

2010 AFFORDABLE HOUSING PROGRAM IMPLEMENTATION PLAN

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Federal Home Loan Bank of Boston

2010 AFFORDABLE HOUSING PROGRAM IMPLEMENTATION PLAN

Background

In 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 August 4, 2009. Section 1291.3(a) of the regulation requires that the Federal Home Loan Banks develop an implementation plan governing portions of the administration of the Affordable Housing Program (AHP). The Federal Home Loan Bank of Boston's (Bank) board of directors, after consultation with its Advisory Council, is required to adopt a written implementation plan that addresses certain criteria as detailed in the regulation.

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.

For initiatives funded with housing tax credits, the income eligibility for recipient households in those projects shall be based on Multifamily Tax Subsidy Program (MTSP) 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 A and 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 D.
- (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 D.

- (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 repaid AHP direct subsidy in a project. However, AHP subsidy may be re-used in 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 D.

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 and other sources, to the Affordable Housing Program will be allocated as follows:

- Homeownership Set-Aside Program – If the total funds available are greater than or equal to \$3,000,000, the allocation will be the greater of 15 percent or \$1,000,000, with one-third of the 15 percent allocated to first-time home buyers. If the total funds available are less than \$3,000,000, then the contribution will be placed into the AHP competitive pool of funds. In no case, will the contribution to the Set-Aside Program be greater than 35 percent of the total funds available.
- Competitive Application Program – The remaining amount, after the calculation for the Homeownership Set-Aside Program, will be allocated to the competitive program.

Any additional recaptured or deobligated funds will be placed in the AHP competitive fund pool.

The Bank will conduct one competitive application-funding round. The schedule for the Competitive Application Program will be:

Application Period Open: Tuesday, September 7, 2010
Applications Due: Friday, October 1, 2010

A committee of the Bank's board of directors will review and recommend, and the full board will approve the applications at the December meetings.

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.

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:

There is no limit on the number of applications that a member may submit in any one round. However, in an individual round of the Affordable Housing Program, a member may not be awarded more than the greater of 25 percent of the total available AHP (rounded to the nearest 100 dollars) or \$800,000. (\$800,000 is the equivalent of one application at the maximum AHP subsidy.) 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.

1. For any one project in any one round, no more than \$400,000 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.
2. Homeownership applicants may not request more than \$30,000 per unit in AHP subsidy funds for any homeownership unit.
3. 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 the disbursement 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 may be determined to be ineligible and not scored if 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 Progress Reports, Annual Compliance Certifications or Periodic Monitoring Reports. AHP sponsors with previously awarded AHP initiatives may be deemed ineligible if they cannot demonstrate the capacity to simultaneously complete the projects. Final determinations are as the sole discretion of the Bank. Other application and review requirements are listed in Attachment A.

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.

Qualifying affordable housing is defined as follows:

- **Homeownership housing** for households with incomes at or below 80 percent of the median income for the area. Examples of eligible uses include single-family houses, cooperatives, condominiums, down-payment and closing-cost assistance, and in certain cases, mobile-home parks.
- **Rental housing** in which at least 20 percent of the units are for households with incomes that do not exceed 50 percent of the median income for the area. Examples of eligible uses include multifamily rental housing, single-room-occupancy (SRO) housing, mobile home parks, and mutual housing.

The development sponsor must pass the benefits of the AHP funding (subsidy and advance principal) through to the initiative and/or end user. The developer/sponsor cannot 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 funds may not be "recycled" or used for nonresidential space.

Supportive services and commercial space associated with a development are ineligible for AHP funding.

AHP subsidies shall 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 shall 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 shall not be used to pay for processing fees charged by members for providing direct subsidies to a project.

AHP subsidy can be used to pay for homeownership counseling costs where such costs are incurred in connection with counseling of home buyers who purchase and AHP-assisted unit and where the cost of counseling has not been covered by another funding sources, including the member.

Refinancing

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.

Subsidy Disbursement

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 at Disbursement

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.

For more information on the disbursement process, please see Attachment C.

Project Completion Definitions

For rental projects, project completion will be achieved at the earlier of the issuance of a certificate of occupancy (CO) issued by the local jurisdiction or, if the local jurisdiction does not issue such a CO, then the development will be deemed complete when the sponsor determines that the development has reached 80 percent occupancy by eligible tenants and all of the AHP funds have been disbursed by the Bank and passed through to the sponsor for the project.

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. The project completion date for owner-occupied initiatives will be the closing date of the loan of the last home buyer.

Modifications of Approved Applications and Changes in Subsidy Amounts

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 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 in AHP Subsidies

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. The application should be submitted requesting the higher subsidy amount, not to 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. If the new application is approved with the new subsidy amount, the original award will be withdrawn (if not previously disbursed) or deobligated (if disbursed). The new award will 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. 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.

Each year, 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.

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 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 D.

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

2010 Project Cost and Feasibility Analysis Guidelines

The Bank's Housing and Community Investment department will evaluate Affordable Housing Program (AHP) applications, requests for the disbursement of AHP subsidy funds, and the Closeout Monitoring at project completion 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:

<u>Item</u>	<u>Range/Guideline</u>
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">• Has more than one owning entity separately owning parts of the project;• Is located in more than one state; or• Is part of a larger project where both pieces are viewed and funded by other funders as one project. <p>Once approved, the Project Owner, the Project Sponsor, and the Member must promptly report to the Bank'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>
Qualifying Affordable Housing	<p>An initiative must be either an owner-occupied or a rental project as follows:</p> <ul style="list-style-type: none">• Homeownership housing for households with incomes at or below 80 percent of the median income for the area.• Rental housing in which at least 20 percent of the units are for households with incomes that do not exceed 50 percent of the median income for the area.

Qualification of Households

Using the Bank's standard income calculation guidelines:

- **Homeownership:** A household must have income meeting the AHP income targeting commitments made in the AHP application at the time that it is qualified by the project sponsor for participation in the project.
- **Rental:** A household must have an income meeting the income targeting commitments in the AHP application upon initial occupancy of the unit, or for projects involving the purchase or rehabilitation of rental housing that already is occupied, at the time the application to the Bank for AHP subsidy.

Sources and Uses of Funds

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

- a. Any cash contribution by the sponsor, any cash from sources other than the sponsor, and estimates of funds the project sponsor has obtained, or intends to obtain, from other sources, including funds that have not yet been committed to the initiative (attach any commitment letters received as part of the application);
- b. Schedules for housing development and operating costs. The sources and uses budgets of an application are required to document the costs for the housing proposed. AHP funding cannot pay for ineligible costs, commercial space, social, or other non-housing services;
 1. Both a housing-only and a total development sources and uses budget are required of both homeownership or rental initiatives when the initiative includes commercial or other non-residential space, separate from the AHP-eligible residential space. For rental initiatives, a fifteen-year housing-only and total operating pro forma are also required. In the housing-only budget and operating pro forma, do not include income generated by social services provided, commercial income, or other revenue sources, unless they pay for housing development or operating costs, and if they do, include only the portion paying housing costs;
- c. In the case of homeownership projects where the sponsor extends permanent financing to the home buyer, the Bank reserves the discretion to include the estimated market value of in-kind donations and voluntary professional labor or services (excluding the value of sweat equity) in the total development budget sources and uses. However, 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 downpayment 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 shall equal the face value of the note. If the note carries an interest rate below the market rate, the present value of the note below the market rate, the present value of the note shall be determined using the market rate to discount the cash flows. (See the section titled "For all ownership applications and disbursement requests.")

Initiative Costs

In general costs, as reflected in the development budget, must be reasonable, in accordance with these feasibility guidelines.

Cost of Property and Services Provided by a Member

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

Operational Feasibility and Need for Subsidy

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

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.

**Pass-through of AHP
Subsidy**

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

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

Market Data

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.

Fair Housing

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

**Readiness of Project:
Time Limits**

Must provide a development schedule that demonstrates the ability to be completed, including the use of all AHP funds, within twenty-four months of the award. Occupancy is expected within a reasonable time after completion. Exceptions will be considered at the Bank's sole discretion.

Readiness of Project:
Site Control

At the time of application, demonstrate site control of 100 percent of the location(s) through:

- Deed in the name of the Sponsor or ownership entity in which the Sponsor has an “ownership interest,”
- Executed purchase contract or option to purchase (contract or option cannot expire before 60 days after the AHP award date);
- 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);
- 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
- 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.
- The above does not apply to owner-occupied rehabilitation initiatives.

Readiness of Project:
Zoning

At the time of application, demonstrate that the project will comply with current zoning within 12 months of the AHP award. Evidence at the time of compliance may consist of:

- A municipal or planning commission resolution,
- Letter from local municipal officials, or
- 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.

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.

Readiness of Project:
Funding Commitments

At the time of application, the project must demonstrate that all funds will be committed within 12 months of the award for all funding sources, including investors for tax credits and bonds. Acceptability of commitments is determined at the discretion of the Bank.

**Capacity of the sponsor
and development team**

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.

In addition, the following will be required:

- 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.
- 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.

Financial statements and other information may be requested by the Bank as needed.

**Submission/calculation
errors**

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.

**Per square foot
 construction cost**

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

State	Apart-ments	Condo-min-iums	Single-Family Homes	Town-homes
California	167	180	197	158
Bakersfield, CA	160	174	188	144
Eureka-Arcata-Fortuna, CA	161	176	190	145
Fresno, CA	162	177	191	146
Los Angeles-Long Beach-Santa Ana, CA	156	170	184	141
Oxnard-Thousand Oaks-Ventura, CA	161	175	190	145
Riverside-San Bernardino-Ontario, CA	156	169	183	140
Sacramento--Arden-Arcade--Roseville, CA	166	181	196	150
Salinas, CA	166	181	196	150
San Diego-Carlsbad-San Marcos, CA	157	171	185	141
San Francisco-Oakland-Fremont, CA	184	200	217	166
San Jose-Sunnyvale-Santa Clara, CA	178	194	210	161
San Luis Obispo-Paso Robles, CA	157	171	185	141
Santa Barbara-Santa Maria-Goleta, CA	161	175	189	145
Santa Rosa-Petaluma, CA	173	188	203	156
Visalia-Porterville, CA	161	175	189	145
Connecticut	166	180	197	157
Bridgeport-Stamford-Norwalk	163	178	192	147
Hartford-West Hartford-East Hartford	161	175	190	145
New Haven-Milford	163	177	192	147
Norwich-New London	156	169	183	145
Georgia	131	141	155	125
Athens-Clarke County	123	134	145	111
Atlanta-Sandy Springs-Marietta	135	147	159	121
Illinois	159	171	188	150
Chicago-Naperville-Joliet	170	185	200	153
Rockford	155	169	183	140
Indiana	142	153	168	135
Bloomington	134	146	158	121
Fort Wayne	130	141	153	117
Indianapolis	133	145	157	120

State	Apart-ments	Condo-min-iums	Single-Family Homes	Town-homes
Maine	137	147	162	130
Bangor	131	143	154	118
Portland-South Portland	133	145	157	120
Massachusetts	167	181	198	158
Barnstable Town	156	170	184	141
Boston-Cambridge-Quincy	175	191	206	158
Springfield	151	164	177	136
Worcester	163	177	191	146
Michigan	145	157	172	138
Ann Arbor	153	167	180	138
Detroit-Warren-Livonia	157	171	184	141
Grand Rapids-Wyoming	127	138	149	114
Holland-Grand Haven	132	144	155	119
Kalamazoo-Portage	139	151	164	125
Lansing-East Lansing	146	159	172	132
New Hampshire	136	147	161	130
Concord	115	125	136	104
Lebanon	118	129	139	107
Manchester-Nashua	131	142	154	118
New Jersey	169	183	200	160
Philadelphia-Camden- Wilmington	173	188	204	156
New York	167	180	197	157
Albany-Schenectady-Troy	147	160	173	133
Buffalo-Niagara Falls	200	217	235	180
NY-Northern NJ-Long Island Poughkeepsie-Newburgh- Middletown	177	193	208	159
Rochester	143	156	168	129
Syracuse	140	152	165	126
Ohio	146	158	173	139
Akron	146	159	172	131
Cincinnati-Middletown	139	151	163	125
Cleveland-Elyria-Mentor	150	163	176	135
Columbus	142	154	167	128
Dayton	136	148	160	123
Toledo	149	162	175	134
Pennsylvania	151	163	179	143
Allentown-Bethlehem-Easton	156	170	183	141
Harrisburg-Carlisle Philadelphia-Camden- Wilmington	146	159	172	132
Pittsburgh	173	188	204	156
	149	162	176	135

State	Apartment-ments	Condo-min-iums	Single-Family Homes	Town-homes
Rhode Island	162	175	192	153
Providence-New Bedford-Fall River	157	171	185	142
Vermont	131	141	155	125
Burlington-South Burlington	131	143	155	118
Lebanon	121	132	143	109

Source: R.S.Means/Reed Construction Data - Median Construction Cost Per Gross Residential Square Foot (2008/2009 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.

Member Underwriting

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. The underwriting should 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 Bank 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.

Subsidized Advance Subsidy Calculation

Amortizing subsidized advances with terms of 10 years or greater, up to a term of 20 years with an amortization of 30 years are available. At application, the Bank uses a calculated forward cost of funds to determine the amount of subsidy necessary to provide the interest rate as requested in the application. The rate used to calculate the subsidy is based on an anticipated draw down 18 months from AHP approval.

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

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

Example (this example is an approximation): Assume an amortizing AHP advance of \$500,000 at 3.0 percent for 20 years (with a 20-year amortization period) is being requested by the member. Assume the 18-month (in the application we will use a 22-month rate to accommodate the application and review period) Community Development advance forward-calculated rate for a 20-year amortizing advance is 4.17 percent (based on 01/12/09 rates).

	Enter:	500,000 PV	(advance amount)
Using HP-12C	Enter	240n	(term in months)
Calculator	Enter:	.250000i	(advance rate of 3.0 percent expressed as a monthly rate) [3.0÷12]
	Enter:	PMT	(= -2.722,987989)
	Enter:	.3475000	(CDA rate of 4.17 percent expressed as a monthly rate) [4.17÷12]
	Enter:	PV	(present value = 450,910.2555)
	Enter:	500,000-	(advance amount)
	Enter:	CHS	(change sign)
	Answer:	\$49,089	(rounded interest subsidy associated with requested AHP amortizing advance)

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

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

Item	Range/Guideline
Soft construction cost	Typically, 15 to 30 percent of total development cost.
Hard cost contingency	Typically, 5 to 10 percent of hard construction cost for new construction. 7.5 to 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 to \$6,000 per unit per year, excluding resident services.
Replacement reserve	Typically, \$250 to \$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 to 8 percent of rents, net of vacancy reserves, for 50 plus unit projects. Typically, \$30 to \$75 per unit/per month for 1 to 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.

For all ownership housing applications and disbursement requests:

Item	Range/Guideline
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.
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 fee and the requested subsidy amount will be proportionately reduced.
Sales Price and Mortgage Amount	The sales price cannot exceed the total development cost less the AHP contribution to construction or rehabilitation or any other grants or the value of in-kind donations or volunteer professional labor or services contributed the construction/rehabilitation. The mortgage amount cannot exceed the sales price less the home buyer's contribution and any AHP subsidy or other grants contributed to downpayment or closing cost assistance.
Low or zero interest rate first mortgages, with in-kind donations (Habitat)	<p>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.</p> <p>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.</p>

ATTACHMENT B

Federal Home Loan Bank of Boston
AFFORDABLE HOUSING PROGRAM
IMPLEMENTATION PLAN

2010 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 of 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. If all of the units are at or below 80 percent AMI, a minimum of four points will be awarded.

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.

	Project 1	Project 2	Project 3	Project 4
Total Units	10	10	10	10
<=50 % AMI	6	5	2	2
51-80 % AMI	4	5	8	0
>80% AMI (Market)	0	0	0	8
Total points	20.0000	18.3333	9.3333	4.0000
% 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.

	Project 1	Project 2	Project 3	Project 4
Total Units	10	10	10	10
<=50 % AMI	4	0	2	0
51-60 % AMI	2	5	0	0
Subtotal: <=60 % AMI	6	5	2	0
61-80 % AMI	4	5	8	10
Total points	20.0000	18.3333	9.3333	4.0000
% 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. If all units are at or below 80 percent of the area median income, a minimum of four points will be awarded.

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 111th U.S. Congress: H.R. 1877, titled: Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 The purpose of the Act is to amend the McKinney-Vento Homeless Assistance Act to reauthorize the Act, and for other purposes." If this definition is subsequently amended when approved by the United States Senate, or when signed into law, those changes will be incorporated at that time.

In General- For purposes of this Act, the terms 'homeless', 'homeless individual', and 'homeless person' means—

- (1) an individual or family who lacks a fixed, regular, and adequate nighttime residence;
- (2) an individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground;
- (3) an individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including hotels and motels paid for by Federal, State, or local government programs for low-income individuals or by charitable organizations, congregational shelters, and transitional housing);

(4) an individual who resided in a shelter or place not meant for human habitation and who is exiting an institution where he or she temporarily resided;

(5) an individual or family who--

(A) will imminently lose their housing, including housing they own, rent, or live in without paying rent, are sharing with others, and rooms in hotels or motels not paid for by Federal, State, or local government programs for low-income individuals or by charitable organizations, as evidenced by--

(i) a court order resulting from an eviction action that notifies the individual or family that they must leave within 14 days;

(ii) the individual or family having a primary nighttime residence that is a room in a hotel or motel and where they lack the resources necessary to reside there for more than 14 days; or

(iii) credible evidence indicating that the owner or renter of the housing will not allow the individual or family to stay for more than 14 days, and any oral statement from an individual or family seeking homeless assistance that is found to be credible shall be considered credible evidence for purposes of this clause;

(B) has no subsequent residence identified; and

(C) lacks the resources or support networks needed to obtain other permanent housing; and

(6) unaccompanied youth and homeless families with children and youth defined as homeless under other Federal statutes who--

(A) have experienced a long term period without living independently in permanent housing,

(B) have experienced persistent instability as measured by frequent moves over such period, and

(C) can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse, the presence of a child or youth with a disability

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

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

Points are awarded based on the percentage of total 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.

<i>Member financial participation</i>	15 points	Variable
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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. In order to receive the points, all addresses in the initiative must be identified and must qualify. County-wide initiatives and state-wide initiatives do not qualify.

7. *Second District Priority*

5 points **Variable**

The Bank will award up to five (5) points where an applicant is developing an initiative that can demonstrate the preservation of existing affordable units through acquisition or redevelopment that would otherwise be lost as affordable housing stock and/or converted to market-rate units.

Preservation is defined as expiring use restriction properties without other use restrictions, Section 8 properties where owners can terminate or opt out of contracts, or due to distress or foreclosure other units that may not continue to remain affordable without new capital or ownership.

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 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: \$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

Up to three points each, for 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, one of the following items must be selected and fully described in the narrative field provided in the online application. **One point will be awarded for resident involvement, three points will be awarded for leadership development. 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 (upload bylaws).
- 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. For scattered-site initiatives, each location must be densely developed.
- 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

2010 Procedures for Compliance Monitoring Includes Subsidy Retention, Disbursement, and Reporting

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 FHFA regulations, and subsequent amendments and interpretive rulings, and
5. Compliance with the Bank's AHP Policies and Procedures.

Program Timeline and Key Benchmarks

1. **AHP Award Letter.** The AHP award notification is mailed along with a sample draft AHP Agreement to the Chief Executive Officer of the member and the project sponsor. To accept the award, please sign and return the letter to the Bank within 45 days.
2. **AHP Agreement.** Next, the member, sponsor and/or owner and the Bank should execute the AHP Agreement. *Please note, that a request for disbursement of funds cannot be made until the AHP Agreement has been executed. The AHP Agreement must be signed by a member staff person listed on the current Delegation of Authority for the Blanket Resolution for Advances, Letters of Credit, and Interest Rate Swaps on file with the Bank.*
3. **Disbursement.** For reimbursement or disbursement of any funds, the member submits an *AHP Disbursement Request Form* (available on the Bank web site) and all of the required documentation. Completed requests for disbursement are processed within ten (10) business days. For direct subsidy disbursements, members are notified when the funds are being deposited into their IDEAL WAY account. For subsidized advance disbursement requests, the department's Community Investment Managers will work with members to coordinate the take down of the funds from the Bank's Money Desk.
4. **Pass through of the AHP Subsidy.** The member receives the AHP funds and deposits them in a separate account for the sponsor. The member must disburse the AHP funds to the sponsor within 90 days.
5. **Timing of AHP Subsidy Use.** Generally, some or all of the AHP subsidy must be likely to be drawn down by the project or used by the project to procure other financing within 12 months of the date of application approval. It is expected that typically the project will be completed within 24 months of the date of approval.
6. **Use of AHP Subsidy.** The AHP subsidy shall be used to pay for eligible development costs or downpayment and closing cost assistance as well as homeownership counseling. AHP funds may not be used to pay for capitalized reserves, supportive services, nonresidential

uses and spaces, as well as certain prepayment or cancellation fees related to an AHP subsidized advance.

7. **Initial Monitoring.** During development, online Semiannual Progress Reports (SAPR) are required of members and sponsors/owners.
8. **Completion Monitoring.** Upon completion, the department will conduct its closeout monitoring review.
9. **Long-Term Monitoring.** For rental projects only, this includes online Annual Compliance Certifications (ACC), and Periodic Monitoring Reports (PMR) based on the amount of AHP subsidy disbursed to the project.
10. **Retention Period.** Five years for homeownership projects and 15 years for rental projects.

Award Extensions

The Bank may award extensions, at its sole, discretion, on a case-by-case basis, if sufficient evidence is provided documenting progress toward project completion and funding.

Affordable Housing Program Agreement

So that each party understands its responsibilities and those of the other parties taking part in the AHP, the Bank prepares an AHP Agreement to be signed by the member institution, project sponsor/owner, and the Bank.

Once executed, the AHP Agreement is the official document for the Bank. The terms and conditions governing the approval and funding of the application, including all representations made in the application, shall bind the member and project sponsor/owner. This includes fulfillment of the AHP Qualifying Characteristics. The Qualifying Characteristics summarizes how the project was scored and upon which, in part, the application was approved for subsidy. The AHP Qualifying Characteristics are included as an attachment to the AHP Agreement and are an integral part of the AHP Agreement.

Other than the identification of member, sponsor, and owning entity, the terms and conditions of the AHP Agreement are non-negotiable. *A managing officer or authorized signatory of the member financial institution, as listed on its current Delegation of Authority for the Blanket Resolution for Advances, Letters of Credit and Interest Rate Swaps on file with the Bank, and an authorized representative for the project sponsor/owner are required to sign the AHP Agreement.* Please understand that the signature(s) represent full acceptance and compliance with the terms and conditions pursuant to the AHP Agreement.

Once the Bank receives the AHP Agreement, a disbursement of AHP funds may be requested (see note regarding disbursements for mortgage-financing programs). Therefore, it is imperative that the member and sponsor review the AHP Agreement thoroughly to ensure their understanding of the document.

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. 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 published in the Affordable Housing Program Implementation Plan, Attachment A.

Modifications to Initiative and the Qualifying Characteristics

The AHP regulation requires that an application receiving AHP funds must be modified if there are changes that impact the original score in the AHP application. The Qualifying Characteristics form is incorporated into the award letter and AHP Agreement.

The AHP regulation stipulates three criteria to approve any modification:

1. The project incorporating any such changes would meet the eligibility requirements;
2. The application, reflecting such changes, continues to score high enough to have been approved in the funding round in which it was original scored and approved; and
3. There is good cause for the modification.

Because applications are approved based on the score that the application received at the time of the award, the AHP policies require that the QC be maintained throughout the retention period. Thus, any changes to the QC that affect the score will result in a modification to the project application. The request for a modification should be submitted in writing to the Community Investment Manager who will work with the member and sponsor to ensure that a proper modification is completed and approved for the project. The process may take up to ten business days from the date of submission for approval. A modification requested in connection with a disbursement request and its approval might take longer than the ten business days.

Retention Mechanism

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 five 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.

The Federal Housing Finance Agency's regulations governing the AHP require that a mortgage, or other legally enforceable mechanism, such as a deed restriction, be used to secure the obligations contained in the AHP Agreement. This mechanism will secure the entire AHP Agreement including, but is not limited to its affordability provisions. The Bank's standard mortgage documents for a variety of project types are available on the web site. If not using the standard documents, approval of the documents is required by the Bank in advance of funding. *Please note that failure to use our standard documents may require additional time for review, which might delay funding approval.*

Owner-occupied or homeownership initiatives using AHP funds to pay for the construction or rehabilitation of homes are required to submit two mortgages or retention mechanisms:

- A. *Interim Mortgage*: between the member and sponsor to secure the properties benefiting from AHP funds during the development phase;
- B. *Subordinate Mortgage*: between the member and/or sponsor and the income-eligible home buyers, securing the AHP funds to the particular property being purchased.

As the sponsor sells developed units, the first mortgage (A) may be released and replaced by the subsequent mortgage (B).

These provisions also apply to the development of cooperatives and lease purchase programs. Because these initiatives pose unique issues concerning retention, members and sponsors should discuss these issues with their Community Investment Manager well in advance of drawing AHP funds.

For AHP Subsidized Advances, the Bank provides a mortgage rider to be used in conjunction with the member's standard note and mortgage. The standard rider can be found on the Bank's website as noted above.

Prepayment Fees on Bank AHP and Community Development Advances (CDA)

The Bank will charge the member a prepayment fee to the extent the Bank suffers an economic loss from the prepayment of a subsidized advance. Members utilizing an AHP subsidized advance or a CDA to finance construction, warehousing, or permanent mortgage needs of a sponsor's development will be subject to the Bank's yield maintenance fee requirements in the event the advance is paid back to the Bank prior to its scheduled maturity.

In the event the sponsor (or borrower) prepays such an advance to the member, the member must pay the Bank back, notwithstanding the scheduled maturity of the advance. Therefore, the Bank recommends that the member pass through or insure in its mortgage document that the sponsor (or borrower) is responsible for any and all prepayment fees that may be due to the Bank as a result of the prepayment of the advance.

Disbursement of Funds - Overview

Prior to disbursement, the Bank verifies that the project meets the eligibility and feasibility requirements of the regulation through review of the project budgets, the need the AHP subsidy, and reviews any changes to the project characteristics, including the AHP Qualifying Characteristics and any award conditions.

Please use the *AHP Funds Disbursement Request* form for all requests. This form is available on the Bank's website at:

http://www.fhlbboston.com/communitydevelopment/formsandapplications/03_04_01_ahp_forms.jsp

Please submit the request for disbursement to your Community Investment Manager at least **ten business days** before the funds are needed. Upon written request and our confirmation of eligibility to participate in the program, the AHP direct subsidy funds are disbursed to the member financial institution's IDEAL Way Account.

Once approved, the AHP subsidized advance proceeds will be disbursed and the transaction recorded when the member calls the Money Desk at the Bank to draw down the advance.

The following documentation is required with the member's first disbursement request of AHP funds. For subsequent disbursement requests, the information is required only if changes to the project have occurred since previously approved disbursements:

1. If not already submitted, three signed copies of the AHP Agreement (if there are four parties to the AHP Agreement, four copies need to be submitted);
2. The current sources and uses development budget;
3. The current 15-year operating proforma;
4. The proposed rent schedule, including number of units targeted at percentage of area median income, beds per unit, people per unit, maximum income level, and total rent and tenant paid portion per unit. These numbers must be consistent with the approved AHP application and tie to the 15-year operating proforma and the rent charge for the unit should not exceed 30% of the median income for the targeted group;
5. A written explanation of any changes to the project's development or operating budgets resulting in an increase or decrease of five percent or greater;
6. A written explanation of any changes to the project's Qualifying Characteristics, and a written request for a modification and approval of such changes;
7. If available, please submit documentation confirming the use of the AHP funds.
8. Copy of the executed Bank-provided standard mortgage and note securing the AHP funds throughout its retention period. This is required for both the direct subsidy and subsidized advance and recorded copies will be required at completion monitoring. *It is important that you allow additional time for approval of non-standard documents.*
9. Information and/or documentation on the current status of the project as needed;
10. Evidence of fulfillment or compliance with any specific award conditions; and,
11. Any delinquent AHP reports, as they may delay the disbursement request.

For ownership initiatives, the following documentation is required in addition to the above. For subsequent disbursement requests, the information is required only if changes to the project have occurred since previously approved disbursements:

1. The completed ownership subsidy calculation worksheet demonstrating the pass-through of the subsidy;

Closing Instructions for Owner Development and Mortgage Financing Initiatives

For ownership initiatives using AHP funds to assist home buyers with a downpayment, closing costs, or permanent financing, the regulation requires that the closing documentation clearly and specifically show the subsidy being used. To document the

incorporation of the AHP grant/subsidy into a homeownership closing, please make use of the sample instruction letter to the closing agent (*Attachment A*).

Disbursement of Funds – Mortgage Financing Initiatives

Mortgage financing programs will be disbursed AHP funds on a reimbursement basis only. Please submit the initial request for disbursement to the Housing and Community Investment department at least **ten business days** before the funds are needed. Upon written request and determination of eligibility to participate in the program, AHP direct subsidy funds will be disbursed to the member institution's IDEAL Way Account.

The Bank requires that sponsors maintain copies of all documentation for the AHP-assisted transactions. Members are advised to retain the closing statement and a copy of the AHP mortgage for your records.

Please note that the AHP funds may be disbursed after the mortgage is recorded or under the same terms and conditions as other mortgage proceeds that provided funds for closing.

The Bank requires that the following documentation be provided with each disbursement for each home buyer assisted:

1. Three signed copies of the AHP Agreement, if not already submitted;
 2. The HUD-1 settlement statement evidencing the AHP subsidy amount;
 3. Copy of the executed Bank-provided standard mortgage and note securing the AHP funds throughout the retention period. Recorded copies will be required at completion monitoring;
 4. Third-party income documentation at the date of qualification supporting the home buyer's income is within the income targeting commitments made in the approved application;
 5. Schedule of the progress that the member and sponsor are making in complying with the Qualifying Characteristics of the approved application; and
 6. Copy of home-buyer/home-owner-counseling certificate;
- *Please Note:* The original AHP mortgage (#3 above) should be recorded and returned to the member financial institution with the recording information (stamped by the recording office) along with a copy to the Bank. The executed mortgage is sufficient for disbursement with the proviso that recorded documentation will be required as part of the closeout monitoring review.

Disbursement Evidence for Rental and Owner Development Initiatives

Following disbursement, AHP direct subsidy and subsidized advance funds *must* be provided to the Sponsor/Owner within 90 days for approved purposes. The member is not permitted to make any arbitrage gain on the AHP subsidy. At a minimum, the member must transfer the funds to the sponsor by depositing the AHP funds into a separate account benefiting the sponsor within 90 days of disbursement from the Bank to the member.

Any arbitrage occurring resulting from a failure to transfer the funds to the sponsor within 90 days must be allocated to the sponsor. The member must document that it did not make any arbitrage gain on the AHP subsidy. Earnings from arbitrated AHP funds are calculated based on the Federal Funds rate for the period with which the funds were held beyond 90 days.

Documentation of Use of AHP Funds

The Bank will request that the member institution provide documentation to evidence the transfer of AHP funds to the sponsor and the specific use of AHP funds by the sponsor following disbursement. The evidence may be in the form of an invoice with the copy of a check and letter stating the amount of payment that was received and certifying that the information is true.

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.

Separate Sponsor Account

Although not required, to facilitate accounting for the AHP funds, it is recommended that the member financial institution establish a separate account for the sponsor and this initiative before disbursing the funds to the sponsor. Further, it is recommended that AHP funds should not be commingled with other funds of the sponsor.

Initial Reporting and Monitoring – All Approved AHP Projects

Prior to and During Construction, Rehabilitation or Implementation of a Financing Program. The project sponsor or owner shall report to the member, and the member to the Bank, semiannually regarding project development status, generally in June and December.

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 Progress 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 (CO) issued by the local jurisdiction or, if the local jurisdiction does not issue such a CO, then the development will be deemed complete when the sponsor determines that the development has reached 80 percent occupancy by eligible tenants and all of the AHP funds have been disbursed by the Bank and passed through to the sponsor for the project.

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. The project completion date for owner-occupied initiatives will be the closing date of the loan of the last home buyer.

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.

The SAPR includes, but is not limited to, the following:

- A description of the current status indicating any changes in the development time line, funding, site control, or construction status and estimated completion date.
- Revised development and operating budgets, and explanations if changes have occurred from the original application.
- A description of any changes in the approved Qualifying Characteristics (QC) that have occurred since the application was approved including unit count, income targeting, populations served, property locations, and services to be provided to eligible households.
- If AHP funds have been drawn, evidence is needed of the funds transfer from the member financial institution to the sponsor (wire transfer record, Bank statements,

- settlement statements, or check copy) and evidence of how the sponsor used the funds (HUD-1 settlement statements, invoices, and/or requisitions).
- If applicable, copies of the certificates of occupancy for completed housing units.
 - For rental projects, provide a list of tenant income and rents of all occupied units.
 - For homeownership projects, please provide a list of all units sold and loans closed using the Excel spreadsheet template provided on the Bank's website. This spreadsheet should include the following information:
 1. Home buyer's last name;
 2. Amount of grant/subsidy;
 3. HUD-1 settlement statement completed – indicate yes or no;
 4. Retention mechanism executed – indicate yes or no;
 5. Amount of payment to the buyer;
 6. Amount of home buyer's verified income and household size;
 7. Targeted income level – very low income (VLI), low income (LI), moderate (Mod) and the number of units of each;
 8. Type of income documentation – pay stub, tax return, etc.
 - Although not required photos and any marketing or publicity information about the project may be provided.

Compliance Verification (Reporting and Monitoring) at Project Completion

Owner-Occupied Projects (Including Mortgage-Financing Initiatives)

Within one year after completion, the Bank shall complete a compliance Closeout Monitoring 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.

The review will include, but is not limited to, the following information:

- Incomes of households that own AHP-assisted units do not exceed limits committed to in the AHP application at the time the households were qualified. Please complete the Excel spreadsheet template as discussed above under Reporting and Monitoring during Development and provide third-party income documentation for at least ten percent of the AHP-assisted units.
- The project's Qualifying Characteristics have been fulfilled and the Bank has approved any modification in writing. A written summary and back-up documentation confirming that each of the Qualifying Characteristics are fulfilled.
- A copy of the HUD-1 closing statement for each unit or buyer-assisted award.
- The AHP subsidies were used for eligible purposes, the project's actual costs were reasonable in accordance with the Bank's project feasibility guidelines, and subsidies were necessary for the financial feasibility of the project. This includes the following documentation:
 1. Final sources and uses development budget;
 2. Documentation of use of AHP funds; and/or
 3. Audited statements or cost certifications if available.
- The AHP-assisted units are subject to the Bank-provided standard mortgage and note.
- The evidence confirms that AHP funds were passed through from the member financial institution to the sponsor and subsidies pass through to the beneficiaries identified in the application is acceptable.
- The sponsor complied with affirmative marketing and Fair Housing requirements.
- Photos, if available.

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.

The following information will be reviewed:

- Evidence that the services and activities committed to in the AHP application are being provided in connection with the project.
- Evidence that the elements of the Qualifying Characteristics (QC) have been fulfilled or the Bank has approved any modification in writing. A written summary and back-up documentation that each of the Qualifying Characteristics is fulfilled.
- The AHP subsidies were used for the eligible purposes stated in the approved application; the actual costs were reasonable in accordance with the Bank's development feasibility guidelines; the AHP subsidies were needed for the financial feasibility of the initiative. This including the final detailed sources and uses development budget; documentation of use of AHP funds; audited financial statements or cost certification if available; and the 15-year operating proforma.
- Tenant rents and incomes for accuracy and compliant with the income targeting commitments made in the approved AHP application and the rents are no more than 30 percent of HUD Area Median Income Limit for the unit's targeted income.
- The rents charged for the AHP-assisted units do not exceed the maximum income limits committed to in the approved application.
- The AHP-assisted units are subject to the Bank-provided standard mortgage and note for the AHP direct subsidy and/or subsidized advance. Recorded copies are required.
- Evidence that confirms that AHP funds were passed through from the member financial institution to the sponsor.
- Sponsor complies with affirmative marketing and Fair Housing requirements.
- LIHTC Form 8609, if applicable.
- Photos, if available.

Property Management Participation in the AHP Closeout Monitoring Review

The Bank strongly encourages that the parties responsible for property management (e.g. the sponsor or project owner's occupancy staff and/or the property management company) participate in the closeout monitoring process because there are also operating requirements to fulfill the AHP Qualifying Characteristics and reporting obligations for rental initiatives for the 15-year AHP affordability period. It is the obligation of the project owner to ensure that the long-term monitoring and reporting obligations are fully understood by the responsible parties and

fulfilled in a timely manner. The project owner is responsible for certifying to the accuracy of the long-term monitoring and reporting.

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 (LIHTC) allocations will be monitored by the state-designated housing credit agency in accordance with the requirements applicable under the tax credit program. To evidence LIHTC initiatives, a copy of the IRS Form 8609 must be on file with the Bank. No additional reports will be requested, received, or reviewed, once a sponsor has provided evidence of the tax credits and as long as the initiative remains in compliance with the requirements of the LIHTC.

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.

Additional Long-Term Compliance Monitoring:

The Bank reserves the right to require further monitoring outside of the above schedule. The monitoring may be comprised of supplementary reporting periods or documentation for projects with a high percentage of AHP subsidy to total development costs, concerns with sponsor capacity, or other issues, as determined by the Bank.

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.

AHP 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.

Members and sponsors will complete additional monitoring and reporting for initiatives on the Watch List. Being on the Watch List could also result in deobligation and/or recapture of funds. Such status may also lead to the disqualification of future AHP application, suspension, or debarment.

Remedial Actions for Noncompliance

Pursuant to the AHP regulation, a member or sponsor/owner shall repay to the Bank the amount of any subsidized (plus interest, as appropriate) that, as a result of the member's, sponsor's or owner's respective actions or omissions, is not used in compliance with the terms of the approved application for the subsidy, unless the noncompliance is cured within a reasonable period of time.

The member shall not be liable to the Bank for the return of amounts that cannot be recovered from the project sponsor or owner through reasonable collection efforts by the member. Please see also your executed AHP Agreement and the AHP Regulation (12 CFR 1291) for more information on this topic.

ATTACHMENT D

Federal Home Loan Bank of Boston AFFORDABLE HOUSING PROGRAM IMPLEMENTATION PLAN

2010 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), is allocated up to fifteen percent of the funds designated for the Affordable Housing Program (AHP) to support residential lending by its member financial institutions to households that have incomes of no more than 80 percent of the median income for the area.

Under the program,

- 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.
- The first one-third of awards must be to first-time home buyers.

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.

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. The home-buyer or home-owner-counseling program must include pre- and postpurchase counseling that includes financial literacy education, and alerts borrowers to the characteristics of predatory lending; and
- 3.
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. 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.

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 home buyer 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 home buyer 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 home buyer 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.”

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, March 29, 2010
Applications Due: Friday, April 16, 2010
Notice of Funds Availability: Friday, April 30, 2010
Enrollments Begin: Monday, May 3, 2010

Member Participation

The Bank reserves the right in its sole discretion to determine, at the time the application is submitted, whether a member is eligible to participate in the EBP based on, but not limited to, the borrowing and/or credit status of the member institution.

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.

EBP Agreement

Members approved for the EBP must sign and return the Award Letter and execute the EBP Agreement. The EBP Agreement documents the rights and responsibilities of both the member and the Bank and should be signed by an authorized person at the member institution and the Bank. A managing officer or authorized signatory (as designated by the member financial institution and as authorized pursuant to its current *Blanket Resolution for Advances, Letters of Credit, and Interest-Rate Swaps* on file with the Bank) is required to sign the Equity Builder Program Agreement (EBP Agreement).

The EBP Agreement, once executed, becomes the official document for the EBP. The terms and conditions governing the approval and funding of the application, including all representations are set out in the EBP Agreement and bind the member and the Bank in the application. Once the EBP Agreement has been reviewed and signed, please understand that the signature represents full acceptance and compliance with the terms and conditions pursuant to the EBP Agreement.

Changes to the Application after Approval

Because of market and economic uncertainty, the Bank will facilitate a member's ability to respond to changing market and economic conditions to ensure the delivery of quality products and services. If an element of the approved application must be changed, such as the targeted lending area, home-buyer counseling agency or mortgage concession, please request the adjustment in writing via email or mail to the Senior Community Investment Manager and include a detailed explanation of the change. A member cannot make adjustments or changes until the Bank gives written approval. Any reimbursement request received before the concession adjustment has been approved will be reviewed using the current concessions stated in the application. The Bank reserves the right to determine whether the alternative concessions are equivalent to the approved concessions and whether the grant will be reimbursed.

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 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. The counseling program must include pre- and postpurchase counseling that includes financial literacy education, and alerts borrowers to the characteristics of predatory lending;
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.

Enrollment Procedures

Enrollment and disbursement requests are submitted online. Please refer to the EBP section on our website (www.fhlbboston.com) under Housing and Economic Growth/Funding Programs for the EBP Manual and Checklist for step-by-step instructions how to submit these requests.

Enrollments

When a member makes an enrollment request, HCI staff will review the request, including third-party income documentation to determine income eligibility. The member will receive an e-mail that approves or denies the enrollment request, and also explains the reason for any denied request and provides an explanation of how to resolve the matter, unless the home buyer is over-income.

After an enrollment request is submitted and the Bank approves it, the amount of EBP funds requested for that home buyer will be reserved for a 90-day period. The amount of the grant will be deducted from the member's maximum potential EBP cap amount and from the total pool.

Income Approval at Enrollment

At enrollment, each household's income will be reviewed by the Bank. Members are asked to ensure that a home buyer's household income is no more than 80 percent of the area median income, adjusted for household size, based on the area where the property to be purchased is located. Accordingly, the date on which a household is determined to be income eligible is the date on which the member enrolls the household for participation in the EBP (see *Income Eligibility Standard* below).

To enroll a home buyer to be assisted with EBP funds, the member must access the EBP enrollment form online, complete the Bank's Income Calculator spreadsheet, and upload third-party income documentation to substantiate the income for all members of the household over 18 years of age. In considering a home buyer for enrollment, the member should also ensure that the home buyer is qualified for a mortgage to purchase an EBP unit and has a sufficient stream of income to support that mortgage.

This step will ensure a one-step review procedure and, if the closing occurs within the next 90 days, will not require multiple reviews of the home-buyer's income. The Bank does review all income documents and approves them prior to enrollment. However, the Bank reserves the right to request additional current documentation prior to disbursement if more than 90 days have elapsed since enrollment.

Income Eligibility Standard

The Bank has developed guidelines to assist members in determining eligible household income. The guidelines specify which sources of income may or may not be considered as household income, establish acceptable documentation of income, and define how to calculate annual income.

In determining income for eligibility, members must:

- List the sources and types of income (including income from assets) for all adults in the household and provide third-party income documentation that substantiates the income;
- Ensure that the documentation is no more than 45 days prior to the enrollment date;
- Evidence and calculate current year income going forward; and
- Ensure the Income Calculator spreadsheet matches the income in the Online Enrollment.

We recognize that many members determine income eligibility based on traditional underwriting criteria. The Bank's guidelines, pursuant to the AHP regulation, require that a member qualify an eligible home buyer under the Bank's EBP income standard. This is the only standard the Bank may utilize to approve a home buyer for enrollment.

The standard is based on, but is not limited to, 24 CFR Part 5.609 of the U.S. Department of Housing and Urban Development regulations, and can be located on the Bank's web site at the following address:

http://www.fhlbboston.com/communitydevelopment/formsandapplications/03_04_05_ebp_forms.jsp

Disbursement/Funding Procedure

Homeownership set-aside funds will be funded to members on a reimbursement basis only after the closing, provided that all necessary documentation is received, reviewed, and approved. The Bank will disburse subsidies only to institutions that are members at the time they request a draw of subsidies.

Closing/Attorney Instructions

It is in both the member's and the Bank's best interests that the closing attorney be given instructions so that the EBP funds are properly transacted, documented, and recorded in the EBP note and mortgage. Attorneys conducting the mortgage closing must ensure:

- The HUD-1 closing/settlement statement is signed and dated by all parties and evidences the entire EBP assistance, total contribution of funds by the home buyer/borrower, and any payments made outside of closing.
- A copy of the signed closing statement and truth in lending disclosure statements is forwarded to the member financial institution with a copy to the Bank.
- The Bank-provided EBP mortgage and note is executed, recorded, and returned to the member financial institution with the recording information (stamped by the recording office), along with a copy to the Bank.
- A copy of the signed closing statement and Bank-provided EBP mortgage are retained on file for future review, if necessary.
- **No cash back to the home buyer is allowed at closing in excess of \$250.** In the event that there are excess funds, which would result in a disbursement to the borrower/home buyer exceeding \$250, the member shall use any EBP subsidy exceeding the \$250 as a credit to reduce the principal of the mortgage loan or as a credit to the household's monthly payments on the mortgage loan.

Documentation Review

EBP funds are disbursed to members on a reimbursement basis for each home buyer previously enrolled, generally within 10 business days from the Bank's receipt of all materials. Prior to issuing a reimbursement, the Bank will review the member's request for reimbursement and perform an eligibility analysis, including reviewing documentation to determine compliance with the AHP regulation governing the EBP and the member's EBP application. This includes the complete review of the following:

- Verification that there have been no changes to the eligible household incomes, based on the Bank's Income Calculation Guidelines, 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.
- Evidence that eligible home buyers completed a homeownership-counseling program conducted by a qualified, experienced home-buyer-counseling organization, and that the program included pre- and post-purchase counseling and a component on financial literacy, alerting the buyer to the characteristics of predatory lending. Completion will be evidenced by a copy of the certificate of completion or letter of confirmation issued from the organization that provided the homeownership counseling. Evidence of anti-predatory lending education must be included if not provided in the original application.

- Member-provided end-mortgage loan and concessions, as described in the approved EBP application and documentation that the grant was made to the home buyer in connection with such mortgage financing. And, that the rate of interest, points, fees, and any other charges for all loans made in conjunction with the EBP subsidy did not exceed a reasonable market rate of interest, points, fees, and other charges for a loan of similar maturity, terms, and risk. HCI staff will compare the member's incentive described at initial application to the final incentive provided to the home buyer. Evidence of the concession or a member statement is required if the concession does not appear on the HUD-1 Settlement Statement.
- HUD-1 closing settlement statements have been executed for 1st and 2nd mortgages (as applicable), and identifies EBP funds as a credit to the home buyer.
- **No cash back to the home buyer is allowed at closing in excess of \$250.** In the event that there are excess funds, which would result in a disbursement to the borrower/home buyer exceeding \$250, the member shall use any EBP subsidy exceeding the \$250 as a credit to reduce the principal of the mortgage loan or as a credit to the household's monthly payments on the mortgage loan.
- Executed copy of the Bank's standard mortgage and note evidencing that EBP funds are secured by the home owner's property for a five-year retention period. (See *Retention Mechanism* section below.)
- Executed copy of the truth in lending disclosure statement(s).
- If EBP funds were used as a match to the home buyer's funds, that the ratio of savings to grant was achieved.
- If EBP funds were used to finance the home-buyer education, that all invoices are included, and that the amounts are included on the HUD-1 closing statement and in the retention document.
- If EBP funds were used for rehabilitation assistance, the escrowed amount should be listed on the HUD-1 closing statement and in the retention document. The member must document that the rehabilitation work is paid for and the escrowed funds were spent for this purpose. This documentation may include paid invoice(s) or lien waiver(s) confirming that the scope of work was completed. If a balance remains in the escrow, the entire balance must be applied to the principal of the first mortgage or as a credit towards the household's monthly payment on the mortgage. The use of the escrow balance must also be documented prior to disbursement.
- Certification signed by an individual authorized by the member institution.

Timing and Deadlines

The Bank requests that members submit enrollments at least five (5) business days prior to the scheduled home closing to permit the department sufficient time to review the income documentation. All income documentation should be submitted with the enrollment request. Enrollments missing documentation after 10 business days or submitted less than five business days prior to closing may be denied at the Bank's discretion.

Progress Toward Use of EBP Subsidy

EBP funds must be fully drawn down and used by eligible households within 24 months from the date of the Bank's approval, or until all funds are exhausted whichever comes first. During this

time frame, the Bank reserves the right to periodically review a member's application to determine the rate at which enrollments are requested and are converted to disbursements. If a member is unable to demonstrate that it can enroll and convert enrollments to disbursements, the enrollment authority may be withdrawn and the funds will be made 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.

EBP funds reserved by members for a straight pass-through of down payment, closing costs, or rehabilitation assistance (with or without homeownership-counseling assistance) to eligible households, must be disbursed within 90 days from the date of enrollment.

EBP funds reserved by members as part of an Individual Development Account or similar matched-savings program for down-payment and closing-cost, or rehabilitation assistance to eligible households, must be disbursed to the eligible households within 24 months from the date of enrollment.

Extensions to these 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 home-buyer funding.

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.

Members are responsible for providing copies of the recorded EBP mortgage and note for each home buyer.

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.

The Five-Year Retention Period and Recapture in the event of Sale or Refinancing

Please note that the retention period for ownership projects is five years. The mortgage and AHP Regulation specifies that, if the home or unit is refinanced or sold during the five-year retention (EBP mortgage) period, the home buyer will repay you and you will repay us the remaining balance of the EBP subsidy or grant awarded to that home buyer on a prorated basis. The home buyer's obligation for the EBP grant reduces or amortizes at one-fifth per year or 20 percent for each year the eligible home buyer occupies the home or unit under the terms of your original mortgage and the EBP mortgage. The EBP mortgage should be discharged by you after the expiration of the five-year period.

Subordination and Refinancing

In the event of a refinancing in which the unit continues to be subject to the EBP mortgage and affordability requirements, the Bank is willing to consider subordination of the EBP funds to the refinanced first mortgage. This may include consenting to a discharge and then replacement of the existing EBP note and mortgage. Subordination requests will require internal Bank legal review and, if approved, will be signed by the Vice President/Director or other authorized officers as needed.

Refinancing

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

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.