addition and also as part of the final compliance review, the member shall review project documentation and will certify to the Bank that (1) the project is habitable, (2) the project meets its income-targeting commitments, and (3) rents charged for AHP-assisted units do not exceed the maximum levels committed to in the AHP application.

### Long-Term Compliance Monitoring Requirements for Completed Projects

#### **Owner-Occupied Projects**

Long-term monitoring is not required of home ownership projects. However, resale or refinance during the term of the retention period shall be reported to the Bank. It shall be the responsibility of the Bank to determine if a pro rata share of the AHP subsidy must be repaid.

## **Rental Projects**

Long-term monitoring requirements will be determined by the extent of project monitoring performed by a federal, state or local government entity and the amount of AHP subsidy provided to the project.

Completed rental projects that have Low Income Housing Tax Credit allocations will be monitored by the state-designated housing credit agency in accordance with the requirements applicable under the tax credit program. No additional reports will be requested, received, or reviewed, once a sponsor has provided evidence of the tax credits.

Long-term monitoring requirements to be performed by the Bank's, members and project owners in projects not monitored by an approved government entity are as follows:

*For projects receiving \$50,000 or less in AHP subsidy*

1. Beginning in the second year after project completion, annual compliance certification regarding habitability and rent and income targeting from owner during term of retention period. The owner must maintain supporting documentation that is available for Bank review.
2. Beginning in the second year after project completion, certification from member based on exterior inspection annually during term of retention period that the project appears suitable for occupancy.
3. Bank review of owner and member certifications on household incomes, rents and habitability annually.

*For projects receiving \$50,001 to \$250,000 in AHP subsidy*

1. Beginning in the second year after project completion, annual compliance certification regarding habitability and rent and income targeting from owner during term of retention period. The owner must maintain supporting documentation that is available for Bank review.
2. Beginning in the second year after project completion, certification from member based on exterior inspection annually during term of retention period that the project appears suitable for occupancy.
3. Annual Bank review of owner and member certifications on household incomes, rents and habitability.
4. Bank review of household income, housing payment and habitability documentation maintained by the owner at least once every six years. The sampling plan used includes 100 percent of the projects at this subsidy level once every six years and, based on the current supplied rent roll, supporting documentation is reviewed for ten percent of the units that have turned over since the last review.

*For projects receiving \$250,001 to \$500,000 in AHP subsidy*

1. Beginning in the second year after project completion, annual compliance certification regarding habitability and rent and income targeting from owner during term of retention period. Supporting documentation, available for Bank review, must be maintained by the owner.
2. Beginning in the second year after project completion, certification from member based on exterior inspection annually during term of retention period that the project appears suitable for occupancy.
3. Annual Bank review of owner and member certifications on household incomes, rents and habitability.
4. Bank review of household income, housing payment and habitability documentation maintained by the owner at least once every four years. The sampling plan used includes 100 percent of the projects at this subsidy level once every four years and, based on the current supplied rent roll, supporting documentation is reviewed for ten percent of the units that have turned over since the last review.

For projects receiving greater than \$500,000 in AHP subsidy

1. In the second year after project completion, annual compliance certification regarding habitability and rent and income targeting from owner during term of retention period. Supporting documentation, available for Bank review, must be maintained by the owner.
2. Annual Bank review of owner certifications on household incomes, rents and habitability.
3. Biennial, on-site Bank review of household income, housing payment and habitability documentation. The sampling plan used includes 100 percent of the projects at this subsidy level once every two years and, based on the current supplied rent roll, supporting documentation is reviewed for ten percent of the units that have turned over since the last review.

**Monitoring by a Federal, State or Local Government Entity**

The Bank will rely on on-going monitoring performed by a federal, state or local government entity in projects that receive funds from, or an allocation of Low Income Housing Tax Credits by, such a government entity. No additional reports will be requested, received, or reviewed.

**Monitoring by a Contractor**

The Bank reserves the option to retain the services of a qualified contractor to perform the long-term monitoring review ensuring project compliance with the AHP regulation and project characteristics approved in the AHP application.

ATTACHMENT D

**Federal Home Loan Bank of Boston  
AFFORDABLE HOUSING PROGRAM  
IMPLEMENTATION PLAN**

**AHP Application Qualifying Characteristics**

#[project \_number]

APPLICANT:

Rank: #

PROJECT:

Score:

SPONSOR:

Direct Subsidy Request:

Subsidized Advance Request:

Total Number of Units

Total Subsidy:

Very Low-Income Units

**THRESHOLD TESTS**

Owner or Rental Housing?	<u>X</u>	Refinancing	<u>X</u>
Project Feasibility	<u>X</u>	Retention	<u>X</u>
Use within 12 months	<u>X</u>	Sponsor Qualifications	<u>X</u>
Member Creditworthiness	<u>X</u>	Fair Housing	<u>X</u>
Ineligible Use of AHP Funds?	<u>X</u>	Subsidy within Bank Limits	<u>X</u>
AHP Funds for Counseling Costs	<u>X</u>		

<b>SCORING PRIORITIES</b>			<b>Points</b>
<b>I</b>	Donated Properties	XX% Properties donated to the project	5.0000
<b>II</b>	Nonprofit Sponsorship	Ownership in a rental project or integral involvement in an ownership project	5.0000
<b>III</b>	Targeting	XX units reserved for households earning below 50 % area median income XX units reserved for households earning between 51 and 60% area median XX units reserved for households earning between 61 and 80% area median	20.0000
<b>IV</b>	Homeless Housing	XX units reserved for homeless households XX units are vacant or new construction	5.0000
<b>V</b>	Empowerment of Poor	List of Rental or Ownership features of empowerment	10.0000
<b>VI</b>	<b>FIRST DISTRICT PRIORITY</b>		
<b>VI A</b>	First-time Home Buyers	XX units reserved for first-time home buyers Pre-purchase ownership counseling Post-purchase ownership counseling	5.0000
<b>VI B</b>	Member financial participation	\$XXX,XXX provided by member to project, excluding AHP subsidies	15.0000
<b>VI C</b>	Rural	Rural areas	5.0000
<b>VI D</b>	Economic Diversity	Low-income housing in a high-income area or Mixed-income housing in a low-income area	5.0000
<b>VII</b>	<b>SECOND DISTRICT PRIORITY</b>		
<b>VII</b>	Second District Priority	Creates or maintains family housing	5.0000
<b>VIII</b>	Community Stability	List of documented actions promoting community stability	15.0000
<b>IX</b>	Effectiveness	Subsidy per unit	5.0000

## ATTACHMENT E

### **Federal Home Loan Bank of Boston AFFORDABLE HOUSING PROGRAM IMPLEMENTATION PLAN**

#### 2009 Homeownership Set-Aside Program

#### **Program Overview**

In general, the Federal Home Loan Bank of Boston's (Bank) homeownership set-aside program, known as the Equity Builder Program (EBP) allocates up to fifteen percent of the funds designated for the Affordable Housing Program (AHP), from the Bank's annual contribution, based on applicable net income from the prior year, to support residential lending by its member financial institutions to a household that has an income of no more than 80 percent of the median income for the area.

For 2009, the EBP will be funded with at least \$1,000,000 from the Bank's pool of recaptured and deobligated subsidy funds,

- Members may provide homeownership set-aside funds as a grant in an amount up to a maximum of \$10,000 per household.
- Funds will be available on an application on a first-come, first-served, home buyer-by-home buyer basis.
- Maximum enrollment cap of \$100,000 per member, with no guarantee of funds.
- Funds will be held upon online submission of the home buyer and reserved with the Bank approval of the enrollment.

EBP funds can be used to assist income-eligible home buyers, including first-time home buyers, and home buyers purchasing foreclosed properties. Once the interim final rule is clarified, notice will be given and funds may be used to assisting home owners requiring refinance of their current home based on the requirements of the regulation.

#### General Program Requirements

Members must provide set-aside funds only to households that:

1. Have incomes at or below 80 percent of the median income for the area, as published annually by HUD, based upon the date which the member enrolls the household for participation in the set-aside program;
2. Complete a home-buyer or home-owner counseling program provided by, or based on one provided by, a nonprofit or other organization recognized as experienced in home-buyer or home-owner counseling, that includes a prepurchase, postpurchase, and a component on financial literacy, and,

3. Use homeownership set-aside funds to pay for down-payment, closing cost, counseling or rehabilitation assistance in connection with the household's purchase of an owner-occupied housing unit, including a condominium, cooperative housing unit, or manufactured housing unit to be used as the household's primary residence;
4. Will be subject to the Bank-provided subsidy retention agreement (mortgage and note);
5. Will receive member provided financial or other incentives in connection with such mortgage financing. In addition, for all loans made in conjunction with the EBP subsidy, the rate of interest, points, fees, and any other charges by the member shall not exceed a reasonable market rate of interest, points, fees, and other charges for a loan of similar maturity, terms, and risk. Only the following types of concessions will be recognized: (a) reduced or waived fees, (b) below market interest rates, (c) expanded underwriting standards, or (d) down payment assistance or other cash contributions made by the member at closing.
6. Are qualified first-time home buyers for the first one-third of the member's enrollments. After the first one-third, the remaining EBP funds can be used for first-time home buyers or non-first-time home buyers. (See Attachment B: Scoring Guidelines, Page 5, for the Bank's definition of a first-time home buyer.) Members will be required to certify that the home buyer is a first-time home buyer and may be required to provide additional documentation, as determined by the Bank.

Homeownership set-aside funds may be used to pay for counseling costs only where:

1. Such costs are incurred in connection with counseling of home buyers who actually purchase an AHP-assisted unit;
2. The cost of the counseling has not been covered by another funding source, including the member; and
3. The counseling cost is included in the amount listed on the retention mechanism.

### **Application Period**

Application Period Opens: Monday, July 6, 2009  
Applications Due: Friday, July 24, 2009  
Notice of Funds Availability: Friday, July 31, 2009

### **Member Participation**

The Bank will accept applications for homeownership set aside funds from members of the Bank in good standing at the time the application is submitted.

### **Application for Access to the EBP Pool**

During the application period, members may apply online for access to the EBP pool. Following access approval, funds will be available for members with eligible applications on a first-come, first-served, home buyer-by-home buyer basis with a maximum of \$10,000 per household and a maximum enrollment cap of \$100,000 per member, with no guarantee of funds. Funds will be held upon online submission of the home buyer and reserved with the Bank approval of the enrollment.

Eligible applications will consist of three components: (1) description of the member's program, including the concessions/incentives being provided to the eligible home buyers, (2) description of the member's market, and (3) the name or names of home-buying counseling agency or agencies it expects to collaborate with, and any such certifications or designations the agencies may have received in providing counseling services to home buyers. Such designations that recognize the experience and qualifications of an agency may include, but are not limited to, HUD, state housing finance agencies, or other federal or statewide homeownership funding agencies. In addition, members may partner with more than one counseling agency to provide ample coverage for home buyers purchasing in their geographic lending areas. Copies of the counseling curriculum agenda, table of contents, or outline must be provided with the application.

Once the application has been approved, members must execute an Equity Builder Program Agreement (EBP Agreement). Members with executed EBP Agreements will submit the names of households they deem to meet the income eligibility and threshold requirements of the program for enrollment. The Bank will review the income documentation at the time of enrollment and prior to approval of the enrolling household.

### Eligibility Requirements for Members

Members participating in the program must complete the following steps:

1. Certify that all beneficiaries of homeownership set-aside funds are income-eligible at the time they made application to the program;
2. Ensure that a household has an income at or below 80 percent of the area median income and has sufficient income to support a mortgage; net of any subsidies, on a home purchase at the time the member enrolls the household in the homeownership set-aside program. The member may not enroll a household that does not have a sufficient current stream of income to support a home purchase, but that intends to use the subsidy following the realization of an increase in income, for example, upon graduating from college and entering into full-time employment;
3. Provide a description of special incentives being provided in connection with the purchase of the home in accordance with the Bank's accepted concessions listed above. The fees should not exceed a reasonable market rate of interest, points, fees, and other charges for a loan of similar maturity, term, and risk;

4. Describe the market area in which the member intends to use the EBP subsidy, and how the program will respond to local market needs, including any need for subsidy beyond that provided by the Bank; and,
5. Provide a description of the features of any dedicated savings account, if applicable.

#### Eligibility Requirements for Home Buyers

In order to qualify for homeownership set-aside funds prospective home buyers must meet the following eligibility criteria:

1. Have a combined annual household income, based on the Bank's Income Calculation Guidelines, at or below 80 percent of the median income of the area where the property being purchased is located;
2. Complete a home-buyer counseling program, including prepurchase, postpurchase, financial literacy, and predatory lending training;
3. Obtain the mortgage financing from the member institution enrolled in the set-aside program;
4. Purchase a home within 90 days of enrollment, unless enrolled in an IDA/savings program, or similar savings or counseling program, in which case they must purchase a home within 24 months of enrollment; and,
5. Agree to execute the Bank-supplied legal retention agreement (mortgage and note) to ensure preservation of the subsidy for five years.

#### Funding Procedure

Homeownership set-aside funds will be funded to members on a reimbursement basis only. The Bank will disburse subsidies only to institutions that are members at the time they request a draw of subsidies. Prior to receiving a disbursement of homeownership set-aside funds, members must certify and provide documentation of the following:

1. If there have been any changes that the eligible household incomes, based on the Bank's Income Calculation Guidelines in the EBP Manual, were at or below 80 percent of the area median income at the time they were enrolled and determined to be income eligible by the member for participation in the program. (The income documentation will be reviewed by the Bank at the time of enrollment and prior to approval of the enrolling household.);
2. That the household size has been confirmed as represented to the Bank;

3. Home buyers have completed a homeownership-counseling program that includes training in prepurchase, postpurchase, and financial literacy alerting buyers to the characteristics of predatory lending provided by, or based on one provided by, a nonprofit or other organization recognized as experienced in home-buyer or home-owner counseling;
4. The member was the primary mortgage lender and the incentives, as described in the application, were made available to the home buyer;
5. The legal, Bank-supplied, retention agreement (mortgage and note) was signed by both parties and executed; and,
6. The ratio of savings to grant was achieved (if funds were used as a match).

If homeownership set-aside funds are not drawn down within 24 months and used for eligible purposes, the Bank will cancel the reservation of funds to a member and at its discretion make these funds available either to the homeownership set-aside or the competitive AHP. Any homeownership set-aside funds that remain after enrollment of eligible home buyers will be reallocated back to the AHP pool for the competitive program.

#### Cash Back to a Household at Closing

**The HUD-1 settlement statement and related closing documents must show that all EBP subsidies were used for eligible purposes.**

A member may provide cash back to a household at closing on the mortgage loan in an amount not exceeding \$250 and a member shall use any EBP subsidy exceeding such amount that is beyond what is needed at closing for closing costs and the approved mortgage amount as a credit to reduce the principal of the mortgage loan or as a credit toward the household's monthly payments on the mortgage loan.

#### Retention Requirements

Members must ensure that each owner-occupied unit purchased with homeownership set-aside funds is subject to the Bank-provided mortgage and note, which, once recorded, become a legally enforceable retention agreement. The mortgage requires that the Bank be given notice on any sale or refinancing of the unit occurring prior to the end of the five-year retention period. In addition, it states that an amount equal to the pro rata share of the set-aside subsidy that financed the purchase, construction, or rehabilitation of the unit, reduced for every year the seller owned the unit, shall be repaid to the Bank from any net gain realized upon the sale of the unit, unless the unit is sold to a very low-, low- or moderate-income household, as defined by the Federal Housing Finance Agency's Affordable Housing Program Regulations - 12 C.F.R. Part 1291.1 ("AHP Regulations") and as determined by the Federal Home Loan Bank of Boston.

The entire amount of the subsidy, including reimbursement for homeownership counseling costs, must be included in the retention mortgage and note.

**The Bank's standard mortgage and note for each state can be found on the web site at [http://www.fhlbboston.com/communitydevelopment/formsandapplications/03\\_04\\_05\\_ebp\\_forms.jsp](http://www.fhlbboston.com/communitydevelopment/formsandapplications/03_04_05_ebp_forms.jsp).**

### Monitoring

The Bank may, at its discretion, request documentation to confirm compliance with program requirements. Members should maintain with each household's file all pertinent documentation including, but not limited to, member's certification, income verification (at the time of enrollment), underwriting worksheets, counseling certification, HUD-1 forms, and other closing documentation evidencing the purchase of a home, including the details of any saving plan, if applicable.

The member is required to submit a copy of the EBP mortgage, once it is recorded.

Specifically, the Bank shall review each home buyer enrollment and disbursement in order to monitor compliance with the requirements of its homeownership set-aside programs, including monitoring to determine, at a minimum, whether:

- (i) The EBP subsidy was provided to households meeting all applicable eligibility requirements and the Bank's homeownership set-aside program policies;
- (ii) All other applicable eligibility requirements are met, including that the EBP-assisted units are subject to retention agreements;
- (iii) Prior to disbursement of the EBP subsidy, that the subsidy will be provided in compliance with all applicable eligibility requirements per the Bank review of certifications by members to the Bank,
- (iv) Back-up, third-party documentation regarding household incomes was sufficient, and
- (v) All documentation is maintained.

***Other documentation may be required and reviewed at the discretion of the Bank.***

### Refinancing

During the term of the first mortgage, the borrower may exercise the option to refinance the first mortgage executed with the member bank, provided that the property continues to be subject to an EBP retention mechanism.