Memorandum

Date: Jan. 1, 2021

To: All Interested Persons

From: John Bendel, Senior Director, Community Investment

Subject: **2021 Affordable Housing Program Implementation Plan**

FHLBank Pittsburgh is pleased to provide its 2021 Affordable Housing Program (AHP) Implementation Plan (2021 Implementation Plan). The 2021 Implementation Plan outlines the policies and requirements of AHP and FHLBank's set-aside program, First Front Door (FFD), in accordance with the Federal Housing Finance Agency's AHP Regulation 12 CFR 1291. Refer to the notice below for a summary of major changes, effective Jan. 1, to AHP.

Significant Changes to AHP Scoring

In 2020, FHLBank completed a comprehensive housing needs assessment (HNA) report for Delaware, Pennsylvania and West Virginia. The HNA described housing challenges and community needs using information from a variety of sources. As a result of the HNA findings, significant changes were made to the 2021 AHP scoring methodology. We encourage you to review AHP scoring in the 2021 Implementation Plan. FHLBank will also provide educational opportunities on AHP scoring in late January prior to opening the AHP funding round in June 2021.

Notice

All active AHP projects with an AHP commitment or those within the AHP retention period are subject to the new regulation. Project sponsors and FHLBank member financial institutions involved with active AHP projects are required to ensure compliance with the regulatory requirements.

Highlighted regulatory changes include, but are not limited to:

- Updated certifications and agreements (monitoring agreement, direct subsidy agreements)
- Updated rental/lease-purchase AHP retention language
    - Effective Jan. 1, 2021, rental/lease-purchase projects that have not yet executed a retention mechanism are to use the AHP Rental Mortgage Rider.
- Relocation standards for temporary and permanent displacement
- Cure-first requirement for project modifications
- 2021 Implementation Plan

In addition, FHLBank is making the following changes:

Effective May 3, 2021, any project that has yet to receive its full disbursement of AHP funds will be subject to a minimum draw provision, except for a project's final draw which may be less than the established thresholds below:

- Owner-occupied projects – at least 25% of the AHP subsidy awarded or AHP units in the project
- Rental/Lease-purchase projects – at least 33% of the subsidy awarded or AHP units in the project

Note: FHLBank reserves the right to reject any AHP requests for a disbursement that are less than the minimum draw provision noted above.

Refer to FHLBank's AHP resources and guides located on the FHLBank website.

The FHLBank team is available to provide support and guidance on the new AHP regulatory changes. Questions regarding the new AHP regulation or disbursement thresholds may be directed to ahp@fhlb-pgh.com.

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Affordable Housing Program
2021 Implementation Plan

Table of Contents

I. INTRODUCTION

A. General

The Federal Home Loan Bank of Pittsburgh (Bank) has developed this Affordable Housing Program 2021 Implementation Plan (Plan) as required by 12 C.F.R. § 1291.13 (b) of the Federal Housing Finance Agency Regulations (Regulation). The Plan was adopted by the Bank's Board of Directors at a meeting held on December 17, 2020. This Plan will be in effect for the administration of the Affordable Housing Program (AHP) for calendar year 2021.

The Bank is committed to diversity and inclusion at every level of the Bank and in all of its business activities. To accomplish this, the Bank promotes the inclusion and utilization of minorities, women, individuals with disabilities, and minority-, women- and disabled-owned businesses, including its AHP.

B. Definitions

1. The definitions set forth in section 1291.1 of the Regulation will apply to the Bank's AHP and this Plan.

2. Additional definitions are included in Attachment A.

C. Median Family Income

The Bank will use the median family income standard as published annually by the U.S. Department of Housing and Urban Development (HUD) to qualify households for AHP and First Front Door (FFD), a homeownership set-aside. The Bank has not adopted any other standard to determine income.

1. Income eligibility for recipient households shall be based on the greater of the median income standard for the area, as published by HUD, adjusted for family size, or the state-wide median income, adjusted for family size.

2. Projects may use HUD's median family income standard for the county, Primary Metropolitan Statistical Area (PMSA) or the Metropolitan Statistical Area (MSA). AHP- and FFD-eligible units provide housing for households earning 80 percent or less of the median family income for the area. As noted above, projects may also use the state-wide median family income standard, as published by HUD.

D. Income Guidelines

The Bank requires all project sponsors and members to follow the Bank's income guidelines to verify household income and subsequently determine the eligibility of households to participate in any program. Income guidelines can be found on the Bank's website: https://www.fhlb-pgh.com/resourcecategory-affordable-housing-program-resources

Household income is based on income at time of review and projected over a 12-month period.

For AHP General Fund:

1. Owner-occupied projects – a household must have an income meeting the income targeting commitments in the approved AHP application. Income is determined at the time the housed is qualified by the project sponsor organization for participation in the program.

2. Rental projects that are not occupied at the time of AHP application – a household must have an income meeting the income targeting commitments in the approved AHP application upon initial occupancy ("move in" income) of the rental unit.

3. Rental projects that are occupied at the time of AHP application – a household must have an income meeting the income targeting commitments in the approved AHP application at the time of such submission of the application.

   a. In the event that the project has a relocation plan (as such term is used in the Regulations), the Bank's Relocation Form must be completed and therefore, a household may have an income meeting the income targeting commitments upon initial occupancy of the rental unit after completion of the purchase or rehabilitation.

For First Front Door (FFD):

1. Income is determined at the time the household is qualified for participation in the program.

E. Available Funds

Pursuant to 1291.10, the Bank will contribute each year the required annual contribution, which is based on the Bank's required contribution from the prior year's net earnings.

The Bank will make available 75 percent of the required annual contribution for the AHP General Fund, and 25 percent for its set-aside program, FFD. Any additional AHP funds returned to the Bank due to recaptures, repayments or deobligations may be made available to the FFD; another set-aside program or the General Fund. The Bank does not approve or consider alternate projects in the General Fund. Determination of allocation of recaptured, repaid or deobligated funds shall be made consistent with the AHP Regulation and the Bank's policies and procedures. Additional funds not committed at the end of the calendar year shall be carried over into the following calendar year.

Any additional FFD funds returned to the Bank due to recaptures, repayments or deobligations may be made available in the current calendar year for FFD; another set-aside program or the General Fund. Bank management has the discretion to use the deobligations (fall-out) that is expected to occur during the FFD funding round to add to the FFD amount available. Determination of awards of recaptured, repaid or deobligated funds shall be made consistent with the AHP Regulation and the Bank's policies and procedures. Additional funds not committed at the end of the calendar year shall be carried over into the following calendar year.

The Bank has not established a Targeted Fund.

The Bank is not accelerating AHP funds into its current year.

II. GENERAL FUND APPLICATION PROGRAM

A. Funding Rounds

1. In 2021, the Bank will conduct one General Fund funding round.

2. The General Fund funding round for 2021 will be as follows:

   Round Closes: Tuesday, Aug. 10, 2021
   Approval by the Bank's Board of Directors: Thursday, Dec. 16, 2021

3. Technical assistance is available to potential project sponsors and includes a review, but not a pre-approval, of the potential project's consistency with the Bank's threshold, scoring and feasibility guidelines as well as AHP system guidance. Technical assistance may be obtained in Bank-offered workshops, webinars or individual requests for project review. Any request for individual review must be received by the date as established by the Bank and published on the Bank's website: https://www.fhlb-pgh.com/ResourceCategory-Applying-for-AHP-Funding.

B. District Thresholds

The Bank shall establish the following additional eligibility criteria and limits for access to AHP subsidies:

1. There is a $750,000 subsidy limit per project. AHP subsidy may be a grant and/or used to write down the interest rate on a loan from the Bank. Sponsors may submit more than one AHP application per General Fund funding round. Each project sponsor's grant request, however, must be for distinctly different projects, as determined by the Bank. Applications from the same project sponsor may be characterized as different projects if they are for different: project types (owner-occupied versus rental or lease purchase), construction types (new construction, acquisition and/or rehabilitation), housing-style types (townhomes, single-family homes, multi- family, etc.) or populations, or if they use different funding sources and/or are in different geographies. All applications from the same project sponsor that do not meet the Bank's aforementioned parameters will be subject

to the $750,000 subsidy limit per project for applications determined to be the same project.

2. There is a $150,000 AHP subsidy per unit limit.

3. To participate in the General Fund funding round, a financial institution must be a member of the Bank at the time an application is submitted to the Bank.

4. General Fund applicants will be required to certify that the project sponsor has not engaged in, and is not engaging in, covered misconduct as defined in Federal Housing Finance Agency's (FHFA's) Suspended Counterparty Program regulation.

C. Optional Eligibility Guidelines

No other optional eligibility limits or thresholds apply.

D. Best Practices

Smoke-Free Policy

The Bank urges all new and existing multi-family properties to implement smoke-free policies. Industry best practices are moving towards policies that prohibit the use of tobacco products in all units, common areas and outdoor areas within 25 feet of the buildings in the development. These policies have been proven to support good health and reduce maintenance costs for multi-family housing units. No-cost assistance is available in creating and implementing smoke free policies and in accessing tobacco dependence treatment programs. For additional information, call 1-800 QUIT NOW.

E. Eligible and Prohibited Projects and Uses of AHP Subsidy

General Fund subsidy must be used exclusively for:

1. Owner-occupied housing - The purchase, construction, or rehabilitation of an owner-occupied project for very low-income or low- or moderate-income households, where the housing is to be used as the household's primary residence. Units that are manufactured and transported to a specific location may be considered as an eligible property if the home is permanently affixed to a site. Mobile homes, such as campers and those established as transportation vehicles, are not eligible to benefit from AHP subsidy.

2. Rental housing - The purchase, construction, or rehabilitation of a rental project where at least 20 percent of the units in the project are occupied by and affordable for very low-income households.

AHP subsidy may not be used for:

1. Items as described in 1291.24(b), including:
   a. Prepayment and/or processing fees charged by the Bank on a member for a subsidized advance that is prepaid
   b. Cancellation fees and penalties imposed by a Bank on a member for a subsidized

advance commitment that is cancelled
c. Processing fees charged by a member for providing direct subsidies to a project
d. Reserves and certain expenses – capitalized reserves, periodic deposits to reserve accounts, operating expenses or supportive services expenses
e. Any items that fall outside of the Bank's feasibility guidelines, expenses not tied directly to the specific AHP project, and/or any other costs deemed excessive or ineligible at the Bank's sole discretion. Review the Bank's AHP disbursement guides located on the Bank's website at https://www.fhlb-pgh.com/resourcecategory-using-AHP-funding for more information.

F. Scoring Guidelines

The Bank's General Fund scoring guidelines are included in Attachment C.

G. Feasibility Guidelines

The Bank will evaluate General Fund applications using the feasibility guidelines in Attachment B. The guidelines will be used as a benchmark for evaluating projects during application funding rounds and for post-application feasibility analysis. They may also be used as the basis for rejecting an application or changing the amount of AHP subsidy requested. These guidelines include a review of sources and uses of funds, project costs, operational feasibility and need for subsidy. The Bank will consider appropriate exceptions to these feasibility guidelines on a case-by-case basis, substantiated by information and documentation justifying the need for such an exception. Projects must also comply with all applicable requirements set forth in the Regulations.

H. Member Creditworthiness and Transfers

1. The Bank accepts and approves applications for AHP subsidy only from members of the Bank, as specified in section 1291.21(a) of the Regulation, that are in good standing. Likewise, disbursements of AHP subsidy may only be made to members considered to be in good standing. For the purpose of AHP and any set-asides as contained in this Plan, a member is in good standing if, as determined by the Bank, the member is creditworthy as determined by one of the Senior Credit Officers, has fulfilled all necessary requirements for membership in the Bank, including the purchase of all required capital stock in the Bank, and is not in default with regard to any obligations or commitments under any programs including, without limitation, AHP.

2. If the member has transferred its AHP-related obligations to another member of the Bank (or a member from another FHLBank district), the Bank shall disburse the subsidies to the substitute member.

I. Project Modifications

The Bank will process project modifications in accordance with the requirements of Section 1291.29 of the Regulation and the Bank's project modification procedures. No modifications will be made to a project's specifications, as set forth in the approved AHP application, without the prior written approval from the Bank. In the event that the member or project sponsor identifies a modification, a written request must be made to the Bank as outlined in the Bank's modification form.

J. Increases in AHP Subsidies

Projects with an AHP award may, under certain circumstances, request an increase in AHP subsidy which should be made through the modification process. The decision to increase AHP funds to previously awarded projects is at the sole discretion of the Bank and must be approved by the Bank's Board of Directors. The Board will take into consideration the extent to which the project has met the "good cause" thresholds and the amount of funds available in the AHP General Fund pool. Project sponsors requesting a modification to increase AHP subsidy must demonstrate "good cause" for the modification, which includes the following:

1. The project must demonstrate that it has explored alternatives to the modification, including changes to the project size and scope, and has exhausted all options to secure the required funding from other sources.

2. The project must demonstrate that additional AHP funds will fully fund the existing gap in the project's sources of funds to complete the project.

3. The modified project must score competitively in the funding round in which it was approved and still meet all feasibility guidelines.

4. The total amount of AHP subsidy from the original award plus the increase through the modification cannot exceed the lesser of (1) the maximum per project subsidy in the funding round in which it was originally approved or (2) the maximum subsidy in the current Plan.

5. For completed projects, the project must demonstrate that the units are currently uninhabitable or the conditions of the property pose a significant threat to the safety of the residents.

An incomplete project that has not yet drawn its original AHP subsidy, but still requires additional funding and does not meet the requirements above, may reapply for larger subsidy funding in the next General Fund funding round. In this situation the project must cancel its existing AHP approval prior to submission of the new AHP application.

Completed projects are not permitted to submit a new AHP application if the application is still within its AHP retention period.

K. Noncompliance and Subsidy Recovery

As permitted under the Regulations, the project sponsor and/or owner shall repay to the Bank the amount of the subsidy, plus interest as determined by the Bank consistent with the Regulations and the Bank's AHP Policies and Procedures that, as a result of the project sponsor and/or owner's actions or omissions, is not used in compliance with the terms of the application or the requirements of the AHP Regulations. Provided, however, the project sponsor and/or owner shall have no obligation to repay the AHP subsidy if: (i) after the project sponsor and/or owner receives notice from the Bank of such noncompliance, it cures such noncompliance within a reasonable time, as determined by the Bank in its sole discretion; or (ii) if the circumstances of such noncompliance are eliminated through an approved modification after the Bank has determined the project has complied with the modification requirements in Section 1291.29 of the Regulations.

L. Reuse of AHP Subsidies

If the project for which AHP subsidies were awarded does not proceed, those subsidies cannot be reused by the project sponsor for another project. Additionally, re-use of repaid AHP direct subsidy in the same project, is not permitted.

M. Revolving Loan Funds and Funding Loan Pools

AHP funds cannot be used for revolving loan funds or funding loan pools.

N. Project Completion and Eligibility

Project completion and eligibility requirements for the purposes of application review prior to application approval: 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 commitments within 12 months of the date of approval of the application for AHP subsidy funding the project. For an application to be awarded AHP funds, the rehabilitation or construction of the project must not be complete before the Board approval date. Completion is defined as the time at which rehabilitation or construction of the units is 100 percent complete and a certificate of occupancy or an architect's certificate of substantial completion has been issued. This definition applies only to the application review process.

Project completion, as defined after application approval: all approved AHP units must be completed within 48 months from application approval. Exceptions to these requirements may be granted at the Bank's discretion.

O. Disbursement of AHP General Fund Application Funds

1. For each disbursement draw, project sponsors must provide a certification prescribed by the Bank that the project sponsor has not engaged in, and is not engaging in, covered misconduct as defined by FHFA's Suspended Counter Party Program regulation.

2. Conditions to approval must be met prior to disbursement of AHP funds including without limitation those contained in the applicable AHP Implementation Plan, the Regulations, and any terms, conditions, covenants, or obligations contained in any and all agreements between the project sponsor, owner and/or the Bank related to the project.

3. Projects that have not drawn down AHP subsidies within 12 months of AHP approval may request up to a 12-month extension, provided the project has 75 percent or more of all funding sources approved. Projects without 75 percent of approved funding sources must submit a request for an extension that explains the continuing need for the AHP subsidy, the reason why all sources of funds are not yet approved and the strategy to secure approval for all funding sources. This request will be reviewed by the Bank's Community Investment Department (CID) management and, at their discretion; they may extend the AHP commitment no longer than 12 months.

4. If a project is not fully funded 36 months after Board approval, a commitment extension may be granted on a case-by-case basis at CID management's discretion.

5. Additional extensions to the above requirements may be granted on a case-by-case basis, at the Bank's discretion, if sufficient evidence is provided documenting reasons for the delay and/or progress toward project completion and funding. CID management will report to the Board of Directors all projects that are not funded 24 months after Board approval and projects that are incomplete 48 months after Board approval. CID management includes the Senior Director of Community Investment and/or the Chief Operating Officer.

6. Projects not meeting the above guidelines may be cancelled.

7. The Bank may include conditions in commitment extensions based on milestones in the project's development schedule such as, but not limited to, commitments from other funders. If the conditions are not satisfied by the project, the Bank may shorten the commitment expiration date.

8. For an initial funding disbursement, prior to release of AHP funds, the Bank will conduct a thorough review and undertake a financial analysis to verify that the projects/programs comply with the eligibility and feasibility guidelines of this Plan and that such projects/programs are entirely consistent with the content of the approved applications. Members and project sponsors are also required to certify the information they submit is accurate when the Sponsor and member approves the disbursement request in the AHP Online System.

9. For subsequent draws of AHP funds, members and project sponsors are also required to certify the information they submit is accurate when the project sponsor and member approves the disbursement request in the AHP Online System. The Bank conducts a review that includes an analysis of project progress to date and reviews any changes to the project since the previous AHP funding disbursement in order to verify that the project is still in compliance with the eligibility and feasibility guidelines of this Plan and that they are still consistent with the content of the approved application.

10. In cases where the Bank approves a direct subsidy to write down the interest rate on a loan from the Bank, prior to closing the principal amount or interest rate on a loan, the Bank shall verify any increases or decreases in the amount of subsidy required to maintain the debt service for the loan that may have occurred between the time of approval and the time the lender commits to the interest rate to finance the project. If the subsidy required decreases during such period due to a decrease in market interest rate, the Bank shall reduce the subsidy amount accordingly. If the subsidy required increases during such period due to rises in the market rate, the Bank may, at its discretion, increase the subsidy amount accordingly.

11. Refer to the AHP Disbursement Guide located on the Bank's website for minimum draw provisions on disbursements based on project type and for additional information on the draw process to request AHP funding: https://www.fhlb-pgh.com/resourcecategory-using-AHP-funding.

III. SET-ASIDE PROGRAM

Each year the Bank's Board of Directors decides whether to offer a homeownership set-aside program for the following year. In 2021, the Bank's Board of Directors has opted to continue the FFD program. The Bank will contribute 25 percent of the AHP allocation to FFD. To participate in a set-aside program, a financial institution must be a member of the Bank at the time an application is submitted.

<u>First Front Door</u>

The standards for FFD are as follows:

- Funds will be available on a first-come, first-served basis, until the program funds have been fully reserved. The member limit for FFD is 15 percent of the FFD total amount available for the program year. Program utilization will be monitored, and if funds remain four months post the round opening date, the member limit will be lifted and funds can be allocated to any member until all funds are exhausted.

- The total amount available for FFD includes 25 percent of the annual funds for AHP, which is based on the Bank's required contribution from the prior year's net earnings, as well as FFD or AHP funds returned to the Bank due to recaptures, repayments or deobligations. Bank management has the discretion to use the deobligations (fall-out) that is expected to occur during the FFD funding round to add to the FFD amount available.

- Home buyers must be a First-Time Homebuyer.

- The home buyer's income must be at or below 80 percent of the median family income as defined in section I(C) of this Plan at the time the home buyer's reservation is submitted to the Bank.

- Eligible properties are single-family, owner-occupied units that are intended as the primary residence of the homebuyer at the time of program eligibility. Eligible structures are single-household units, townhouses, condominiums and modular homes. Units that are manufactured and transported to a specific location may be considered as an eligible property if the home is permanently affixed to a site. Mobile homes, such as campers and those established as transportation vehicles, are not eligible to benefit from FFD Funding.

  Duplexes (half owner-occupied and half renter-occupied) or any other type of investment properties are not eligible for FFD assistance.

- Home buyers must obtain mortgage financing from the participating member.

- Students with part-time income (working 30 hours or less per week) or no income are not eligible to participate in the program.

- Eligible uses of the FFD grant as outlined in the FFD Product Manual on the Bank's website at https://www.fhlb-pgh.com/files/resources/FFD-Manual.pdf include:

  - Closing costs
  - Settlement costs for items connected with the loan
  - Down payment assistance or principal reduction on an eligible property
  - Homeownership counseling fees

- The Bank will match the home buyer's contributions on a 3:1 ratio up to $5,000.

- Home buyers must complete at least four hours of pre-homeownership counseling, including counseling on predatory lending. The counseling must be completed not longer than 18 months prior to registration approval date.

- Members must contribute some measurable financial concession to the affordability of the home. These may include but are not limited to:

  - Waived or reduced fees
  - Waived or reduced points
  - Reduced interest rate (below the standard, conventional market rate mortgage)
  - Reduction or elimination of other items that lower the participant's financial outlay

- The interest rate, points, fees and any other charges by the member or any other lender must not exceed a reasonable market rate for a loan of similar maturity terms and risk.

- A member may provide cash back to a household at closing on the mortgage loan in an amount not exceeding $250. A member shall use any FFD 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.

- FFD requires a five-year retention period and is subject to the Bank's Real Estate Retention agreement set forth in 12 C.F.R.§ 1291.15(a)(7).

- The FFD reservation period is 180 days from the registration approval date issued by the Bank. A disbursement request should be submitted within the 180-day period or the grant may be forfeited. Extensions of up to an additional 90 days may be granted at the Bank's sole discretion.

- Ineligible uses of the FFD grant include:

  - Repairs to a property
  - Used in any manner which results in homebuyer receiving cash back at closing/settlement in excess of $250
  - Expenses that violates the FFD rules and regulations

IV. MONITORING

The Bank's procedures for carrying out monitoring obligations for the AHP General Fund and homeownership set-aside programs are included in this Plan as Attachment D.

V. SUSPENSION AND DEBARMENT

The Board of Directors may suspend or debar a Bank member, project sponsor, project owner or other party from participation in AHP if such party shows a pattern of noncompliance, or engages in a single instance of significant noncompliance, with the terms of an approved application for an AHP subsidy or the requirements of the AHP regulation.

“Suspension” – means an action taken by the Bank that, for a temporary period of time, conditionally excludes or disqualifies a Bank member, project sponsor, owner or other party from participating in AHP or set-aside programs or from receiving disbursements of funds. A suspension applies to all programs funded by AHP. A suspension may be imposed or lifted by the Senior Director of Community Investment and will be reported to the Board of Directors.

The Bank may suspend a Bank member, project sponsor, owner or other party from participation in AHP or set asides for any of the following reasons:

- Failure to comply with one or more applicable program and/or regulatory requirements
- Failure to provide requested documents in a timely manner
- Consistent lack of progress towards completion of existing projects that result in numerous de-obligations and/or extension requests
- Consistent pattern of noncompliance with approved or modified application commitments that result in numerous modification requests or cure periods; or any other performance or compliance issues, including those specified as reasons for debarment noted below, that the Bank believes warrants a suspension

“Debarment” – means an action taken by the Bank that unconditionally excludes or disqualifies a Bank member, project sponsor, owner or other party from participating in any AHP or set aside programs or from receiving disbursements of funds. A debarment applies to all programs funded by AHP. A debarment must be approved by the Board of Directors.

The Bank may debar a Bank member, project sponsor, owner or other party from participation in AHP for any one or more of the following reasons:

- A demonstrated pattern of noncompliance or a single instance of flagrant noncompliance with a regulation or the terms of an application for subsidy
- A required repayment of AHP or other subsidy due to noncompliance where the party refuses to make such repayment
- Commitment of fraud, mismanagement of properties, or other negligent actions
- Any other issues that the Bank believes warrants debarment

- Reinstatement of debarred parties is at the sole discretion of the Board of Directors.

VI. RETENTION AGREEMENT REQUIREMENTS AND SUBSIDY REPAYMENTS

Retention Agreement Requirements

For the General Fund and homeownership set-aside programs, the Bank will adhere to the retention agreement requirements enumerated within 12 C.F.R § 1291.15.

Projects that involve rehabilitation of currently owner-occupied housing are not subject to a retention requirement. Additionally, owner-occupied rehabilitation units supported by AHP that currently have a retention agreement are no longer subject to repayment.

Rental, lease-purchase and owner occupied for-sale projects are still required to comply with retention requirements. Rental and lease-purchase projects are subject to a 15-year retention from the date the project is deemed complete by FHLBank Pittsburgh. Owner-occupied for-sale projects are subject to retention of five years from the date of the homebuyer's closing.

Review the AHP Disbursement guide for the AHP General Fund on the Bank's website for additional Retention Agreement requirements: https://www.fhlb-pgh.com/resourcecategory-using-AHP-funding

Subsidy Repayment Requirements – Owner-Occupied

If during the five years following the AHP/FFD homebuyer closing date for AHP/FFD units that involve owner occupied for-sale, the property is sold, the title is transferred, the mortgage is refinanced and the retention agreement cannot be maintained, foreclosure or deed in lieu of foreclosure occurs, or any scenario where the AHP/FFD assisted unit no longer has a legally enforceable retention agreement securing the funds, the Bank must be notified of such occurrence and the unit may be subject to a repayment calculation as determined by the Bank.

Repayment Calculation of Subsidy

The Bank must be informed in all circumstances as noted in the above section. Once informed, the Bank will follow the regulatory repayment calculation, which may result in a required repayment of subsidy. The following are part of the process:

Subsidy repayments are not required if the repayment amount would be less than $2,500 or as otherwise prescribed in the Regulations.[1]

Subsidy Repayment Requirements – Rental and Lease-Purchase Projects

[1] Consistent with regulatory guidance of the FHFA, for purposes of 12 C.F.R § 1291.15(a)(7)(ii)(B), the Bank has adopted the U.S. Department of Housing and Urban Development's HOME Investment Partnership Program and Housing Trust Fund (HTF) homeownership value limits as the proxy to be used to determine if a subsequent purchaser is low- or moderate-income (LMI). Such proxy may be used for such purpose unless documentation demonstrating such household's actual income is available

See section K: Noncompliance and Subsidy Recovery.

VII. PLAN APPROVAL

The Bank's Board of Directors retains sole authority for approving and amending this Plan.

The Bank's Affordable Housing Advisory Council (Advisory Council) shall provide its recommendations to the Board of Directors prior to the adoption of the Bank's Plan, and any subsequent amendments thereto.

The Bank will submit its approved AHP Plan, and any approved amendments, to the FHFA within 30 days after the date of their adoption by the Bank's Board of Directors.

The Bank's Plan, and any subsequent amendments, shall be made available to members of the public on the Bank's website at https://www.fhlb-pgh.com/resourcecategory-AHP-program-information within 30 days after the date of their adoption by the Bank's Board of Directors.

The Bank shall provide such reports and documentation concerning AHP as the FHFA may request from time to time.

VIII. INCORPORATION OF AHP REGULATIONS AND OTHER RELATED DOCUMENTS

The programs described above are subject to the AHP Regulation and manuals for such programs, all of which are incorporated into this Plan by reference. The program manuals describe additional guidelines for the programs, including, but not limited to: member and household requirements, application and award dates and detailed funding information, and are available at the Bank's website at https://www.fhlb-pgh.com/. Participants in AHP and FFD are responsible for reviewing the Regulation and manuals for regulatory and operational compliance purposes.

ATTACHMENT A

Definitions

Affordable - (1) The rent charged to a household for a unit that is to be reserved for occupancy by a household with an income at or below 80 percent of the median income for the area, does not exceed 30 percent of the income of a household of the maximum income and size expected, under the commitment made in the AHP application, to occupy the unit (assuming occupancy of 1.5 persons per bedroom or 1.0 persons per unit without a separate bedroom); or (2) The rent charged to a household, for rental units subsidized with Section 8 assistance under 42 U.S.C. 1437f or subsidized under another assistance program where the rents are charged in the same way as under the Section 8 program, if the rent complied with this definition at the time of the household's initial occupancy and the household continues to be assisted through the Section 8 or another assistance program, respectively.

AHP – The Affordable Housing Program required to be established by the FHLBanks pursuant to 12 U.S.C. 1430(j) and 1291.

AHP Project – A single-family or multi-family housing project for owner-occupied or rental housing that has been awarded or has received AHP subsidy under a Bank's General Fund and any Targeted Funds.

AHP Units – Units committed to occupancy by households at or below 80 percent of area median income (AMI).

Builder's Overhead – Expenses necessary to the operation of a construction business. Such expenses must be related to the project.

Cost of Funds – For purposes of a subsidized advance, the estimated cost of issuing Bank System consolidated obligations with maturities comparable to that of the subsidized advance.

Debt Coverage Ratio (DCR) – The ratio of a project's annual net operating income divided by the total annual debt service (principal plus interest).

De-Obligated Funds – Undisbursed funds that were committed to a project, household, or member and are being returned to the AHP fund.

Developer's Fee - Compensation to the developer for staff time, risk and work involved in the development of the project, including developer's expenses, overhead, profit and consulting fees or other fees and costs, which may include, among other things, work completed by staff in-house for sake of development of the project.

Direct Subsidy – An AHP subsidy in the form of a direct cash payment.

Disbursement – A payment of program funds to the member for use by the AHP project or set-aside.

District – The geographical area in which the Bank offers services to meet affordable housing needs; includes Delaware, Pennsylvania and West Virginia.

Eligible Household – A household that meets the income limits and other requirements specified by the Bank for its General Fund and any Targeted Funds and Homeownership Set-Aside Programs, provided that:

(1) In the case of owner-occupied housing, the household's income may not exceed 80 percent of the median income for the area; and
(2) In the case of rental housing, the household's income in at least 20 percent of the units may not exceed 50 percent of the median income for the area.

Eligible Project – A project eligible to receive AHP subsidy pursuant to the requirements of 1291.

Extremely Low-Income Household – A household that has an income at or below 30 percent of the median family income for the area, as determined annually by HUD with the income limit adjusted for household size.

First-Time Homebuyer – A person who has not owned a single-family home used as their primary residence in the last three years. This also includes if purchasing jointly with other individuals, at least one person has not owned a single-family, primary residence in the last three years or if an investment property is owned, the person is not living there and has not owned a single-family, primary residence in the last three years

Funding Round – A time period, as determined by the Bank, during which the Bank accepts AHP applications for subsidy under its General Fund and any Targeted Funds.

General Fund – A program that each Bank is required to establish and under which the Bank approves (i.e., awards) applications for AHP subsidy through a competitive application scoring process and disburses the subsidy, pursuant to the requirements of 1291.

General Requirements – Cost of items that do not apply directly to construction, the cost of which are customarily spread out over the entire project. The costs of the general contractor include, but are not limited to: attendance at development meetings; submittal of construction schedules, shop drawings and progress reports; supplying of temporary facilities, controls and utilities; handling of material and equipment, including transportation and storage of materials; and development close-out requirements, including clean up, final inspection and punch list.

Hard Construction Costs – The expenses directly related to the structure and onsite land improvements to a property, including new construction or rehabilitation.

Hard Debt - A loan with a required payment on a predictable schedule.

Homeownership Set-Aside Program – A program established by the Bank, in its discretion, under which the Bank approves (i.e., awards) applications for AHP direct subsidy through a noncompetitive process developed by the Bank and disburses the subsidy, pursuant to the requirements of 1291.

Household's Investment – The following, to the extent paid by the household and documented (in the Closing Disclosure or other settlement statement, if applicable, or elsewhere) to the Bank or its designee:

(1) Reasonable and customary costs paid by the household in connection with the purchase of

the unit (including real estate broker's commission, attorney's fees, and title search fees);
(2) Any down payment paid in connection with the household's purchase of the unit;
(3) The cost of any capital improvements made after the household's purchase of the unit until the time of the subsequent sale, transfer, assignment of title or deed, or refinancing; and
(4) The amount of principal on any mortgage senior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation repaid by the household.

Lead Sponsor – The Lead Sponsor is responsible for the AHP subsidy for the entire AHP compliance period: five years for projects involving for-sale owner-occupied projects - and 15 years for rental projects from the time of completion as defined by the Bank.

Lease-Purchase – One of more dwelling units for occupancy by households that are not currently owner-occupied, but tenants, through a lease-purchase agreement or contract work towards ownership of the unit. Lease-purchase projects will be scored as rental projects and will be required to meet all rental feasibility guidelines.

LIHTC or Low Income Housing Tax Credit -- Low Income Housing Tax Credits as such term/such program is described in/under Section 42 of the Internal Revenue Code (26 U.S.C. 42).

Low- or Moderate-Income Household – A household that has an income of 80 percent or less of the median family income for the area, as determined annually by HUD with the income limit adjusted for household size

Management Fee – The fee that the property manager is paid for managing the property. Responsibilities for property management typically include budgeting expenses, securing renters, collecting rent, and complying with laws and regulations.

Marshall and Swift – A service that provides building cost data necessary for real estate cost valuations. Marshall and Swift cost data includes the cost of labor, materials and installed components. The Bank may use this service to complete cost estimates to determine cost reasonableness.

Median Income – The Bank determines income by using the median family income for the area, as published annually by HUD.

Member – An institution that has been approved for membership in the Bank and has purchased their initial membership capital stock.

Multifamily Building – A structure with five or more dwelling units.

National Council of Housing Market Analysts Standards - A set of model content standards developed by the National Council of Housing Market Analysts that provide standard definitions, content criteria and guidelines for development market studies to ensure consistency across the industry. https://www.housingonline.com/councils/national-council-housing-market-analysts/model-content-standards/

Net Earnings of a Bank – The net earnings of a Bank for a calendar year before declaring or paying any dividend under section 16 of the Bank Act (12U.S.C. 1436).

Net Proceeds - (1) In the case of a sale, transfer, or assignment of title or deed of an AHP-assisted unit by a household during the AHP five-year retention period, the sales price minus reasonable and customary costs paid by the household in connection with the transaction (including real estate commission, attorney's fees, and title search fees) and outstanding debt superior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation; (2) In the case of a refinancing of an AHP-assisted unit by a household during the AHP five-year retention period, the principal amount of the new mortgage minus reasonable and customary costs paid by the household in connection with the transaction (including attorney's fees and title search fees) and the principal amount of the refinanced mortgage.

Operating Reserves – Funds set aside by the project sponsor and/or project owner to cover unexpected fluctuations in actual operating income and expenses.

Owner-Occupied Project – For the purposes of a Bank's General Fund and any Targeted Funds, one or more owner-occupied units in a single-family or multi-family building, including condominiums, cooperative housing, and manufactured housing.

Owner-Occupied Unit – A dwelling unit occupied by the owner of the unit.

Project Completion Determination – A rental project is complete when the AHP subsidy is fully disbursed and construction or rehabilitation of the project is complete, as evidenced by a habitability document such as a Certificate of Occupancy or Notice of Completion, and the project has achieved at a minimum 75 percent occupancy. An owner-occupied project is complete when the AHP subsidy is fully disbursed, construction or rehabilitation of the project is complete, and all mortgage loans are closed or all units are occupied.

Rehabilitation – The labor, materials and other costs of repairs, improvements, replacements, alterations and additions to existing buildings.

Rental Project – For the purposes of a Bank's General Fund and any Targeted Funds, one or more dwelling units for occupancy by households that are not owner-occupants, including overnight and emergency shelters, transitional housing for homeless households, mutual housing, single-room occupancy housing and manufactured housing communities.

Replacement Reserves – Funds set aside by the project owner to cover some or all of the cost to replace assets as they are used (e.g., roof, plumbing, appliances).

Retention Period – (1) Five years from closing for an AHP-assisted owner-occupied unit where the AHP subsidy is used for purchase of the unit or for purchase in conjunction with rehabilitation or for construction of the unit; and
(2) Fifteen years from the date of completion for a rental project as determined by the Bank.

Signatures – Where a signature is required, the Bank will accept a wet signature or an electronic signature. In cases where documents are signed by an authorized signatory, the documentation designating signing authority to the authorized signatory is required to accompany the signed document.

Single-family Building – A structure with one to four dwelling units.

Soft Costs – Non-hard costs, which may include legal, planning, design and coordination of a construction project.

Project Sponsor – A not-for-profit or for-profit organization or public entity that: (1) Has an ownership interest (including any partnership interest), as defined by the Bank in its AHP Implementation Plan, in a rental project; (2) Is integrally involved, as defined by the Bank in its AHP Implementation Plan, in an owner-occupied project, such as 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.

Subsidized Advance – An advance to a member at an interest rate reduced below the Bank's cost of funds by use of a subsidy.

Subsidy – (1) A direct subsidy, provided that if a direct subsidy is used to write down the interest rate on a loan extended by a member, project sponsor, or other party to a project, the subsidy must equal the net present value of the interest foregone from making the loan below the lender's market interest rate; or (2) The net present value of the interest revenue foregone from making a subsidized advance at a rate below the Bank's cost of funds.

Very Low-Income Household – A household that has an income at or below 50 percent of the median family income for the area, as determined annually by HUD with the income limit adjusted for household size

Visitable – In either owner-occupied or rental housing, at least one entrance is at-grade (no steps) and approached by an accessible route such as a sidewalk, and the entrance door and all interior passage doors are at least 34 inches wide, offering 32 inches of clear passage space.

ATTACHMENT B

Feasibility Guidelines

The development costs, fees and expenses contained herein are guidelines for the Bank's General Fund. The guidelines and AHP financial forms are required so that the Bank can determine whether a proposed project meets the threshold eligibility guidelines set forth in Section 1291.23 of the AHP Regulations and in this Plan. The guidelines are intended to determine a project's need for subsidy, readiness to proceed and financial viability. The guidelines set forth herein will apply through the funding disbursement and compliance period for AHP projects.

The Bank, in its sole discretion, may approve exceptions to the AHP guidelines if the project can demonstrate compelling justification for the exception. As part of the exception justification, the Bank may consider evidence that the project meets the feasibility guidelines set by a state housing finance agency (HFA), the U.S. Department of Agriculture: Rural Development (USDA) or the U.S. Department of Housing and Urban Development (HUD).

Feasibility Guidelines for Owner-Occupied and Rental Projects

Fair Housing

The project, 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 project will be affirmatively marketed. All applicants must complete and submit the Bank's Fair Housing Form.

Relocation

Projects must to the maximum extent feasible, prevent permanent relocation of households. However, if temporary or permanent relocation will occur, the project sponsor must assure that such households will be assisted to minimize the impact of relocation.

Projects which involve temporary or permanent relocation of current occupants must complete and sign the Bank's Relocation Form. The Bank may also request a copy of the project's relocation plan at any time.

The Bank's standards for relocation include but are not limited to reimbursement of moving related expenses, reasonable repayments for replacement housing, at least 90 days of advanced written notice informing the household of requirement to relocate and assist with relocation advisory services.

Developmental Feasibility Analysis

Readiness to Proceed

The Bank will evaluate a project's ability to meet the disbursement guidelines set forth in section II(O) of this Plan. The Bank will consider factors such as the development team capacity, market and demand for the units, zoning issues, environmental issues, commitment of other funding sources and site control. The Bank reserves the right, in its sole discretion, to determine a project ineligible for AHP funds if it appears unlikely that a project will have the ability to proceed per the AHP guidelines in II(O) of the Plan.

Project Sponsor/Development Team

The Bank will evaluate the capacity of the project sponsor and development team in completing and operating projects of similar size/type. The Bank will also take into consideration the project sponsor's outstanding projects to determine if the project sponsor has the capacity to complete the units specified in the AHP application.

Project sponsor's with multiple outstanding incomplete AHP projects and/or project sponsors with limited or no prior experience for the type of project being undertaken may have their requested AHP subsidy and/or proposed units in any existing or additional AHP projects reduced or eliminated at the sole discretion of the Bank.

Market Assessment

The Bank will evaluate the market demand and the need for the proposed units.

Refer to the grid below for market assessment requirements based on project type:

Market Study Required
1. Homeownership new construction or rehabilitation of for-sale housing 12 units or greater
2. Rental projects 20 units or greater, but does not meet the thresholds below for units reserved for special needs and/or homeless
The market study must be prepared by an independent, experienced market analyst or a Housing Finance Agency Housing Needs Assessment must be completed and available to the Bank at the time of application. The market study must demonstrate a market and demand for the AHP units. The Bank prefers that market studies use the National Council of Housing Market Analysts (NCHMA) standards, but this standard is not required. The market study completion must be no more than one year from the AHP application due date. A market study update completed by an independent experienced market analyst may also be provided if it dated within one year of round closing.

Alternative Market Demand Documentation Required
1. Homeownership new construction or rehabilitation for-sale housing that is less than 12 units
2. Rental projects that are less than 20 units
3. Projects that provide housing where at least 75 percent of the units are reserved for special needs and/or homeless persons
4. Homeownership rehabilitation of currently owner-occupied housing
5. Existing and occupied rental housing *
For numbers 1-3 above, the need and demand for all units in the AHP project must be demonstrated and supported by third-party documentation dated within 18 months of the AHP application due date. This documentation may include, but is not limited to, a needs assessment and a local housing market assessment. For number 4 above, a waiting list of homeowners or a detailed narrative of the process to identify qualified homebuyers will be required. *For number 5 above, existing and occupied rental properties may be exempt from the market study requirement if the property was income-restricted prior to the AHP application, can

demonstrate at least 93 percent occupancy for the two years preceding the AHP application due date, and provide a waiting list of qualified households.

Zoning Issues

Projects with zoning issues will be required to present a timeline to secure permissive zoning and demonstrate that permissive zoning can be secured within six months of the AHP approval.

Environmental Issues

All projects are required to assess project sites to determine if environmental issues are present. Projects with environmental issues will be required to present the process necessary to secure environmental clearance and demonstrate that clearance can be secured within six months of the AHP approval. Prior to disbursement, projects will be required to describe the process taken to identify and, if necessary, steps taken to remediate environmental issues.

Construction Contingency

The maximum construction contingency for projects involving new construction is 5 percent of the total construction costs, net of contingency. The maximum is 10 percent of total construction/rehabilitation costs for projects involving rehabilitation, net of contingency.

Acquisition Costs

The acquisition must be an arm's length transaction. If it is not, the Bank, in its sole discretion, may determine what acquisition costs and fees are acceptable and whether or not the project qualifies to receive an AHP subsidy. For projects with a related party transfer, all net proceeds from the sale of the property must be reinvested into the project to be eligible for an AHP subsidy.

In instances where the transfer of title for a property (or properties) is between related parties (not at arm's length), the project must submit an as-is appraisal by an independent, certified appraiser to validate the acquisition cost. The appraisal must be dated no more than 12 months prior to the AHP application due date or within 12 months of the purchase agreement signing.

In cases where the transfer is at arm's length and is to be acquired through a negotiated sale, a sales agreement, option, opinion of value by a licensed real estate broker or an as-is appraisal must be used to validate the acquisition cost.

In all cases, if the property is under option or sales agreement, or if transfer has occurred prior to the AHP application due date, the acquisition cost may not exceed the amount in the option or sales agreement or the actual purchase price on the settlement statement. In related-party transfers, the acquisition cost will be the lesser of the actual or agreed-upon sales price or the as-is appraised value.

If a project involves multiple property purchases, the above guidelines apply to properties targeted for acquisition. A minimum of 10 percent of the targeted properties must be acquired, under agreement or option, by the AHP application due date, and an acquisition strategy that will result in all properties being under control within 12 months of the AHP approval date must be provided to the Bank. The strategy is subject to Bank approval.

Soft Costs

A project's total soft costs – are limited to 30 percent of the total development costs, less acquisition, construction/ rehabilitation costs, demolition and off-site improvements.

Professional Fees

The combined architect and engineering fees are limited to a total of 7 percent of the total development costs, and attorney fees are limited to 4 percent of the total development costs, net of the applicable professional fee. Attorney fees related to acquisition are not included in this standard.

Interest Rates and Financing Fees

The interest rate, points, fees and any other charges by the member or any other lender must not exceed a reasonable market rate for a loan of similar maturity terms and risk.

Sources and Uses of Funds

The project's sources and uses of funds must include the residential portion of the project only. Reasonable costs associated with common areas, community rooms, space to accommodate functions and services exclusively for residents of the property and modest space for a property office may be included in the AHP sources and uses of funds budget. Non-residential space – such as commercial space, project sponsor program offices and supportive services – must be separated from the AHP sources and uses of funds budget. A separate sources of funds budget for these non-residential costs must be provided to the Bank.

Other Funding Sources – The Bank will review estimates of funds the project sponsor has contributed, secured and/or intends to obtain from other sources, but which have not yet been committed to the project. Commitment letters from approved funding sources must be submitted with the application and should include the amount of the commitment and the expiration date of the commitment or be dated no more than one year from the AHP application due date. The amount in the commitment letter must equal the amount included in the sources of funds.

Donated Material/Labor – The Bank will review the market value of in-kind donations and volunteer professional labor or services committed to the project. A project's sources of funds should include the estimated market value of in-kind donations and volunteer professional labor or services committed to the project. The project's uses of funds must also include the value of such estimates. However, "sweat equity" is not to be included in either the sources or uses of funds budget.

Member Involvement

Members are required to disclose their relationship with the project by providing information about loans, equity investments, services, real estate owned (REO) properties and any other involvement in the project. The interest rate, fees, value of services or property and other costs to be paid to the member must be reasonable and customary. An appraisal completed within six months of the application due date must be submitted for REO properties.

Feasibility Guidelines for Owner-Occupied Projects

Community Land Trusts (CLT) and Shared Equity Models (SEM)

The Bank will evaluate owner-occupied projects involving CLT and SEMs on a case-by-case basis. CLT and SEMs are permissible as long as (1) the homeowner receives a share of the appreciation upon sale of the property and (2) the CLT and SEM provide an adequate homeowner education component. The Bank reserves the right to exclude the amount of AHP subsidy from any equity-sharing formula.

Development Guidelines

The development guidelines apply to all owner-occupied projects.

Development Costs

For new construction for-sale owner-occupied projects, the Bank will use industry construction costs data or another basis of measurement to determine cost reasonableness. Additional information will be made available from the Bank and posted on the Bank's website https://www.fhlb-pgh.com/ResourceCategory-Applying-for-AHP-Funding prior to the round open date. Justification for overages may be considered by the Bank with valid reasoning as documented by a third-party architect, engineer or independent cost estimator. The Bank may require the project to do at least one of the following: (1) the construction costs must be validated by an independent third party, which may include the project's architect or engineer, and/or (2) the project sponsor must commit to using a competitive bidding process involving at least three general contractors where the lowest and responsible bidder is selected.

The following applies to rehabilitation owner-occupied projects:

In order to determine cost reasonableness, a project must do at least one of the following: (1) the rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer, and/or (2) the project sponsor must commit to using a competitive bidding process involving at least three general contractors where the lowest responsible bidder is selected.

If the rehabilitation cost per unit is above $100,000, the Bank will utilize a Marshall and Swift and/or other industry construction cost data to determine whether the construction or rehabilitation costs appear reasonable or use another basis of measurement as determined by the Bank. Justification for overages may be considered by the Bank with valid reasoning as documented by a third-party architect, engineer, or independent cost estimator.

For rehabilitation of currently owner-occupied housing projects, the project costs must not exceed local usual and customary costs. Evidence to verify the reasonableness of the project's costs will be based on, but not limited to, a description of how repair costs are determined and by whom; property inspection process/procedures; the construction contractor selection and bidding process; homeowner involvement in the scope of work process, contractor selection and completion of work validation; the responsibility of the homeowner; the strategy to prioritize work and implementation; and the waiting list of potential homeowners.

In all owner-occupied projects where the project sponsor/co-sponsor or developer, or an affiliate thereof, acts as the general contractor, the construction and/or rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer.

General Requirements will be limited to 6 percent of hard construction/rehabilitation costs. Builder's overhead, builder's profit, bond premium, construction contingency and building permits are not included in this calculation.

Builder's Overhead is limited to 2 percent of the hard construction costs plus the general requirements.

Builder's Profit is limited to 6 percent of hard construction costs plus the general requirements.

If there is a cost overage in general requirements, builders overhead and/or builders profit, the Bank may accept the overage if the aggregate of these categories does not exceed 14 percent.

Developer's and Consultant's Fees

The developer's fee includes developer's expenses, including overhead, administration, delivery fees, profit and consulting fees. The developer's fee will be limited to 15 percent of the project costs, which are the total development costs less acquisition costs and the developer and consultant fees.

Mortgage Term

The mortgage term will be at least 15 years. This guideline does not apply to rehabilitation of currently owner-occupied housing projects.

Cash Back

A member may provide cash back to a household at closing on the mortgage loan in an amount not exceeding $250. A member shall use any AHP 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.

Project Sponsor Financing

For an owner-occupied project where the project sponsor extends permanent financing to the homebuyer, the project sponsor's cash contribution shall include the present value of any payments the project sponsor is to receive from the buyer, which includes any cash down payment from the buyer plus the present value of any purchase note the project 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 to discount the cash flows.

Need for Subsidy

The Bank will use the feasibility guidelines above to determine if a project has adequately demonstrated that its costs are reasonable and customary and buyers have secured an appropriate level of mortgage financing. The Bank will analyze the committed and proposed sources of funds to determine the need for AHP funds. A project's estimated sources of funds shall equal its estimated uses of funds, as reflected in a project's development budget. AHP funds may be used to fill a gap in the permanent funding sources to the extent that one exists. Based on its analysis, the Bank may, in its sole discretion, determine the project does not need AHP or reduce the AHP amount requested.

Rental Feasibility Guidelines

Development Guidelines

The development guidelines apply to all rental projects and lease-purchase projects.

Development Costs

The Bank will use industry construction cost data or another basis of measurement to determine cost reasonableness. Additional information will be available from the Bank and posted on the Bank's website https://www.fhlb-pgh.com/ResourceCategory-Applying-for-AHP-Funding prior to the round open date. Justification for overages may be considered by the Bank with valid reasoning as documented by a third-party architect, engineer or independent cost estimator. The Bank may require new construction rental project sponsors to do at least one of the following: (1) validate the construction costs by engaging an independent third party, (which may include the project's architect or engineer), and/or (2) commit to using a competitive bidding process involving at least three general contractors where the lowest responsible bidder is selected.

For projects involving rehabilitation, to determine cost reasonableness, a project may be required to do at least one of the following: (1) the rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer, and/or (2) the project commits to using a competitive bidding process involving at least three general contractors where the lowest responsible bidder is selected.

Rental rehabilitation projects will be required to disclose information about the useful life of all systems in the property as well as the rehabilitation scope of work.

If a rental rehabilitation project is approved, the architect or engineer must complete a Third-Party Plan and Cost Review to be submitted with the initial request for disbursement of funds. In the Third-Party Plan and Cost Review, the architect or engineer will validate the scope of work and costs for the project as well as perform an analysis of the useful life components submitted for rental rehabilitation projects.

In cases where the project sponsor/co-sponsor or developer, or an affiliate thereof, acts as the general contractor, the construction and/or rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer.

General Requirements will be limited to 6 percent of hard construction/rehabilitation costs. Builder's overhead, builder's profit, bond premium, construction contingency and building permits are not included in this calculation.

Builder's Overhead is limited to 2 percent of the hard construction costs plus the general requirements.

Builder's Profit is limited to 6 percent of hard construction costs plus the general requirements.

If there is a cost overage in general requirements, builders overhead and/or builders profit, the Bank may accept the overage if the aggregate of these categories does not exceed 14 percent.

Developer's and Consultant's Fees

The developer's fee includes developer's expenses, including overhead, profit and consulting fees. The developer's fee will be limited to 20 percent of the project costs for developments of 24 or fewer units, and 15 percent for developments of 25 or more units. Project costs are the total development costs less acquisition costs and the developer and consulting fees. The Bank may recognize an additional developer fee of no more than five percent of the project's acquisition cost which will be the lesser of the actual amount paid for the building or the appraised value.

The developer's fee may be increased by 5 percent if the amount over the base standard is used to fund an internal rent subsidy or rental subsidy fund (base standard is 20 percent for projects with 24 or fewer units, and 15 percent for projects with 25 or more units). The reinvested developer's fee, equal to or greater than the amount over the base developer fee limit, must be included in the sources of funds.

Rental Soft Costs

Soft costs may increase to a maximum of 35 percent of the total development costs (TDC) (from the base standard of 30 percent of TDC) if a reinvested developer's fee is used to fund an internal rent subsidy or rental subsidy fund. The reinvested developer's fee, equal to or greater than the amount over the base soft cost standard, must be included in the sources of funds.

Capitalized Operating Reserve

Projects may contain a capitalized operating reserve of up to nine months of operating expenses plus annual hard debt service. A reserve of four months operating expenses plus annual hard debt service is encouraged for all projects and is required (1) if the Debt Coverage Ratio (DCR) is below 1.1 or (2) for projects with no debt service where the cash flow is less than 5 percent of the annual operating expenses.

An unconditional and irrevocable letter of credit in favor of the project may be used in lieu of a capitalized reserve. The Bank may consider alternate funding sources or other documentation for a project to demonstrate financial capacity.

Other Reserves

All project reserves must be identified in the project's financials submitted to the Bank and be justified to the Bank's satisfaction. At a minimum, projects must disclose who will fund the reserve and where the reserves will be held.

Additionally, all reserves, excluding operating and supportive services reserves, are limited to four percent of the TDC excluding acquisition costs for projects financed with low-income housing tax credits (LIHTC) and one percent of the TDC excluding acquisition costs for non-LIHTC projects.

Financing

Low Income Housing Tax Credits Equity Price – Projects must secure net equity equal to or greater than the rate set by the Bank prior to each AHP funding round. The Bank net equity minimum will be developed in consultation with the state HFAs in Delaware, Pennsylvania and West Virginia.

Operating Costs

A rental project must be able to operate in a financially sound manner during the AHP compliance period, in accordance with the feasibility guidelines contained herein.

Projects shall provide the revenue and expenses associated with the operation of the residential portion of the development. Supportive services costs must be submitted in a separate operating budget. Revenue and expenses related to non-residential components, such as commercial space and project sponsor offices, must be included on a separate operating budget and not in the AHP financial forms.

Tenant Rent and Third-Party Rent – Tenant rents must be affordable per the AHP Regulation section 1291.1 and in the Plan's Definitions section (see *affordable* definition).

Third-party rental payments are permitted provided that the project can document the plan to secure and/or the commitment of the rental assistance payments.

Controllable Operating Expenses Per Unit – Must be at least $1,100 per unit annually and may not exceed $5,300 per unit. Controllable operating expenses include administrative costs, operating and maintenance costs and payroll expenses. For projects containing 11 units or less, projects preserving existing rental housing and special needs projects, the controllable limits will be used as a guideline. If these types of projects exceed the controllable guidelines listed, the Bank will secure additional documentation, as necessary, to validate the controllable costs.

Non-Controllable Operating Costs – Include utilities, real estate taxes and insurance. Projects must provide the Bank with documentation or an explanation that adequately explains how these costs were derived.

Replacement Reserves – A project's annual replacement reserve must be $200-$500 per unit.

Management Fee – 5 percent to 10.5 percent of the gross rents. In the Bank's sole discretion, gross effective income may be considered in the calculation of management fee. Organizations that charge a management fee of less than 5 percent must provide the Bank with an explanation and documentation, as necessary, to demonstrate the financial condition of the organization.

Stabilized Vacancy Rate – 3 percent to 7 percent of gross rents

Debt Capacity and Viability – The Bank will evaluate a project's debt capacity (its ability to support a loan or a higher loan amount) using the projections in the 15-year operating pro forma. For all projects, the Bank uses the following to determine debt capacity:

1) For projects with hard debt, the Debt Coverage Ratio (DCR) must be between 1.05-1.35 throughout the 15-year operating proforma. The DCR will be calculated using hard debt only. At the Bank's sole discretion, soft and cash flow dependent debt service may be considered in calculating the ability to support debt.

2) For projects with no hard debt, the Bank will use the year with the lowest cash flow in the 15-year pro forma in a conversion analysis to determine a project's ability to support debt. The conversion uses the following assumptions:

   - A DCR of 1.15, or a DCR of 1.10 if a capitalized operating reserve exceeds nine months of expenses at any point after year 8;

   - A 15-year loan at the Bank's maximum interest rate; and

   - If the project receives rental or operating assistance from a government entity that prohibits using the assistance for debt service, the Bank will exclude these funds from the debt capacity conversion calculation.

Through this conversion analysis, if the project can support a loan, the Bank may reduce the AHP subsidy requested and may require the project to secure a loan to replace the reduced AHP subsidy. In any conversion scenario, if the amount of additional debt that the project can support is lower than 10 percent of the maximum allowable subsidy request limit for the funding round or 50 percent of the AHP subsidy request, whichever is less, the Bank may not require a reduction in the AHP grant request.

Projects with no debt that rely on operating subsidy and/or have any year where cash flow is less than 5 percent of annual expenses will be required to document to the Bank's satisfaction that a dedicated revenue source, such as HUD rental support or other resources, are available to ensure project viability. Projects that will rely on donations or fundraising to support the real estate operations will be required to demonstrate that the project sponsor and/or owner has a track record of raising funds necessary to support the project's operations throughout the pro forma period.

Revenue/Expenses Trending – Revenue trending may not exceed expense trending. Acceptable ranges are: revenue 2 percent to 4 percent and expenses 3 percent to 5 percent. For projects with DCR of 1.25 to 1.35 in the first year of stabilized occupancy, the expense trending percentage must exceed the revenue trending percentage. The difference between the revenue and expense trending must be no more than 1 percent.

Supportive Services – For projects that have a dedicated supportive services source of funds, including an escrow in the capital budget and/or a third-party funder, supportive services income and expenses should be reflected in a separate supportive services pro forma. For projects receiving a per diem payment from a third-party funder, which may include housing, supportive services and other costs necessary to support the population to be served by the project, the project sponsor will be required to separate the amount of per diem allocated to housing. The project sponsor must provide documentation from the funding source, if available, and/or a rationale for the amount of the per diem allocated to housing costs. The portion of the per diem allocated to housing should be included in the rental income worksheet and the residential pro forma. Some or all of the balance of the per diem may be used for supportive services and reflected on the supportive services pro forma.

An explanation of the supportive services to be provided to the project will be requested.

The limit on the supportive services escrow is $5,000 per unit. The project sponsor must provide the funder in the permanent sources of funds that permits funding for the supportive services escrow. The amount of the escrow will need to be included in the supportive services pro forma. The expenditure of these funds must be for services directed to the project's residents, and the escrow must be used within the AHP compliance period.

If supportive services expenses are included in the pro forma, the Bank will calculate the project's debt capacity using the Net Operating Income (NOI) for the project in year 15 after removing the supportive services line item from the expenses. Debt capacity and viability standards mentioned above must be met which may result in a reduction in the AHP grant.

Need for Subsidy

The Bank will use the feasibility guidelines above to determine if a project has adequately demonstrated that its costs are reasonable and customary and that the project has secured an appropriate level of hard debt financing. The Bank will analyze the committed and proposed sources of funds to determine the need for AHP funds. A project's estimated sources of funds shall equal its estimated uses of funds, as reflected in a project's development budget. AHP funds may be used to fill a gap in the permanent funding sources to the extent that one exists. Based on its analysis, the Bank may determine the project does not need AHP or may reduce the AHP amount requested.

ATTACHMENT C

General Fund Scoring

Statutory requirements		10 points
• Use of donated or conveyed government-owned or other properties	5	
• Sponsorship by not-for-profit or government entity	5	
Regulatory requirements		70 points
• Income targeting	20	
• Underserved communities and populations	25	
• Creating economic opportunity	14	
• Community stability	11	
Bank District priorities		20 points
• Projects serving low-income minority areas	4	
• New homeownership in low-income minority areas	6	
• Projects in FHLBank Pittsburgh's district	5	
• Sustained affordability	5	
Total		100 points

The Bank has allocated more than 10 percent of the Bank's required annual AHP contribution to a homeownership set-aside program (First Front Door) and has elected not to include "home purchase by low- and moderate-income households" under 1291.26(c) as a scoring criterion in the General Fund.

For more information about the Bank's scoring priorities, refer to the Bank's AHP Guidebooks available on the Bank's website at https://www.fhlb-pgh.com/.

Scoring Methodology

The Bank shall score only those applications meeting the AHP eligibility requirements of 12 C.F.R. 1291. Points awarded to the various categories will be either fixed or variable. Variable point criteria are those where there are varying degrees to which an application can satisfy the criterion. An application meeting a fixed-point criterion shall be awarded the total number of points allocated to that criterion.

Where scoring categories reference "total units" to determine the percentage of units that meet scoring threshold and/or requirements to receive points, "total units" for rental projects means all units in the project, and for owner-occupied projects, "total units" means AHP-eligible units.

Where additional forms are required to document scoring, the Bank's most current forms must be used.

Information submitted in the application for each scoring category must clearly substantiate the claim being made for scoring points. In addition, the applicants shall provide any and all additional documentation/evidence requested by the Bank in its sole discretion as part of the application and/or monitoring process.

Applications will be scored and ranked in declining order using the 100-point scale. Applications will be approved in rank order until all of the funds available are allocated, except for any amount insufficient to fund the next highest scoring application.

The Bank has not adopted a project alternate policy.

Tie-Breaker Methodology

In the event of a scoring tie between two or more applications in the same funding round and there is insufficient subsidy to approve all of the tied applications but sufficient subsidy to approve one or more of them, the following logic will be used to make approval determinations:

Step 1: The application located in Delaware, Pennsylvania or West Virginia will receive the AHP award approval. If the applications' scores are still tied, proceed to Step 2 below.

Step 2: The application that scores the highest number of points in the Underserved Communities and Populations will receive the AHP award approval. If the applications' scores are still tied, proceed to Step 3 below.

Step 3: The application that scores the highest number of points in the Creating Economic Opportunity scoring category will receive the AHP award approval. If the applications' scores are still tied, proceed to Step 4 below.

Step 4: The application with the highest score in the Community Stability scoring category will receive the AHP award.

STAUTORY REQUIREMENTS

Use of donated or conveyed government-owned or other properties 5 points Fixed

The land or units for the AHP project must be donated by a transfer of property made between two unrelated parties that occurred five years or less from the date of the AHP round closing date. The transfer of property must be necessary for the project.

Related Parties

Any person or organization involved in the AHP project or affiliated with organizations involved in the AHP project including, but not limited to, the project sponsor, member, members of the development team, and entities that have a financial interest in the project are considered to be related parties. Financial interest is defined as a permanent source of funds provided to the project. A related party may donate the property and qualify for donated property points if it: 1) transfers the property to the related party, and 2) acquired the property in a manner that meets the AHP definition of donation or has owned the property for at least five years from the date of the round closing date. A municipality or local authority is not considered a related party if they are acquiring properties through a public acquisition process with the express purpose, as evidenced by acceptable verification documentation, of supporting the development of affordable housing units.

To be considered for Donation points, projects must complete, sign and attach the Bank's Property Conveyance Form. The Bank will not accept other documentation for Donation consideration in the application. Projects will receive 5 points if one of the following criteria is met as indicated in the Bank's completed and signed Property Conveyance Form. The Bank, in its sole discretion, may require documentation to verify the claims made in the Property Conveyance Form.

1) At least 20 percent of the land or units is received for a nominal sales price, which is defined as $100 or less. Sales price is the monetary amount paid for the property/land and does not include typical and customary closing and settlement costs. Payoffs of prior liens are not considered customary and are considered part of the sales price. Property being leased may qualify as a donation if the lease term is at least 20 years and includes the period of AHP affordability.

2) At least 50 percent of the units or land is acquired at 50 percent or less of the Fair Market Value. Fair Market Value must be established by an as-is appraisal completed by a certified appraiser that is independent of the project and/or any member of the development team at the time of acquisition.

3) At least 20 percent of the land or units is acquired from the federal government, a federal agency or instrumentality thereof including, but not limited to, the U.S. Government, the U.S. Department of Housing and Urban Development, Rural Development, Fannie Mae or Freddie Mac.

The Bank considers both land and units in the donation equation.

The documentation that may be requested by the Bank that verifies the acquisition price must explicitly indicate that the property will be conveyed to the AHP project and include the monetary amount paid for the property.

Any assumption of debt relating to the donation will be included as part of the sales price paid for the property(ies).

If the documentation to evidence donation is a Quit Claim Deed, a legal opinion from the project's legal counsel must accompany the Quit Claim Deed to evidence clear title.

In instances where there is a claim of donation based on units, the final configuration of the AHP units must be situated on a parcel or parcels that meets a donation definition.

In instances where there is a claim of donation based on land area, a third party must document that all parcels being donated are necessary for the project. If less than 100 percent of the property in the project is being donated, proof of the dimensions for all properties in the project, including the donated land property(ies), must be provided by a third party.

For any documentation that does not indicate an address and only refers to a site description, sufficient third-party documentation must be provided to verify that the description in the documentation references the addresses for the AHP project listed in the AHP application.

Sponsorship by a not-for-profit organization or government entity 5 points Fixed

To qualify for points, project sponsorship must:

Involve participation in a project by a qualified organization. A qualified organization is defined as a not-for-profit organization, a state or a 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

A qualified organization must:

- Have an ownership interest in a rental project; or
- Be integrally involved in a rental project or owner-occupied project by exercising control over the planning, development, or management of the project. Additionally, an owner-occupied project may be integrally involved by qualifying borrowers or providing or arranging financing for the owners of the units

Ownership interest or integral involvement in a project may include ownership or integral involvement by an organization that is an affiliate of a qualified organization. For purposes hereof, affiliate means any organization that controls, is controlled by, or is under common control with the qualified organization.

To receive points, the project must complete and submit the Bank's Sponsorship by Qualifying Organization form. This form must be signed by an attorney, the project Sponsor and the qualified organization. If the qualified organization is yet to be formed, then only the attorney and project sponsor signature are required. The project sponsor must also submit required supporting documentation as required by the Bank.

REGULATORY REQUIREMENTS

Income Targeting 0 - 20 points Variable

Income targeting entails the extent to which a project creates and reserves housing for very-low-, low- or moderate-income households. Applications for owner-occupied and rental projects will be scored separately.

Rental Projects

For projects involving the purchase or rehabilitation of rental housing that already is occupied, a household must have an income meeting the income targeting commitments at the time of application to the Bank for AHP subsidy, unless the project has a relocation plan for current occupants either approved by one of its federal, state, or local government funders at time of application or commitment of all project funding. For occupied rental applications without a relocation plan, a current rent roll on the Bank's template is required showing household incomes for the occupied units. At its sole discretion, the Bank may request and review the income documentation for current residents to confirm the targeting commitments made at the time of application.

Projects will be scored using the following methodology:

- Projects with 60 percent or more of the total units reserved for households at less than or equal to 50 percent of area median income (AMI) will receive 20 points
- Remaining projects will be scored using the following scale:
  1. Percent of the total units reserved for households with incomes at less than or equal to 50 percent of AMI multiplied by 20
  2. Percent of the total units reserved for households with incomes greater than 50 percent and less than or equal to 80 percent of AMI multiplied by 12

  Total score is the sum of 1 and 2 above rounded to six decimal places.

The units designated in the application must be reserved for the targeted households throughout the duration of the 15-year AHP retention period.

Owner-Occupied Projects

For projects involving the rehabilitation of owner-occupied housing in which the homeowners/households and locations have been identified and qualified by the project sponsor for participation, the participating household must have an income meeting the income targeting commitments at the time of application to the Bank for AHP subsidy. At its sole discretion, the Bank may request and review the income documentation for current homeowners to confirm the income targeting commitments made at the time of application.

Projects will be scored using the following methodology:

- Projects with 60 percent or more of the total units for households at less than or equal to 60 percent of area median income (AMI) will receive 20 points
- Remaining projects will be scored using the following scale:
    1. Percent of the total units targeted to households earning equal to or less than 60 percent of AMI multiplied by 20
    2. Percent of the total units for households with incomes greater than 60 percent and equal to or less than 80 percent of AMI multiplied by 16

    Total score is the sum of 1and 2 above rounded to six decimal places.

Underserved Communities and Populations

<u>Housing for Homeless Households</u> 8 points Variable

Eight points will be awarded to projects that reserve equal to or greater than 50 percent of the project's total units for homeless households.

Projects that reserve at least 20 percent of the total units but less than 50 percent of the total units for homeless households will receive four points.

Qualifying projects include rental housing, excluding overnight shelters, the creation of transitional housing permitting a minimum of six months occupancy, or the creation or rehabilitation of permanent owner-occupied housing meeting the reserved unit thresholds above.

The Bank has the sole discretion to reduce homeless points based on its assessment of the project's ability to reserve and occupy those units for the homeless.

Homeless is defined as follows:

1. Persons who are sleeping in places not meant for human habitation (e.g., cars, parks, streets/sidewalks, and so forth)
2. Persons sleeping in emergency shelters
3. Persons graduating from a transitional housing program specifically for homeless persons
4. Persons being discharged from an institution or foster care with no permanent residence available
5. Persons *who would* be discharged from an institution if they had a permanent residence to go to
6. Victims of domestic violence
7. Persons living in temporary housing not meant as permanent housing such as motels

8. Persons who are “doubled-up” and are in a situation of overcrowding, which is defined as:

Unit Size	**Number of People**
Efficiency	3 or more
1 Bedroom	4 or more
2 Bedrooms	6 or more
3 Bedrooms	8 or more
4 Bedrooms	10 or more

Special Needs and Military Veterans 8 points Variable

Eight points will be awarded for the creation of housing reserving equal to or greater than 50 percent of the total units for occupancy by persons or households with special needs as defined below, and/or military veterans. Military veterans are considered a targeted population in the AHP regulation.

Projects that reserve at least 20 percent of the total units but less than 50 percent of the total units will receive four points.

The Bank has the sole discretion to reduce special needs and military veteran points based on its assessment of the project’s ability to reserve and occupy those units for individuals with special needs and/or military veterans.

Special needs are defined as:

1. *Physically and/or mentally disabled* – A person (1) with a physical and/or mental (i.e., psychiatric disorder) impairment that results in substantial functional limitations and who is receiving disability benefits from federal or state government; or (2) who is deemed physically and/or mentally disabled by a qualified professional who attests that by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning or socializing.

2. *Developmentally disabled* – A person (1) with a severe chronic developmental disability who has been diagnosed with mental retardation and who is receiving disability benefits from federal or state government; or (2) who is deemed developmentally disabled by a qualified professional who attests that by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning or socializing.

3. *Persons recovering from domestic abuse, dating violence, sexual assault or stalking (physical abuse)* – A person who has been subjected to a willful action of inflicting bodily injury or physical mistreatment as documented by a qualified service provider.

4. *Persons recovering from domestic abuse, dating violence, sexual assault or stalking (emotional abuse)* – A person who has been subjected to a willful action of inflicting emotional mistreatment, but has not been physically abused, as documented by a qualified service provider.

5. *Persons recovering from substance use disorder (alcohol or drug abuse)* – A person with a history of substance abuse and/or dependency who is receiving treatment for

the abuse and/or dependency from a qualified service provider.

6. *Persons with HIV/AIDS* – A person with a medical diagnosis of Auto Immune Deficiency Syndrome or who is medically diagnosed by a qualified professional as HIV positive and who is receiving medical care for the condition diagnosed.

7. *Elderly persons* – A person who is 62 years of age or older.

8. *Formerly incarcerated person* – A person that was previously convicted of a crime and was detained in a local, state or federal jail or prison within the prior five years.

9. *Youth aging out of foster care* - Youth/young adults who left foster care within the prior five years and who were in foster care at or over age 16.

Other Targeted Populations

Military veterans – a person who served in the active military, naval, or air service and who was discharged or released under conditions other than dishonorable.

Any member of a household with any of the qualifying special needs conditions or is a military veteran as outlined above qualifies the household as a special needs or a military veteran household.

The number of units reserved/occupied by persons or households with special needs or military veterans in an approved AHP project must be maintained as approved in the AHP application, and if applicable, for the duration of the AHP retention period.

Housing in Rural Areas 5 points Fixed

Projects located in rural areas will receive 5 points. The types of documentation that will be considered are: 1) a print out of the rural determination for each AHP project site in the application provided by the USDA Rural Development, which can be found at the USDA's website http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do, or 2) the Bank's Rural Certification Form for the project site(s) signed by the USDA, which must be submitted with the application to classify projects as rural under this criterion.

If the application contains multiple sites, the application may receive rural points in three ways:

- If the sites are known and at least 75 percent of the site addresses for the AHP units identified in the application are determined to be rural per USDA Rural Development and acceptable documentation from USDA Rural Development as described above is submitted with the application for all site addresses

- If at least 75 percent of the units in the application will be located in a county or counties that are determined to be rural per USDA Rural Development

- In instances where sites are not yet known or identified, the sponsor must certify that at least 75 percent of the properties in the project will be considered eligible as rural per USDA Rural Development.

Rental housing for Extremely Low-Income Households   4 points   Fixed

Four points will be awarded to rental projects that reserve at least 20 percent of the project's total units for extremely low-income (ELI) households, who earn less than or equal to 30 percent of the area median income. The units designated in the application must be reserved for ELI households throughout the duration of the 15-year AHP retention period.

Creating Economic Opportunity

Promotion of Empowerment   0 - 10 points   Variable

Points will be awarded to projects to the extent and degree that the housing is provided in combination with a program or programs offering services and opportunities, including education, training, employment, homebuyer, homeownership or tenant counseling, day care services, resident involvement in the decision-making affecting the creation or operation of the project, or other services that assist residents and buyers to move toward better economic opportunities.

Points will be awarded to projects providing housing in combination with a program offering one or more of the following activities that assist residents in moving toward better economic opportunities. Projects will receive points as indicated for each activity offered, up to a maximum of 10 points at the Bank's sole discretion, based on the extent to which the Bank determines that the programs and services provided by the project sponsor play an integral part in the concept of the project, have been actively secured for the residents, have a direct link or commitment to the residents and are appropriate for the targeted population. Applications will be evaluated based on the empowerment details and provider information contained in the application and supporting documentation.

To receive points for each empowerment activity selected in the application, a signed Memorandum of Understanding (MOU) will be required for each empowerment activity.

Empowerment techniques may only be submitted on the Bank's MOU. Any deviations from this will not be eligible for consideration.

Each empowerment technique may only be considered once. For example, if a project is providing educational techniques such as GED and computer classes, the project would receive two (2) points for empowerment through education rather than being awarded points for each element within the education category.

If a third party is providing the service, the MOU must be signed and dated by the project sponsor and the third-party provider at time of AHP application submission to receive scoring consideration.

Empowerment scoring:

Four points will be awarded for the following techniques:

- *Pre-Homeownership Counseling* – Complete at least four hours of face-to-face homeownership counseling provided by an organization recognized as experienced in homeownership counseling or complete one of three Bank- approved online counseling sources: eHome America, Framework or PHFA Online Counseling. Counseling must take place prior to the purchase of the home. Points will be awarded for pre-homeownership counseling only if counseling is mandatory for all AHP-assisted homeowners. Pre-homeownership counseling points will only be awarded to new construction owner-occupied projects and rehabilitation of for-sale housing projects. The course curriculum must include the topic of predatory lending to be eligible for scoring consideration.

  A project cannot receive points for both pre-homeownership counseling and financial literacy/credit counseling/budgeting because of the similarities between these techniques. Only one of these techniques will be eligible for consideration.

- *Post-Homeownership Counseling* – Points will be awarded for post-purchase face- to-face homebuyer counseling only if counseling is mandatory for all AHP-assisted homeowners and is at least four hours. Topics may include maintenance and repairs and improvements. Post-homeownership counseling points will only be awarded to owner-occupied projects.

Two points for the following techniques:

- *Case Management* – Encompasses the assessment, planning, facilitation and advocacy for a client's individual needs and supports the residents' ability to find or sustain employment or be self-sufficient or promotes their economic betterment. May also include family self-sufficiency programs.

- *Counseling* – Mental and behavioral health services, substance abuse prevention and treatment programs or residential support services. Services provided must promote economic betterment by supporting residents' ability to find or sustain employment or be self-sufficient.

- *Daycare Services* (youth or adult) that allow residents to pursue economic opportunity. The daycare must have a valid and current operating license dated within 12 months of application submission.

- *Education* (related to economic empowerment other than employment training) – May include adult accredited education programs, GED, vocational training, computer classes, English as a second language or literacy programs.

- *Employment Training* – Services and/or job training programs to assist residents with procuring employment (i.e., job search assistance, career counseling, apprenticeships, resume writing assistance, job placement).

- *Financial* – Project financially empowers its residents other than by providing rental assistance, restricted rents or down payment assistance. Eligible financial benefits may include the provision of matched savings programs (i.e., individual development accounts) or other programs or services that provide direct and quantifiable cash assistance to residents.

- *Financial Literacy/Credit Counseling/Budgeting* – Includes topics such as basic financial planning and money management, overview of credit and credit reports, assessment of individual credit reports, steps to repair credit, successful money management and establishing a budget, and early warning signs of debt problems. An application cannot receive points for this technique if it also receives pre-homeownership counseling points.

- *Homeowners Association* – An association of homeowners created to allow regular discussions of homeownership issues and neighborhood and community issues. The association should have regular meetings and some policies and procedures governing its business, but it does not have to be formally chartered or incorporated.

- *Life Skills Classes* that promote economic betterment or self-sufficiency. The life skills training should focus on topics that enable individuals to deal effectively with the demands and challenges of everyday life.

- *On-site Primary Health Care Services* including food service programs that are delivered on-site and directly benefit the residents of the project and vaccination/screening programs or health care management programs that support residents' ability to find or sustain employment or be self-sufficient.

- *Resident Serving on Project Sponsor's Board* – Means a resident serving on the board of directors of the project sponsor. The resident of the project must have been elected by other residents and there must be procedures that describe the selection process, including eligibility and filling vacancies.

- *Sweat Equity* – Activities required of the homebuyers or their families related to the construction/rehabilitation of the home.

- *Tenant Council* – An organization comprised of tenants of the property with regular meetings and operating rules and procedures (such as by-laws and elections) affecting the operation of the project.

- *Transportation* – Project-specific private transportation services provided by the project and tied to residents' economic empowerment.

- *Youth or After-school Programs* that serve as a substitute for childcare, enabling the youth's parents or guardians to find or sustain employment.

<u>Residential Economic Diversity</u> 4 points Fixed

<u>The financing of housing in high opportunity areas.</u>

To qualify a project must have at least 75 percent of the properties in the project located in a census tract(s) with a median family income that is equal to or greater than 100 percent of the regional median family income (Metropolitan Statistical Area [MSA]/Metropolitan Division [MD] or non-MSA/MD) as published on the Federal Financial Institutions

Examination Council's (FFIEC) website at https://www.ffiec.gov/.

- In instances where sites are not yet known or identified, the sponsor must certify that at least 75 percent of the properties in the project will be located in a qualified census tract defined above
- For known and identified sites, the FFIEC printout validating the median family income for each qualifying project site's census tract must be attached to the application. In instances where sites are known but addresses are not identified, FFIEC census tract documentation reflecting the exact property/properties must be provided. Block group data will not be accepted.

Community Stability 11 points Variable

The purpose of the category is to reward and encourage affordable housing development that has a positive impact on the well-being of the community.

To be considered for points under this category, a project must first meet the following threshold requirements for displacement:

- To the maximum extent feasible, no permanent displacement of low- or moderate-income households will occur or, if such displacement will occur, assure that such households will be assisted to minimize the impact of displacement based on the following guideline:

  Projects that have resulted or will result in the permanent displacement of low-income residents will be ineligible to receive points under the community stability criterion unless the project sponsor completes and signs the Bank's Relocation Form in a manner that is deemed to be satisfactory to the Bank. Projects may be requested to document to the satisfaction of the Bank the effectiveness of notice given to the residents. The Bank may also request a copy of the project's relocation plan.

- Once the threshold requirement for displacement is satisfied, points will be awarded based on the project description and other supporting information provided in the application.

<u>Community Planning</u> 3 points Fixed

Projects may receive three points for demonstrating consistency with a community plan and that the project meets targeted priorities identified in the plan.

The following types of plans are eligible for consideration as a community plan:

- A community or neighborhood stabilization plan approved by a local or state government
- A community plan approved by a community organization
- A plan targeting homeless, special needs or veterans

To receive points, the Bank's Community Planning Form must indicate that at least 75 percent of the properties in the project are located within the area covered by the Plan, indicate it is certified to meet targeted priorities in the plan, and must be signed by a representative of the entity that approved the plan. Only one plan will be accepted. The original plan approval or plan update approval must be no more than ten years from the General Fund application due date.

Rehabilitation of Existing Properties	3 points	Fixed

Includes projects that involve rehabilitation of existing structures, including blight removal and adaptive reuse. The rehabilitated units must be at least 75 percent of the project's total AHP units.

For rental projects and owner-occupied for-sale projects, the rehabilitation costs must greater than $25,000 per rehabilitated unit of hard rehabilitation costs.

Historic Property Rehabilitation	2 points	Fixed

Project rehabilitates a property of historic significance involving greater than $25,000 per rehabilitated unit of hard rehabilitation costs. To receive points, the property must meet the definition of historic significance as defined by the Bank's Property of Historic Significance Form which must be attached to the application. The form must be signed by the State Historic Preservation Office (SHPO).

Preservation of Existing Subsidized Housing	3 points	Fixed

Project preserves existing subsidized housing provided that hard rehabilitation costs are greater than $10,000 per rehabilitated unit. To meet the criteria for this category, the subsidized units must be within two years of any permitted repayment or expiration of the restricted use requirement. Additionally, if the project proposes both rehabilitation and new construction of units, the preserved rehabilitated units must be at least 75 percent of the project's total AHP units. To receive points, the Preservation of Existing Subsidized Housing Certification Form must be attached to the application indicating 100 percent of properties are within two years of either permitted repayment or restricted use expiration and must be signed by the original funder(s).

FHLBANK DISTRICT PRIORITIES

Projects Serving Low-Income Minority Areas	4 points	Fixed

Projects serving low-income minority areas that: 1) meet the low-income area definition below, 2) meet at least one of the minority area criteria, and 3) meet the community planning/housing need in the project area:

1. Low-income area - At least 51 percent of all households in the census tract(s) earn equal to or less than 80 percent of the area median income

2. Minority area – the census tract(s) where the project is located meets at least one of the following criteria:(i) The census tract's total percentage of minority persons is at least 20 points higher than the total percentage of minority persons in the county where the project is located; or (ii) Has a non-white population of 50 percent or more.

3. Community Planning/Housing Need - To meet this criterion, a project must satisfy and qualify for scoring points under the AHP's Community Planning category

To qualify for points at least 75 percent of the AHP properties must be located in low-income minority census tracts as defined above and meet the community planning/housing need component:

- In instances where sites are not yet known or identified, the sponsor must certify that at least 75 percent of the properties in the project will be located in low-income minority census tracts and meet the community planning/housing needs component. For known and identified sites, the FFIEC printout validating each qualifying project site's census tract must be attached to the application. In instances where sites are known but addresses are not identified, FFIEC census tract documentation reflecting the exact property/properties must be provided. Block group data will not be accepted.

New Homeownership Opportunities in Low-income Minority Areas 6 points Fixed

Projects that create new homeownership opportunities in low-income minority areas and meet the qualifications of the low-income minority areas scoring category above are eligible for six points.

Projects in FHLBank Pittsburgh's District 5 points Fixed

Projects with all units located in Delaware, Pennsylvania or West Virginia will receive five points.

Sustained Affordability 5 points Fixed

Owner-occupied project with an affordability compliance period of 30 years or more or that utilizes a community land trust model or a shared equity model for all addresses in the project. To receive points, the property's underlying binding legal agreement must include resale restrictions within the affordability compliance period (30 years or more) to ensure affordability of units offered for sale before the end of the affordability period.

This provision shall include a formula for equity sharing in its governance documents. Additionally, the property's underlying binding legal agreement must include a purchase option that gives the community land trust or the developer an exclusive option to purchase the sustained affordable unit when it is offered for resale. The retention mechanism for the project's sustained affordability of 30 years or more is separate from the retention for AHP which is limited to five years for owner-occupied projects.

To receive points, the Bank's Sustained Affordability Form must be signed by the entity committing to the protection of affordability at targeted levels of income for the 30+ year compliance period. The entity must also validate that there will be an education component for each homeowner. The Bank may also request a copy of the binding legal document (deed covenant or restriction, ground lease, etc.) that will encumber the property after it is developed to control resale prices.

ATTACHMENT D

Monitoring

The Bank's Community Investment Department (CID) shall monitor projects that have received funding under the Affordable Housing Program (AHP), in accordance with the Bank's Monitoring Program. The Monitoring Program shall provide reasonable assurance that the following five critical areas are ascertained with respect to approved projects:

1. Accountability of AHP funds
2. Eligibility of recipients
3. Level of compliance with approved AHP application
4. Level of compliance with the Federal Home Loan Bank Act and 12 C.F.R. Part 1291, as may be amended from time to time
5. Level of compliance with the Bank's AHP policies and procedures and the Plan

To achieve the aforementioned, the AHP Monitoring Program will have, as its primary focus, three levels of review. The three levels are:

Level 1 – Semi-Annual Progress Report and Project Completion Certification
Level 2 – Project Completion Report
Level 3 – Long-Term Monitoring

The three levels of review are presented and discussed as follows:

LEVEL 1: SEMI-ANNUAL PROGRESS REPORT AND PROJECT COMPLETION CERTIFICATION

A. Overview

A Level 1 review is conducted during the project's incomplete stage from application approval to project completion. This review is conducted every six months and includes analysis of the Semi-Annual Progress Report (SAPR). Additionally, a Certification Report provided by the project sponsor/owner at project completion will be reviewed. Both the SAPR and certification reviews will be documented within the AHP Online system.

B. Procedures

Beginning six months after the Bank's approval of the member's AHP competitive application, and continuing until project completion, the project sponsor must submit to the Bank a SAPR on at least a semi-annual basis. The SAPR will address the six-month periods ending June 30 and December 31. The SAPR is required to be filed during the period of construction or rehabilitation of a project and will detail the progress and overall status of the project. The project Sponsor will complete and certify the SAPR via the AHP Online system. Once the SAPR is certified by the project sponsor, the member may review the SAPR and inform the Bank of any issues or discrepancies regarding the project. The SAPR is required to be filed until the project is deemed complete by the Bank. Project completion is defined as follows:

1. Owner-occupied project:

    - Construction and/or rehabilitation complete on all units
    - All AHP funds disbursed
    - All units sold

2. Rental project:

    - Construction and/or rehabilitation complete on all units
    - All AHP funds disbursed
    - At a minimum, 75 percent of units occupied

3. A SAPR will be reviewed to determine:

    - Level of progress towards completion and occupancy
    - Project status
    - Level of compliance with the approved application

Satisfactory progress towards completion will be determined based on the following:

- AHP funds will be disbursed to the project within 24 months from application approval.
- Construction or rehabilitation of AHP units will commence within 24 months from application approval.
- All AHP units will be complete within 48 months from application approval.
- Exceptions to these requirements may be granted only when circumstances causing the delay are beyond the control of the project sponsor/owner.

Projects that are not in compliance with the above satisfactory progress guidelines will be placed on the Bank's Watch List Report and may be subject to de-obligation and/or recapture of AHP funds and/or subject to the Bank's compliance remedies as detailed within the Bank's Monitoring Procedures.

LEVEL 2: PROJECT COMPLETION REPORT

A. Overview

A Level 2 review is defined as Project Completion Report (PCR) review of the project and is conducted after project completion. PCR encompasses a review of the project to determine the level of the project's compliance with the approved application, any approved modification(s), law, regulation, Bank policy and/or procedures. A Monitoring Report is produced that details the results of PCR. This review may start earlier if there is any indication of noncompliance.

B. PCR Procedures

1. For all completed rental and owner-occupied AHP projects, a Level 2 PCR will be completed within a reasonable period of time after project completion. Project completion shall be determined by the Bank in its sole discretion. In making such determination, the Bank may consider, among other things, progress indicated as of the SAPR date, date of

last unit completed, or other notification provided to the Bank.

2. During the Level 2 PCR process, 20 percent of a project's units, or at least two units, will be selected for monitoring.

3. When an AHP project is subject to PCR, the following will be determined by the Bank:

   - Level of compliance with the approved application

   - Level of compliance with 12 C.F.R. Part 1291

   - Level of compliance with the Bank's AHP policies and procedures

   - Whether the AHP subsidy was used for eligible purposes according to the commitments made in the approved AHP application

   - Whether the household incomes comply with the income targeting and affordability commitments made in the approved AHP application. Consistent with 12 C.F.R. § 1291.50(b), for projects that received LIHTC, HUD Section 202 Program for the Elderly, HUD Section 811 Program for Housing the Disabled, USDA Section 515 Rural Multifamily Program and USDA Section 514 Farmworker Multifamily Program, the Bank will not require back-up documentation for household income and rents and instead will rely on the government entities' review of such documentation. For homeless and victims of domestic violence residing in shelters, the Bank does not need to obtain back-up documentation from the shelter owners verifying the residents' compliance with the AHP income-eligibility or AHP rent requirements (See, Finance Agency AB 2019-02). Instead, the Bank may rely on certifications by shelter owners to verify compliance with the AHP income-eligibility and rent requirements (See, Finance Agency AB 2016-03).

   - Whether the project's actual costs were reasonable in accordance with the Bank's project feasibility guidelines. The Bank requires that the project's final sources of funds and development costs be validated by a cost certification completed by an independent accounting firm or a Certified Public Accountant.

   - Whether the AHP subsidy was necessary for the completion of the project, as currently structured Retention agreements (See Section VI Retention Agreement Requirements)

4. Certification Reports for owner-occupied and rental projects are required to be filed by the project sponsor or owner.

   For a rental project, the project owner will certify the following:

   - The individual executing the certification is duly authorized to make the representations contained in the certification.

   - The AHP subsidy was used for eligible purposes according to the commitments made in the approved AHP application.

   - The project's costs were reasonable in accordance with the Bank's project cost guidelines, and the AHP subsidy was necessary for the completion of the project as currently structured, as determined pursuant to 1291.24(a)(4) of the AHP Regulation.

- The services and activities committed in the AHP application have been provided.

- The household incomes and rents comply with the income targeting and rent commitments made in the application.

- The rent roll provided to the Bank in connection with this Certification contains a true, accurate and correct list of the actual tenant rents and incomes for the project and are in compliance with the rent and income targeting commitments made in the project's application and further that it maintains documentation regarding tenant rents and incomes to support the certification that is available for review by the member and the Bank.

- The project is subject to a legally enforceable retention agreement or mechanism meeting the requirements noted in 1291.15(a)(8) of the AHP Regulations.

- The project sponsor acknowledges that the Bank has the right to request additional supporting documents as part of the project's monitoring and that all such documents submitted shall be true, accurate and correct.

For an owner-occupied project, the project sponsor will certify the following:

- The individual executing the certification is duly authorized to make the representations contained in the certification.

- The AHP subsidy was used for eligible purposes according to the commitments made in the approved AHP application.

- The project's costs were reasonable in accordance with the Bank's project cost guidelines, and the AHP subsidy was necessary for the completion of the project as currently structured as determined pursuant to 1291.24(a)(4) of the AHP regulation

- The household income complies with the income targeting commitments made in the application.

- The household income for the AHP-assisted homeowner(s) as reported is accurate and in compliance with the income targeting commitments made in the approved AHP application or any approved modification.

- The AHP-assisted units where a household received AHP subsidy for the purchase or purchase in conjunction with rehabilitation of an owner-occupied unit are subject to a legally enforceable retention agreement or mechanism meeting the requirements of 1291.15(a)(7) of the AHP regulation.

- The project sponsor acknowledges that the Bank has the right to request additional supporting documents as part of the project's monitoring and that all such documents will be true, accurate and correct.

Once the Level 2 PCR is completed, a Monitoring Report is written detailing a project's level of compliance based on the following compliance ratings:

Satisfactory – Assigned to projects that have provided all monitoring documentation and have been determined to be in compliance with the approved AHP application, approved modification (if any) and AHP regulations.

Incomplete – Assigned to projects that have not provided requested documentation. Once documentation is provided, a follow-up monitoring report is written indicating the level of compliance.

Unsatisfactory – Assigned to projects that are not in compliance with the approved AHP application, approved modification (if any) and/or AHP Regulation.

a. For Unsatisfactory rated projects: The project will be placed under an Action Plan to resolve the non-compliant issues within a reasonable period of time, or the Bank will utilize the actions noted within 12 CFR § 1291.6.

LEVEL 3: LONG TERM MONITORING

A. Overview

A Level 3 review is conducted solely for rental projects and in accordance with 12 C.F.R.§ 1291.50(c).

A. <u>Owner-Occupied Projects</u>

Owner-occupied projects are not subject to ongoing household income requirements, and transfers of ownership are monitored through recorded retention mechanisms (See Section VI Retention Agreement Requirements).

B. <u>Rental Projects</u>

Conducted solely for rental projects in compliance with 12 C.F.R.§ 1291.50(c). Rental projects will be categorized based on the following criteria, then assigned a risk category:

- Low-Income Housing Tax Credit projects
- Non-tax credit projects monitored by a federal, state or local government entity
- Bank-monitored projects

For AHP rental projects monitored by a federal, state or local government entity and by the Bank, a risk category will be assigned to each project, and long-term monitoring will be based on the risk category assigned.

For long-term monitoring of AHP rental projects funded by the programs lists below, the regulation requires that the Banks review annual project sponsor certifications on household incomes and rents and information on the ongoing financial viability of the projects, but not any other back-up documentation on incomes and rents, including rent rolls.

- HUD Section 202 Program for the Elderly;
- HUD Section 811 Program for Housing the Disabled;
- USDA Section 515 Rural Multifamily Program; and
- USDA Section 514 Farmworker Multifamily Program.

For homeless and victims of domestic violence residing in shelters, the Bank does not need to obtain back-up documentation from the shelter owners verifying the residents' compliance with the AHP income-eligibility or AHP rent requirements (See, Finance Agency AB 2019-02). Instead, the Bank may rely on certifications by shelter owners to verify compliance with the AHP income-eligibility and rent requirements (See, Finance Agency AB 2016-03).

Risk categories and review requirements are as follows:

Minimal Risk:	Annual Project Sponsor or Owner Certification (PSOC)
Low Risk:	Long-term monitoring review every six years and PSOC for Bank-monitored projects
Moderate:	Long-term monitoring review every four years and PSOC for Bank-monitored projects
High:	Long-term monitoring review every two years and PSOC for Bank-monitored projects

After the risk category designation, all rental projects will be assigned a Long-Term Monitoring Code (LTMC) and will be monitored long-term starting in the second year after project completion, as follows:

LTMC 1 Low-Income Housing Tax Credit Projects

For rental projects that have been allocated federal Low-Income Housing Tax Credits (tax credits), the Bank will rely on the monitoring by the state- designated housing credit agency administrating the tax credits for the income targeting and rent requirements applicable under the Low-Income Housing Tax Credit Program. Under the AHP Regulation, the Bank is not required to obtain and review reports from such an agency or otherwise monitor the project's long-term AHP compliance.

LTMC 2 Monitored by Pennsylvania Housing Finance Agency

For rental projects that received funds other than LIHTC from Pennsylvania Housing Finance Agency (PHFA) the Bank will rely on the monitoring by PHFA for the income targeting and rent requirements applicable under their programs, provided the income targeting requirements, rent requirements and retention period monitored by PHFA for purposes of its own program are substantively equivalent, and provided that the conditions enumerated within 12 C.F.R. § 1291.50(b) are satisfied. For projects meeting these requirements, monitoring reports will be obtained from PHFA in accordance with the following risk categories:

AHP Subsidy	AHP as a % of TDC	Risk Category
< $250,000	< 20%	Low
< $250,000	> 20%	Moderate
$250,001 to $750,000	< 20%	Moderate
$250,0001 to $750,000	> 20%	High

LTMC 3, 4 and 5 Monitored by the Bank

Long-term monitoring by the Bank shall be performed as follows:

AHP Subsidy	AHP as a % of TDC	Risk Category
< $100,000	< 20%	Minimal
< $100,000	> 20%	Low
$100,001 to $250,000	< 20%	Low
$100,001 to $250,000	> 20%	Moderate
$250,001 to $750,000	< 20%	Moderate
$250,001 to $750,000	> 20%	High

LTMC 3 Monitored by Bank and Low-Risk Category

Monitored long-term starting in the second year after project completion as follows:

- Annual certification from project sponsor or owner for 15 years; and
- The Bank will review project documentation for a 20 percent sample, or a minimum of two, of the project's units once every six years after completion of the Level 2 PCR review to determine whether the project's household incomes and rents comply with the income targeting and rent commitments made in the approved AHP application or any approved modification(s).

LTMC 4 Monitored by the Bank and Moderate-Risk Category

Monitored long-term starting in the second year after project completion as follows:

- Annual certification from project sponsor or owner for 15 years; and
- The Bank will review project documentation for a 20 percent sample, or a minimum of two, of the project's units once every four years after completion of the Level 2 PCR review to determine whether the project's household incomes and rents comply with the income targeting and rent commitments made in the approved AHP application or any approved modification(s).

LTMC 5 Monitored by the Bank and High-Risk Category

Monitored long-term starting in the second year after project completion as follows:

- Annual certification from project sponsor or owner for 15 years; and
- The Bank will review project documentation for a 20 percent sample, or a minimum of two, of the project's units once every two years after completion of the Level 2 PCR review to determine whether the project's household incomes and rents comply with

the income targeting and rent commitments made in the approved AHP application or any approved modification(s).

In addition to the risk criteria described previously, rental projects that have the following issues will be assigned a High-Risk Category:

a) Material and outstanding compliance issues
b) Issues involving project type, size, location, viability and project sponsor experience and performance

In addition to being placed in the LTMC 5 High-Risk Category for monitoring purposes, projects with any of the above issues will be subject to a corrective action process that involves contact with the member and/or project owner on a frequent basis until the issue(s) are resolved.

Site Visits

The Bank may, in its sole discretion, perform a project site visit on any AHP project. In determining whether to conduct a site visit, the Bank will consider the following factors:

- Projects not in compliance with the approved AHP application and/or FHFA regulations that cannot be resolved within six months, or projects with issues that cannot be confirmed or resolved with off-site monitoring

- Projects with AHP funds representing the majority (more than 50 percent) of a rental project's gap funding

- Projects on the Bank's Watch List Report, rated as high-risk as determined by the Bank's AHP Risk Evaluation Process or are subject to FHFA concern

- The Bank becomes aware of concerns related to long-term monitoring being conducted by third parties

- Projects that are financially troubled, including those with a bankrupt project sponsor, that call into question the long-term viability of the project

- The Bank suspects fraud or misrepresentations on part of the project sponsor, owner, managing agent or other party such as misrepresented factual information or falsified income documents and verification or altered homeowner/tenant files

First Front Door Monitoring

The Bank's CID shall monitor First Front Door (FFD) program households that have received funding under FFD, in accordance with the FFD monitoring procedures. FFD monitoring shall determine the following:

1. The subsidy was provided to households meeting all applicable eligibility requirements in §1291.42 and the Bank's FFD monitoring policy and procedures.

2. All other applicable eligibility requirements in §1291.42 and the Bank's FFD policy and procedures have been met including that the assisted units are subject to retention agreements required under §1291.15(a)(7).

FFD Monitoring Review Procedures

Monitoring of the FFD program occurs at the time of homebuyer reservation, disbursement for each FFD homebuyer and after disbursement of FFD funds.

At homebuyer reservation, the following items are determined by the FFD Program Administrator:

- Household income eligibility, by reviewing the FFD Income Calculation Form and supporting third-party documentation, to determine if the FFD household has household income 80 percent or less of AMI

- Member certifies that the homebuyer(s) is a first-time homebuyer, as defined in the FFD program requirements

- Member certifies the homebuyer(s) will receive at least 4 hours of homeownership counseling, including the topic of predatory lending

At disbursement, the following items are required:

- Member provides a copy of the Bank's executed Real Estate Retention Agreement

- Member certifies completion of homeownership counseling

- Member provides a copy of the final executed settlement statement/closing disclosure to determine subsidy use for down payment and/or closing costs assistance, member concession(s), reasonable financing costs and cash back to homebuyer that does not exceed $250

- Member certifies that the subsidy is provided in accordance with §1291.15(a)(7) of the AHP Regulation

- FFD subsidy does not exceed $5,000

After disbursement, the Bank, on an annual basis, will collect recorded retention agreements using the following sampling methodology:

- The sampling methodology is based on a review of each member's funded FFD homebuyers. The sample will be selected on a random basis and will be based on 5 percent of the member's activity or a minimum of 2 and a maximum of 15 homebuyers.

- Once the sample is selected, the Bank will request the member to provide a copy of the executed and recorded retention agreement for the sample to determine that the member is in compliance.

- If the review determines that the member is not in compliance, the sample will be expanded, and the member will be required to record all non-compliant retention agreements. Additionally, the member may be suspended from FFD participation until the Bank is satisfied that the member has implemented satisfactory corrective action(s) to alleviate any future occurrence of non- recorded retention agreements.

- Once the monitoring review is completed, the level of compliance shall be identified by the FFD Product Manager in the form of a memo to the CID Senior Director and Manager of Compliance and Quality Assurance. The FFD Product Manager is responsible to develop and implement corrective action(s) to resolve any issues of non-compliance.

For all projects, including without limitation, those funded through the General Fund and FFD, the project owner and/or project sponsor, as the case may be, agree to provide any and all additional documentation/evidence requested by the Bank in its sole discretion to perform its monitoring obligations under the Regulations and/or any other compliance review it deems necessary in its sole discretion.