

AFFORDABLE HOUSING PROGRAM NEXT STEPS GUIDE – 2016 AWARDS

Congratulations on your Affordable Housing Program award. We look forward to working together as you use these funds to develop housing and serve your community.

All policies and procedures related to the AHP are included in the AHP Implementation Plan and the AHP Regulation 12 CFR 1291.

This program guide highlights some of the critical elements of the program and your AHP award including:

- Contact information for the Housing and Community Investment department;
- FHLB Boston's website and AHP documents and forms;
- The AHP Implementation Plan;
- Program timeline and key benchmarks;
- The Affordable Housing Program Agreement;
- Retention mechanism (mortgage and note and subsidized advance rider);
- Income calculation methodology for AHP-eligible homebuyers and residents; and
- Rates and prepayment fees on FHLB Boston AHP and CDA Advances.

2016 AHP Next Steps Webinars

FHLB Boston encourages members and sponsors to attend one of the online AHP Next Steps Webinars. This training, in conjunction with this guide and all of the resources on our website, will provide you with the full picture of how the AHP works. You will get an overview of all of the responsibilities and opportunities afforded to members and sponsors under the AHP including all of our shared requirements, online process to draw the AHP funds, and how to complete all of the required AHP monitoring. Check our [Events](http://www.fhlbboston.com/events/index.jsp) webpage (<http://www.fhlbboston.com/events/index.jsp>) and register for at least one of the upcoming sessions in the first quarter of 2017.

Contact Information

The program relies on the successful partnership and communication between member financial institutions, project sponsors and owners, and FHLB Boston. Please make sure that we always have your up-to-date contact information, including e-mail addresses.

We would be delighted to answer any questions, provide additional information, or address specific issues as needed.

HCI Staff Contact Information

Name	AHP Region	Contact
Affordable Housing Program Staff		
Tobi Goldberg	Works with members and their community-development partners in Maine and Massachusetts' Essex and Suffolk counties.	617-292-9653 tobi.goldberg@fhلبoston.com
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Other HCI Staff		
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Housing and Community Investment Department		1-888-424-3863 housing@fhلبoston.com

Key AHP Resources, Web Sites, Forms

AHP Regulation	12 CFR 1291 (on website: http://www.fhlbboston.com/communitydevelopment/ahp/03_01_07_regulation.jsp)
AHP Website	This index web page and the pages that follow include all of the materials you will need to access and use the AHP funding for your initiative. http://www.fhlbboston.com/communitydevelopment/ahp/index.jsp
AHP Implementation Plan	This is the policy document that explains all aspects of the AHP, including eligibility, feasibility, scoring, disbursement, affordability retention, monitoring, and watch list reporting. http://www.fhlbboston.com/communitydevelopment/ahp/03_01_06_implementation.jsp For all questions about the AHP, please consult the AHP Implementation Plan or your Community Investment Manager.
AHP Forms and Applications	http://www.fhlbboston.com/communitydevelopment/ahp/03_01_08_forms.jsp This web page contains all the detailed training materials, instructions, form documents, and links e.g. disbursement and reporting, that you will need to use the AHP. This includes the income calculation guidelines and the draft template documents for AHP Retention (notes, mortgages, Subsidized Advance rider, collateral assignment). Effective December 2016, FHLB Boston has streamlined AHP Rental Income Calculation Guidelines specifically for rental housing initiatives. Please note: These documents may be updated early in the first Quarter of 2017.
Secure AHP Monitoring and Reporting Web Site (includes AHP Application)	https://housing.fhlbboston.com File all your reporting, request disbursement of AHP funds, and request any modifications or extensions of your AHP award. Use your Community Lending Login username and password. <i>Note: Sponsors working with development consultants or third-party property managers? Ask us about designating an Authorized Representative to assist with the monitoring and reporting.</i>
FHLB Boston	www.fhlbboston.com More information about the AHP and all Housing and Community Investment programs can be found under the Housing & Economic Growth section of our web site.

Terminology

AHP	Affordable Housing Program
AHP Direct Subsidy	AHP Subsidy or grant to be used to fund capital development costs of your housing.
AHP Interest Rate Subsidy (AHP Advance Subsidy)	AHP Subsidy which is separate from the AHP Direct Subsidy. This is used to reduce the interest rate charged to the member for the AHP Subsidized Advance (and consequently helps to reduce the end rate to the project).
AHP Subsidized Advance	A loan from FHLB Boston to the member at a below-market interest rate, discounted using AHP Interest Rate Subsidy. The member uses this advance to fund its loan to the sponsor.
CDA	Community Development advance – lower-cost, fixed-rate wholesale advances to members from FHLB Boston to support targeted affordable housing and economic development initiatives.
CIM	FHLB Boston Community Investment Manager in the Housing and Community Investment department (your primary point of contact with the manager covering your geographic region).
EBP	Equity Builder Program (part of the overall AHP). A separate downpayment and closing cost assistance program accessed by members for low-income and first-time homebuyers.
HCI	Housing and Community Investment department
Member	Financial institution that is a member shareholder of FHLB Boston
Qualifying Characteristics (QC)	Scoring components of the AHP application to be maintained over the AHP retention period. This document is a component and a commitment of the AHP Agreement.
Sponsor	Developer/Owner of the AHP application or initiative.

Key Elements of the AHP

AHP Award

- AHP Direct Subsidy and/or the
- AHP Subsidized Advance with the AHP Interest Rate Subsidy.
- AHP Award Condition, if applicable.

Project Readiness and Timing of AHP Subsidy Use

- Some or all of the AHP subsidies must be likely to be drawn down 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.
- Zoning requirements and all funding is expected to be committed within 12 months of the date of the application approval.
- Sponsors demonstrated that they have 100 percent of site control at the time of application. In those instances where it is through a purchase and sales agreement or

other form of option, we generally expect this to be exercised within 12 months of the application approval as well.

- Physical completion of the for-sale homes or rental apartment homes is expected within 24 months of the application approval.
- Please consult the approved application, your Community Investment Manager, and the AHP Implementation Plan for more information.

Income Calculation Guidelines for AHP-Eligible Residents and Homebuyers

- These income guidelines/standards must be used by members and sponsors/owners for the calculation of household income.
- The Resident Income Calculation and Helpful Information appendices to this Next Steps Guide provides more details about calculating and documenting household income eligibility.
- We have streamlined income calculation guidelines for Rental Initiatives effective mid-December 2016.
- The same standards are used by HCI staff to review and approve household income for both rental and homeownership initiatives.
- These standards are expected to be used by rental initiatives throughout the 15-year retention period.
- The guidelines are used in conjunction with the HUD Income Limits.
- These may be updated periodically. Please make sure you are using the most current income calculation guidelines as published on our AHP Forms and Applications page: http://www.fhlbboston.com/communitydevelopment/ahp/03_01_08_forms.jsp

Important to remember:

- A summary income-calculation coversheet must be used for each household when submitting income documents for review.
- FHLB Boston has drafted the AHP Rental Household Income Information Worksheet, available on the AHP Forms and Applications webpage.
- All adult household members, who will reside in the property, but are not working or do not receive any income from any sources, will need to execute a Certificate of Zero Income form. The template is available online.
- The income calculation guidelines may differ from other programs and funders.

Use of AHP Subsidy

- Program funds may be used only for the direct costs of purchasing, constructing, or rehabilitating affordable housing.
- Eligible 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 the AHP Regulation, are eligible for funding.
- Capitalized reserves, supportive services, nonresidential uses, and commercial space associated with a development, as well as certain prepayment or cancellation fees related to an AHP Subsidized Advance, are ineligible for AHP funding. AHP funds cannot be used to pay predevelopment costs (defined as costs to determine whether a proposed initiative is feasible) prior to receipt of all funding commitments.

- Evidence of use of AHP funds is required.

Pass Through of the AHP Subsidy

- AHP Direct Subsidy and Subsidized Advance funds must be provided to the sponsor/owner within 90 days from disbursement 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.
- It is recommended that AHP funds should not be comingled with other funds.
- Evidence of funds transfer is required.

Retention Period

- This is the length of time required for a completed AHP-assisted initiative to remain in use as affordable housing and to satisfy all of the AHP obligations in the AHP Agreement and approved AHP Application.
 - Five years from completion for homeownership initiatives
 - 15 years from completion for rental initiatives
- The affordability and all other AHP regulatory obligations contained in the AHP Agreement will be secured using standard mortgage documents provided by FHLB Boston.

Key AHP Documents

AHP Award Letter

- The AHP award notification is mailed along with a sample draft AHP Agreement to the CEO of the member and the contact person at the project sponsor.
- To accept the award, the member must sign and return the letter to FHLB Boston within 45 days of award approval.
- The award letter may contain AHP award conditions and must also be signed by the member.
- Any individual permitted to represent the member may sign and accept the award letter.

AHP Agreement

- The AHP Agreement should be executed within 12 months of award approval and before any disbursement of funds.
- The executed AHP Agreement includes the terms and conditions that govern the approval and funding of the application, including all representations made in the application, and that bind the member and project sponsor/owner. This includes fulfillment of the AHP Qualifying Characteristics (QC).
- The QC summarize the scoring elements of the application and project, upon which, in part, it was approved for subsidy.
- Changes to the terms and conditions of the AHP Agreement are not allowed.
- Parties to the AHP Agreement include the member, sponsor, project owner, any cosponsors, and FHLB Boston.

- It is critical that the appropriate member and sponsor/owner representatives sign the AHP Agreement.
 - **A managing officer or authorized signatory of the member financial institution, as listed on its current Delegation of Authority Advances, Letters of Credit and Interest Rate Swaps** on file with FHLB Boston, and an authorized representative for the project sponsor/owner are required to sign the AHP Agreement.
- The signature(s) represent full understanding, acceptance, and compliance with the terms and conditions in the AHP Agreement and QC.
- These parties should be the same entities as those identified in the AHP mortgages and notes.

AHP Retention Documentation

- FHLB Boston has [standard AHP mortgages and notes](#) for homeownership and rental initiatives on our website.
- AHP Subsidized Advances: The [standard AHP Subsidized Advance Rider](#) must be attached to and recorded with the member's mortgage
- Mortgages must be recorded.
- In instances where the sponsor lends the AHP Direct Subsidy to the Project Owner (typically rental initiatives only), FHLB Boston has a [standard Collateral Assignment of Mortgage and Note](#) on our website.
- Please note that failure to use our standard documents may require additional time for review, which might delay funding approval and disbursement.
- It is incumbent on members, project sponsors, and/or owners to review these AHP documents, along with other documents and requirements of other funders, and to understand the priority schedule of the various funds in the deal, including AHP, in advance of closing/disbursements (AHP or otherwise) so that it is clear how the deal is being put together and to avoid any confusion or issues.
- Please make sure you are using the correct and current template documents.

AHP Monitoring and Reporting

NOTE: Consult the AHP Implementation Plan for more information on all requirements.

Award Extensions

- 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.
- [Extension requests are initiated online](#) by the project sponsor/owner, reviewed and submitted online by the member, and then reviewed by FHLB Boston.

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.
- Changes to scoring may impact your initiative's continued eligibility for AHP funds.

- [Modification requests are initiated online](#) by the project sponsor/owner, reviewed and submitted online by the member, and then reviewed by FHLB Boston.

Disbursement

- The project sponsor/owner and then member both sign and submit the [online AHP Disbursement Request](#) and include all of the required documentation with the online request form.
- Completed requests for disbursement are processed within **15 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, CIMs will work with members to coordinate the take-down or rate lock of the funds from FHLB Boston's Money Desk.

Disbursements follow three review steps internally at FHLB Boston: (1) recommendation (CIM), (2) manager approval, and (3) compliance review.

Questions about AHP Subsidized Advances? See below.

Initial Monitoring

- During development, [online Semiannual Progress Reports](#) are required of members and sponsors/owners (typically June/December).

Completion Monitoring

- Upon physical completion of the AHP-funded units, HCI will conduct the online AHP Closeout Monitoring Review. This online form is created by HCI upon physical completion.

FHLB Boston Site Visits

- HCI staff will conduct a site visit as required under the AHP Implementation Plan.
- This affords us the opportunity to see the property and work directly with you on this initiative and to strategize about future affordable housing development partnerships.
- We like to meet with you via phone or in person to learn more about your organizations and provide technical assistance specific to your initiative.
- We also like to assist with and attend the groundbreaking and ribbon cuttings. *Please see the Media Relations/Community Impact section below for additional information.*

Long-Term Monitoring – for Rental Projects Only

- This includes online [Annual Compliance Certifications](#) and [Periodic Monitoring Reports](#) based on the amount of AHP subsidy disbursed to the project and other factors.
- This reporting is not required for Low Income Housing Tax Credit initiatives that provide a fully executed form 8609 and remain in LIHTC compliance.

AHP Watch List

- FHLB Boston may place an AHP-approved initiative on its Watch List for a number of reasons or factors, for example, delayed completion of the homes/apartments, risk of financial default, or regulatory noncompliance.

- This will require additional monitoring and reporting by members and project sponsors/owners, including additional online reporting.

Additional Information about AHP Subsidized Advances

What is the AHP Subsidized Advance? What is the AHP Interest Rate Subsidy?

- These are frequently asked questions and are often the most complex aspect of the AHP.
- The AHP Interest Rate Subsidy is used to reduce the interest rate charged to the member for the AHP Subsidized Advance. This is based on the specific information in the approved AHP Application.
- FHLB Boston uses the AHP Interest Rate Subsidy to lower the cost we charge the member to borrow the AHP Subsidized Advance by paying off a portion of the interest to bring the rate below the FHLB Boston's cost of funds.
- The member will borrow the AHP Subsidized Advance from the FHLB Boston to fund the permanent loan to the initiative.
- The member adds the spread it requires per the approved AHP application and lends the AHP Subsidized Advance as the permanent loan to the initiative. The initiative receives the benefit of the AHP Interest Rate Subsidy in the form of the reduced fixed-interest rate.
- These transactions are separate from the AHP Direct Subsidy (capital grant).
- Don't forget: attach and record the AHP Subsidized Advance Rider with your mortgage securing these funds.

Rates on AHP Subsidized Advances

- At the time of application submission and approval, sufficient AHP Interest Rate Subsidy funds are reserved, based upon rates at that time and within program limits, to reduce the interest rate on the long-term subsidized advance.
- Only amortizing AHP Subsidized Advances with terms of 10 years or more will be available, up to a term of 20 years with an amortization of 30 years.
- The AHP Interest Rate Subsidy is projected using a net present value calculation based on a future disbursement of the advance 18 months from application approval.
- At no time is the anticipated interest rate to the member or project requested in the application guaranteed, until the AHP Subsidized Advance is rate-locked or disbursed.
- A forward-rate guarantee with a mandatory disbursement (where the member locks in the interest rate and enters into a binding commitment to take down the AHP Subsidized Advance on a specific future date) is available as an option to help mitigate interest-rate risk.
- If that does not work for your project, there will be no interest-rate guarantee, but the amount of interest subsidy will remain available for the subsidized advance, provided progress is acceptable. Rate, principal, and term may be adjusted provided the project continues to demonstrate the need for AHP subsidy and meet all other AHP requirements.
- *Please contact your CIM if you have any questions about AHP Subsidized Advances.*

Prepayment Fees on FHLB Boston AHP and CDA Advances

- FHLB Boston will charge the member a prepayment fee to the extent it suffers an economic loss from the prepayment of a subsidized advance.
- Members utilizing an AHP Subsidized Advance or a Community Development advance will be subject to FHLB Boston'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 FHLB Boston back, notwithstanding the scheduled maturity of the advance.
- Therefore, FHLB Boston 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 FHLB Boston as a result of the prepayment of the advance.

Media Relations/Community Impact

- If the project sponsor/owner erects a sign, we request that the member and FHLB Boston be listed as sources of funding along with other funders as applicable. Logos and specifications are available from FHLB Boston's Public Affairs department or your CIM.
- FHLB Boston's Communications and Housing and Community Investment staff are available to assist members and sponsors with public relations or other press events. Please consult with your CIM if you have any questions.

We congratulate you again on your AHP award. We look forward to working with you to develop this critical affordable housing initiative and build long-term partnerships for future successful community development initiatives.

Fourteen Points to Remember

1. Remember your AHP contact at FHLB Boston. We are here to help.
2. AHP Award – AHP Subsidy includes the AHP Direct Subsidy and the AHP Interest Rate Subsidy, as applicable.
3. AHP Award Letter needs to be signed within 45 days.
4. AHP Agreement – to be signed by the appropriate member, sponsor and/or project owner, and FHLB Boston.
5. The AHP Qualifying Characteristics summarize the scoring commitments made in the approved application.
6. Remember to follow the appropriate AHP Income Calculation Guidelines.
7. Readiness and Timing of Use of AHP Subsidy (12/24 months)
8. Retention Periods (5 years for homeownership, 15 years for rental)
9. Use the AHP Mortgage, Note, and/or Subsidized Advance Rider templates to secure the AHP funds to the initiative/real estate.
10. Disbursements are requested online (<https://housing.fhlbboston.com>).
11. Extensions and Modifications are requested online (<https://housing.fhlbboston.com>).
 - a. If the timeline or the nature of the project is changing, let us know.

12. Monitoring is online (<https://housing.fhlbboston.com>).
 - a. June and December semiannual progress reports during development
 - b. Closeout Monitoring Review when the initiative is completed
 - c. Long-term Monitoring for rental initiatives only
13. AHP Regulation is [12 CFR 1291](#).
14. The AHP Implementation Plan governs the AHP and is on the FHLB Boston website.

Questions?

Call or email your AHP contact at FHLB Boston.

We are here to help.

Revised 12/12/2016

Appendix A: Resident Income Calculation

Appendix B: Helpful Information

Appendix A: Resident Income Calculation

One of the most important tasks you will perform during your AHP Retention Period is determining, verifying and calculating **prospective gross** annual household income at the time of move-in or application eligibility. The purpose of calculating this income is to ensure that residents/homebuyers:

1. Meet the income targeting you committed to in the AHP Agreement;
2. Have provided sufficient income documentation to move into your project or purchase a home; and
3. Pay rent/housing expense that is affordable at 30 percent of the HUD targeted income limit

Initial income eligibility is determined prospectively and based on the anticipated income for the 12 months from date of eligibility/move-in. All household income must be verified using acceptable forms of third-party verifications outlined in the AHP Income Guidelines (separate streamlined guidelines for Rental Initiatives) and be within 45 days of move-in. **Please read these guidelines carefully, and if you have any questions, contact your Community Investment Manager.**

The goal of the income calculation guidelines is to inform sponsors, owners, and/or managers of AHP assisted housing initiatives of what is expected by the Federal Home Loan Bank of Boston. Specific AHP policies and forms are based on HUD Section 8 regulations and the HUD 4350.3 Handbook, Chapter 5, as well as FHLB Boston's AHP regulation (12 CFR 1291). Below are other useful links and resources to guide you through the process. It is expected that sponsors, property managers, and owners managing a project with AHP Direct Subsidy or a Subsidized Advance have had property management and income-eligibility training, as well as the capacity to qualify residents in a way that is consistent with the Federal Home Loan Bank of Boston's Affordable Housing Program. Should you have any questions about this process, please contact your Community Investment Manager.

Appendix B: Helpful Information

Listed below are a collection of website and other resources to assist you in the development, management, and compliance reporting for your housing initiative.

Nationally recognized trainers for housing programs

- [Spectrum Seminars](#)
- [Quadel Consulting Corp](#)
- [National Affordable Housing Management Association](#)
- [Elizabeth Moreland Consulting, Inc.](#)
- [A.J. Johnson Consulting Services, Inc.](#)
- [National Center for Housing Management](#)
- [Novogradac & Company](#)
- [TheoPRO](#)
- [Liz Bramlet Consulting, LLC](#)

Helpful websites

- [U.S Department of Housing and Urban Development \(HUD\)](#)
- [U.S. Department of Internal Revenue Service \(IRS\)](#)
- [HUD User Income Limits](#)

Fair Housing Act and Related Standards

- [Fair Housing Act Guidelines](#)
- [Fair Housing Act Design Manual](#)
- [Section 504 of the Rehabilitation Act](#)