



Revolving Loan Fund AHP Application Webinar

May-September 2016

FHLBBoston

Agenda



- FHLB Boston and AHP Overview
- 2016 AHP Highlights
- Revolving Loan Funds and AHP
- How can AHP be used in a Revolving Loan Fund?
- 2016 Application Considerations for RLFs
- AHP After Award Approval

Terminology



CIM - Community Investment Manager

FHFA - Federal Housing Finance Agency

FHLB Boston - Federal Home Loan Bank of Boston

HCI - Housing and Community Investment Department

Member - FHLB Boston Member Financial Institution

QC - Qualifying Characteristics

RLF - Revolving Loan Fund

Sponsor - Developer/Owner of AHP Initiative

FHLB Boston and AHP Overview

FHLB Boston



- A cooperatively owned, wholesale bank
- Serving shareholders since 1932; 446 members
- Members consist of thrifts, community banks, commercial banks, credit unions, insurance companies, and CDFIs
- \$58.1 billion in assets (12/31/2015)
- Performs critical function by providing reliable funding, liquidity, and credit products and services that facilitate housing and economic growth

All HCI Programs



- Affordable Housing Program (AHP)
- Equity Builder Program (EBP)
- Community Development Advance (CDA)
- New England Fund (NEF)
- Grants for New England Program (GNP)
- Jobs for New England (JNE)
- Helping to House New England (HHNE)

Affordable Housing Program



- Funded through 10 percent of the Bank's net earnings
- AHP provides grants and subsidized interest rates on advances for investment in affordable housing that serves very low-, low-, and moderate-income families

AHP Funding Types



- As a **grant** (direct subsidy)
- As a **loan** (subsidized advance)

A reduced interest rate loan made to the member to reduce the interest rate on the project's permanent debt, with terms of 10 to 20 years, and up to 30 years amortization

AHP Fraud Reporting



- All are responsible for reporting observations of fraud related to approved AHP initiatives, as outlined in the obligations under the AHP Agreement
- Some examples of possible fraud: Language changes in AHP Agreement, Mortgage and Note templates, undisclosed conflict of interest, fraudulent documents, falsifying application, project or budget information. failure to notify Bank of sale/refi/foreclosure, fraudulent Financial statements or audits
- May be intentional or unintentional
- Provide prompt written notice to the Bank
- Provide additional information as requested

2016 AHP Highlights

2016 AHP Overview

- Approximately \$27.2 million of subsidy available
- Members and Sponsors partner together to submit application
- Member's role is essential in reviewing and underwriting the project
- Communication between the member and sponsor is key
- 2016 AHP Implementation Plan is on Bank's website and critical to a successful application (3/18/2016)

2016: Key Dates & Applying

- Application Opens:
Monday, July 25, 2016
- Applications Due:
Tuesday, September 13, 2016 by 5:00pm EST
- Award Announcements:
Friday, December 16, 2016

To apply, please visit:

- <https://housing.fhlbboston.com>
- Other materials are available at:
http://www.fhlbboston.com/communitydevelopment/ahp/03_01_08_forms.jsp

2016 Round and Member Limits



- AHP Maximum Grant (direct subsidy):
\$750,000 per application
- AHP Maximum for Homeownership (direct subsidy):
\$30,000 per ownership unit **WAIVED** for RLFs
- AHP Maximum (direct subsidy and advance subsidy):
\$1,500,000 per application
- Member Application Limit:
None
- Member Approval Limit:
25% of subsidy available
- The AHP limits have been increased for 2016 only!

New for 2016



- **Scoring** – Changes/clarifications in:
 - Donated
 - Homeownership Targeting
 - Housing for Homeless
 - Economic Empowerment
 - First-time Homebuyers
 - Member Financial Participation
 - Second District Priority
 - Subsidy per unit

- **Feasibility** – Added income and expense trending guideline

For more information, please review the AHP Implementation Plan revised March 18, 2016 for detailed requirements

Refer to the Notice of Changes on the Bank's website for details.

Summary of the 2015 AHP Funding Round



- 123 applications received
- Over \$16 million in AHP subsidy awarded to 32 initiatives
- 7 RLF applications received
 - CT (2), ME (1), MA (2), NH (1), RI (1)
 - 6 program-based, 1 project-based RLF
 - 5 homeownership/owner-occupied, 2 rental
 - Scores ranged from 73.2 to 47.5
- 1 RLF selected as alternate, now awarded
 - NHCLF/Bank of New Hampshire's Your Turn Revolving Loan Fund

Opportunities for 2016

- 2016 AHP Application: \$27.2 million in subsidy available
- Up to \$750,000 AHP Direct Subsidy available for each RLF application
- For homeownership RLFs, the \$30,000 AHP subsidy per unit maximum is waived
- Clarified the Member Financial Participation category to include existing financing/investments in RLFs

Revolving Loan Funds and AHP

RLFs and AHP: Background



- Since 2012, FHLB Boston has worked to open access to AHP capital to CDFIs and other RLFs
- Expand support for affordable housing
- HCI continues to work with our regulator to better understand the AHP regulatory framework and find the best fit for RLFs
- HCI is developing our systems, etc. for our new RLF award



How Can AHP be Used in a Revolving Loan Fund?

Using AHP with RLF

Initial Lending:

- AHP Direct Subsidy is initially lent to a project or program-based initiative through the RLF for the term of the AHP retention period (five years homeownership or 15 years Rental) and the principal and interest payments received are subsequently re-lent through the RLF to a new/AHP eligible project(s) or program participant

And/Or:

- AHP Subsidized Advance is lent from the member to RLF and then RLF subsequently lends the Advance to project or program-based initiative. Repaid principal and interest payments can not be re-lent

RLFs and Subsidized Advances

- The RLF must pass-through the AHP Subsidized Advance to the project or initiative as a one-time use
- AHP Subsidized Advance principal can not be revolved.
- AHP Subsidized Advance will be subject to all AHP regulatory provisions applicable to a project receiving AHP funds
- Will not be subject to the provisions governing loan funds under 1291.5(c)(13)
- Information in the application must be sufficient for the Bank to determine that all criteria meet eligibility requirements of the AHP Regulation and the Bank's scoring, cost and feasibility guidelines

RLF Project Lending Process

- RLF and member awarded AHP funds
- Member passes AHP funds to RLF

- RLF loans AHP funds to eligible project or program participant with retention requirements

- RLF records and tracks payments received
- RLF re-lends payments to new eligible project/program participant (minimum eligibility: ownership < 80%AMI, rental = 20% of units at 50% AMI. No retention requirements)

RLFs can lend AHP to fund AHP-eligible uses



RLFs can initially lend and subsequently relend or grant AHP funds for the following eligible uses:

- Acquisition, hard and soft construction costs, and rehabilitation
- Down-payment and closing-cost assistance, interest rate buy-down, developer fee, and certain home-buying counseling costs for AHP units

Ineligible uses:

- Nonresidential space, capitalized or other reserves, supportive services, operating costs
- Nonresidential items, such as: furniture, social services, and bank fees
- Predevelopment

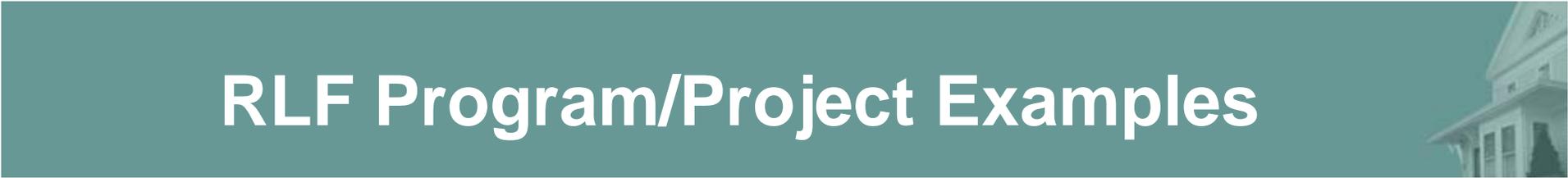
Use of AHP Funds: Refinancing



Refinancing of existing single or multi-family mortgage loans is only permitted when:

- The refinancing generates equity proceeds equal to or greater than the total AHP Subsidy (AHP Interest Subsidy and Direct Subsidies/grant)
- The proceeds must only be used for purchase, construction, or rehabilitation of the AHP housing units
- See AHP Implementation Plan

RLF Program/Project Examples



Examples of RLF programs/projects that could use AHP funds:

- Low interest loans to homeowners to make repairs to their homes
- Mobile home park replacement homes
- Down payment and closing cost assistance
- Low interest loans for construction or rehabilitation of multifamily rental units
- Project-specific rental development



2016 Application Considerations for RLFs

AHP Regulatory Considerations for RLF Applications



1. AHP Regulation is project-oriented:

- Initiative Description
- Online application is built around the locations in the application.
- Feasibility parameters appear applicable to projects e.g. sources and uses
- Scoring categories appear applicable to projects

2. Project-based RLF application is first a financing program and second project-focused.

3. Program-based RLF applications are Financing Programs

- If addresses are unknown, use the RLF's address for the required location in the AHP Application

Online AHP Application Platform



- The AHP Application is completed through the online system. Applicants must have a user name and password.
- Sponsor Registration must be completed prior to starting the AHP application
- RLF AHP Application is reviewed for AHP eligibility, scoring criteria, need for subsidy and feasibility
- See 2016 AHP Implementation Plan on the Bank's website for additional information

RLF Minimum Application Requirements



- Demonstrate organizational capacity
- Audited financial statements
- AHP-eligible criteria for initial lending
- AHP-eligible criteria for re-lending
- Lending/re-lending rates and fees must be reasonable and not exceed reasonable market rate for similar loans
- 5-year affordability restriction for each owner-occupied unit
- 15-year affordability restriction on each rental unit

Role of the Revolving Loan Fund



- Sponsor of AHP Application
- Lender to project or program
- May be project owner
- Financing responsibility
- Monitoring and reporting

Role of the Member

- Applicant
- Underwrites and reviews application
- FHLB agent
- Funder/Investor of RLF
- Monitoring and reporting

The Application – What’s Evaluated?

All the same information as a project but from the Lending/Financing perspective

Sponsor Registration	AHP Eligible Uses
Initiative Description	Feasibility
Project Readiness & Federal/State/Local Law	Need for Subsidy
Marketability	Scoring
Affordability	Member Analysis

RLF Sponsor Registration



- **Choose RLF as the organization type.**
- Describe your RLF organization and housing financing experience (mission, experience, business activities).
- Remember: questions may read like we're asking about development or project specifics; answer from the financing/lending perspective.
- Be clear about your role(s) and related parties.
- Don't mix up a developer/rehab specialist role with role of mortgage financing; describe both succinctly and separately.
- Provide audited financial statements to confirm operations are consistent with sound business practices.

RLF Sponsor Registration - Documentation



- Staff resumes
- Audited financial statements
- State Certificate of Good Standing
- FHLB Boston Statement of Current Obligations
- 501c3, if applicable

RLF and AHP Application: First Steps



- Choose the correct application type: RLF Rental or RLF Homeownership
- Invite the Member
- Once Accepted, RLF starts the online application
- Identify Development team:
 - RLF is the sponsor
 - Member
 - Any co-sponsors?
 - If RLF Rental, you'll need a property manager
 - Identity of Interest questions

Initiative Description: Readiness



- 24-month development schedule – confirm ability to complete initial lending to fulfill application commitments
 - Assemble all financing needed, other considerations
 - Identify borrowers and complete the loans
- Market Conditions analysis
- Compliance with Fair Housing/Other state laws
- Site control – Project-based RLF must identify
- Site Control – Program-based RLFs are exempt; if no locations, check N/A
- Zoning – May or may not be applicable
- Relocation— May or may not be applicable

Initiative Description



- Describe the RLF financing program and features
- Remember: financing is different from project construction or rehabilitation.
- Wherever it says “**project**” think “**program**” and complete the fields as such
- Clearly separate the lending program vs. development activity
- Clearly identify the RLF’s role(s)
- Describe the initial lending
- Describe the relending

Initiative Description – More Specifics



- Project or Program Description
- Describe the types of housing being financed
- Describe the scope of the lending program
 - This is where it can get muddy mixing rehabilitation activities conducted or managed by RLF staff and the separate RLF lending activities
 - ID RLF's roles
- Describe the residents/clientele
- Identify any unique features, etc.

Initiative Description: RLF Questions



- Separate RLF-specific page
- questions pertain to Attachment E of the AHP Implementation Plan
- Designed to capture more information about your lending and re-lending
- Provide RLF underwriting guidelines
- Describe loan tracking systems
- Describe fund accounting or other accounting methodology and systems

Initiative Description: RLF Questions



- CDFI? Aegis-Rated?
- Describe Initial Lending
- Upload underwriting guidelines
- Commingling of funds? (Yes, describe; No)
- Principal amount of initial loans
- Anticipated term of loans?
- Anticipated amortization?
- Rate to the project?
- Standard Spread/current Spread?

Initiative Description: RLF Questions



Re-Lending Plans

- RLFs are required to provide a re-lending (or granting) plan for the AHP Direct Subsidy and/or interest payments during the applicable retention period
- Plans must include:
 - Anticipated timeframe for re-lending from the initial lending of the AHP subsidy
 - If payments will be held and accumulated until sufficient to re-lend or incorporated into an eligible pool of funds
 - If granting, outline the parameters for granting in the plan

Initiative Description: RLF Questions



Tracking of AHP Subsidy and RLF Lending

- All repayments of AHP Subsidy Principal or Interest must be tracked and reported as funds are repaid and relent
- Describe ability and systems to track investors' funds
- Describe capacity to track and report on use of AHP subsidy
 - Fund accounting?
 - Other accounting systems? Databases?
 - Fund codes for tracking?

RLF Application: Locations and Scoring



- Program-based RLFs – use your headquarters as your project location proxy, if you don't have any specific addresses at application.
- Project-based RLFs – enter in the specific location(s) of the first set of loans you expect to make.
- Scoring categories and documentation standards come from AHP Implementation Plan, applied equally to RLFs and project-based applications

RLF Application: Locations and Scoring



- We acknowledge that some of the 12 scoring categories work better when projects and locations are known
 - e.g. Donated, Rural, Economic Diversity, Preservation, Foreclosure, Reuse, Community Stability
- It is possible to score points as a RLF
- Possible AHP Award Condition on a scoring element

RLF Application: Locations and Scoring



- Points can be awarded for known sources of a feature/element of the program such as:
 - Economic Empowerment
 - Community Stability –
 - Sustainable development building practices
 - Efficient building operations
- Empowerment – if project or locations are known, enter specifics. If program-based RLF or unknown address, enter anticipated services.
- RLFs as separate sponsor entity – Nonprofit Sponsorship
- Program-based RLFs recognized in the Second District Priority

RLF Application: Sources and Uses

Remember: AHP Application built around the AHP Regulation and is intended primarily for project-specific applications i.e. sources and uses

- Enter data for the Financing program activity
- Be careful not to mix up with rehabilitation or other development activities
- Sources are the financing streams the RLF is deploying, including AHP
- Uses are what is being financed e.g. acquisition
- Project-based RLF applications – fill this out for the initial project or projects to be financed

RLF Homeownership – Sources, Uses, and Affordability Calculation



- **Sources and Uses** are the expected/typical transaction multiplied into the total expected number of initial loans/households served
- **Affordability Calculation** breaks out the total sources into the expected/typical per unit homeownership transactions, based on expected household incomes to be served (50%, 60% or 80% AMI)
- The totals should match; the total AHP Direct Subsidy should match.
- The logic will follow to show that the end mortgage is affordable for the targeted household

RLF Homeownership – Sources, Uses, and Affordability Calculation

Mortgage financing Program Example:

Affordability Calculation			Sources and Uses	
	Per Unit	Total		
Units	1	10	Sources	
Sales Price	\$ 85,000	\$ 850,000	Total AHP	\$ 200,000
AHP	\$ 20,000	\$ 200,000	Owner DP	\$ 5,000
Net Sales	\$ 65,000		RLF First Mortgage	\$ 645,000
DP	\$ 500	\$ 5,000	TOTAL SOURCES	\$ 850,000
Mortgage Rate	\$ 64,500	\$ 645,000	Uses	
Term	4.60%		Acquisition	850,000
P&I	360		TOTAL USES	850,000
Fees	\$ 330			
Total Housing Expense	\$ 240			
60% AMI Max Income	\$ 570			
Affordability	\$ 34,150			
	20%			

RLF Rental– Sources, Uses, and Operating Feasibility



Grossing up the typical transaction by the expected initial number of loans/borrowers

Sources and Uses

- **Total sources** are the sum of all the financing the RLF is deploying to support its rental lending activity
- **Total uses** are the sum of the expenses funded by the sources

Operating Feasibility

- Gross Rents/Vacancy/Effective Gross Income
- Expenses
- NOI
- DS
- Cash Flow

RLF Rental: Sources and Uses Example



Sources	Totals (5 Loans)	Typical Loan
RLF Equity	\$ 500,000	\$ 100,000
State Funding	\$ 1,000,000	\$ 200,000
AHP	\$ 500,000	\$ 100,000
TOTAL SOURCES	\$ 2,000,000	\$ 400,000
Uses		
Rehabilitation	\$ 1,600,000	\$ 320,000
Builders Overhead, Profit, General Requirements	\$ 50,000	\$ 10,000
Const. Contingency	\$ 50,000	\$ 10,000
Soft Costs	\$ 300,000	\$ 60,000
TOTAL USES	\$ 2,000,000	\$ 400,000

RLF Rental: Operating Summary and Affordability

	Typical Loan	Total (5 Loans)
Units	6	30
	First year of Operations	
Gross Rent	\$ 57,600	\$ 288,000
Vacancy	\$ 2,880	\$ 14,400
EGI	\$ 54,720	\$ 273,600
Housing Exp.	\$ 30,000	\$ 150,000
NOI	\$ 24,720	\$ 123,600
DS	\$ 20,000	\$ 100,000
Cash Flow	\$ 4,720	\$ 23,600
DSCR	1.236	1.236
Per Unit	2 Bedroom	
Total Rent	\$ 800	
Tenant Paid	\$ 800	
50% AMI for HH of 3:	\$ 36,150	
Housing Exp. As % of Income	27%	

Member Analysis

- We ask 4 questions and for your detailed analysis of the RLF and the program- or project-based revolving lending activities
- RLF's track record of performance as a RLF
- Your institution's experience lending to or investing in the RLF
- RLF financial performance based on review of financial statements
- Review the RLF's program and its lending and underwriting guidelines

The Fine Print



- All documentation is due by September 13, 2016 at 5:00 pm. EST. Call **888-424-3863** to confirm.
- Once the member has made the final submission, no changes can be made
- **Review is based on the application and documentation submitted.** Major wholesale changes to the project or application during the funding round will not be considered and may result in disqualification.
- Applications are scored against the criteria and the other applications in the round



AHP After Award Approval

AHP Agreement



- Four-party Agreement between the RLF, Member, Initial Project Owner (RLF's borrower as applicable), and FHLB Boston
- Will vary based on structure of transaction, but will be provided by FHLB Boston
- Includes monitoring and reporting requirements and the AHP Qualifying Characteristics, which summarize scoring elements and application commitments
- See Attachment C, Section C of the AHP Implementation Plan for more information

Initial Lending of AHP Direct Subsidy



- Initial loan(s) must meet AHP eligibility requirements and application commitments for the full AHP retention period
- Initial lending term(s) must equal or exceed AHP retention period. Five years for homeownership, 15 years for rental initiatives.
- May co-mingle AHP Subsidy with other financing to the project or program. Financing structures outside standard amortizing loan(s) will be considered.
- RLF may charge points and fees that do not exceed a reasonable market rate, as defined in the AHP Implementation Plan

Interest Rates, Points, and Fees



- A RLF's interest rates must be reasonable and comply with the financing costs requirement of the AHP Regulation
- Rate, points, fees and any other charges for all loans made in conjunction with the AHP subsidy shall not exceed a reasonable market rate for loans of similar maturity, terms and risk

Noncompliance on Initial Lending of AHP Subsidy



- If a project funded initially is in noncompliance with the AHP application commitments or sold/refinanced prior to the applicable AHP retention period, the AHP Subsidy shall be repaid to the RLF
- The RLF shall re-lend any repaid AHP Subsidy, excluding the amounts of AHP subsidy principal already repaid to the RLF, to another rental project or owner-occupied unit meeting the initial lending requirements for the remainder of the AHP applicable retention period
- If not able to meet these requirements, funds are repaid to FHLB Boston

Subsequent Re-Lending of AHP Subsidy

- Subsequent loans made by the RLF from repayments of initial loans must meet AHP eligibility requirements
- All repayments of AHP Subsidy principal and interest payments must be tracked and reported as repaid and/or re-loaned
- Subsequent re-lending must be for purchase, construction, or rehabilitation of owner occupied units with household incomes at or below 80 percent of AMI, or for rental projects where at least 20 percent of the households earn at or below 50 percent of AMI (less restrictive)

Subsequent Re-Lending of AHP Subsidy



- Repayments received by the RLF may also be provided as non-repayable grants to eligible projects
- At the end of the retention period, the RLF may continue to re-lend funds and use the interest payments for operating expenses (not allowed during the retention period)
- Subsequent re-lending of subsidy will not be subject to the retention period, monitoring or additional recapture requirements

AHP Retention



- AHP Regulation requires a legally enforceable mechanism to secure AHP Agreement obligations
- Applies to initial project(s)/program retention period:
 - 5 years for homeownership, 15 years for rental
- FHLB Boston will provide standard mortgage and note documents for the specific initiative, project, or program
- Please consult FHLB Boston with any proposed changes
- See Attachment C, Section E of the AHP Implementation Plan for more information

AHP Monitoring of RLF Projects



AHP monitoring has two components:

1. AHP project-specific monitoring (typical AHP monitoring)
 - Applies to initial project owner(s) (if applicable), Member, and RLF
 - Includes AHP initial and long-term monitoring
2. RLF reporting on re-lending of AHP funds
 - Tracking of repayments and subsequent lending
 - Occurs only during the retention period (15 years for rental/5 years for homeownership)

AHP Monitoring



- RLF reporting fields include:
 - Total principal and interest repaid during the period
 - Total principal and interest repaid to date
 - Re-lent funds during the period
 - Funds granted during the period and documentation
 - Use/program/documentation for funds re-lent or granted
 - Re-lent and/or granted funds to date
- Subsequent re-lending of repaid AHP Direct Subsidy principal and interest does not require AHP retention, monitoring, or additional recapture requirement

Sale, Refinance, Noncompliance



- In the case of noncompliance, sale or refinance, within the retention period, the AHP Direct Subsidy must be repaid to RLF and re-lent to another project or program participant meeting the initial lending requirements for the remainder of the retention period
- Subsequent project or program participant must meet the same scoring, and other requirements approved in the AHP Application for the remainder of the retention period
- If another project or program participant can not be found, RLF must repay the subsidy to FHLB Boston

Resources

- www.fhlbboston.com
- AHP Implementation Plan (dated March 2016)
- AHP Regulation: 12 CFR 1291
- HUD income limits:
<https://www.huduser.gov/portal/datasets/il.html>
- LEED for Homes— www.usgbc.org
- Enterprise Green Communities --
www.enterprisecommunity.com/solutions-and-innovation/enterprise-green-communities/criteria

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Thank You!



If you need any assistance, please call us!