

Affordable Housing Program

Monitoring Requirements

Approved AHP projects are required to be monitored in accordance with AHP regulations. Approved AHP projects will be subject to the following monitoring requirements:

Level One Monitoring

Semi-Annual Progress Report

During a project's incomplete phase, Semi-annual Progress Reports (SAPR) must be filed by the project sponsor via the AHP Online system. A SAPR details a project's level of progress during the six-month periods ending June 30 and December 31. The June SAPR is due by July 31 and the December SAPR is due by January 31 of the following year. A SAPR is required until a project is deemed complete by FHLBank Pittsburgh. An owner-occupied project is deemed complete when all AHP funds are disbursed to the project and all homes are either sold or rehabilitated with current occupants. A rental project is deemed complete when all AHP funds are disbursed to the project, rehabilitation or construction of the units is 100% complete and at least 75% of the units are leased.

Owner-occupied Project Certification/Project Sponsor

When an owner-occupied project is complete, the project sponsor will certify that the AHP funds were used in accordance with the approved AHP application, and the AHP homes are subject to an AHP retention mechanism. This certification shall be provided to FHLBank Pittsburgh within six months of project completion via the AHP Online system.

Rental Project Certification/Project Owner

When a rental project is complete, the project owner will certify that the services and activities committed to within the approved AHP application were provided in connection with the project. The project owner will also complete via the AHP Online system a list of actual tenant rents and incomes for the project and certify that the reported rents and incomes are accurate and in compliance with the rent and income targeting commitments made within the approved AHP application.

Level Two Monitoring

Within one year of project completion (as determined by FHLBank Pittsburgh), a full-scope monitoring review will be performed to determine a project's level of compliance with the AHP regulations and the representations and commitments made within the approved AHP application. This review will focus on the following areas to determine a project's level of compliance:

- Income targeting
- Third-party income documentation for verification of reported incomes
- AHP retention mechanism (copy of executed and recorded retention document(s))
- Audited Cost Certification detailing a project's final sources of funds and development costs
- Use of AHP funds
- Delivery of AHP funds (AHP Note)
- Project Feasibility (AHP feasibility guidelines)
- Fair Housing
- First and Second District Priorities

The project sponsor/owner will be notified by FHLBank Pittsburgh that a compliance review has commenced. The required documents must be submitted within 30 days to complete the compliance review. Member banks may be required to submit documents to complete the compliance review. Project sponsors/owners should maintain documents and be prepared to submit such documents to assist in the timely completion of the compliance review. If the required documents are not provided, a project will be deemed noncompliant and AHP funds will be recaptured.

Level Three Monitoring (Rental Project Only)

For 15 years after a rental project is complete, the following compliance process is required:

Long-term Certification/Project Owner - For projects monitored long-term by the FHLBank Pittsburgh.

In the second year after project completion and annually thereafter until the end of the project's 15-year retention period, the project owner must certify to FHLBank Pittsburgh that the tenant rents and incomes are in compliance with the rental and income targeting commitments made within the approved AHP application.

For long term monitoring, rental projects will be categorized based on the following criteria:

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

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 administering the tax credits of the income targeting and rent requirements applicable under the Low-Income Housing Tax Credit Program.

Monitored by a federal, state or local government entity

For rental projects that received funds from a federal, state or local government entity, the Bank will rely on the monitoring by such entities of the income targeting and rent requirements applicable under their programs provided the income targeting requirements, rent requirements and retention period monitored by the entity for purposes of its own program are substantively equivalent and provided that the conditions enumerated within 12 C.F.R. § 951.7(a)(3)(ii) and (iii) are satisfied. For projects meeting these requirements, monitoring reports will be obtained 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 \$650,000	≤ 20%	Moderate
\$250,0001 to \$650,000	≥ 20%	High

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 \$650,000	<20%	Moderate
\$250,0001 to \$650,000	≥ 20%	High

Monitored by Bank and Low Risk Category

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

- Annual certification from project owner for 15 years; and
- The Bank will review project documentation for a 20% sample of the project's units once every 6 years after completion of the Level 2 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).

Monitored by Bank and Moderate Risk Category

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

- Annual certification from project owner for 15 years; and
- The Bank will review project documentation for a 20% sample of the project's units once every 4 years after completion of the Level 2 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).

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 owner for 15 years; and
- The Bank will review project documentation for a 20% sample of the project's units once every 2 years after completion of the Level 2 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:

- Material and outstanding compliance issues; and
- Issues involving project type, size, location, viability and sponsor experience.

In addition to being placed in the 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 bank and/or project owner on a frequent basis until the issue(s) are resolved.

Modifications

Any changes to the commitments and representations made within the approved AHP application must be approved by FHLBank Pittsburgh. Modification changes must be in writing and may be submitted by either the member bank or project sponsor/owner. Requests must include the following information:

- A clear description of the modification(s);
- A reason for the modification(s), along with any background information as to why the modification(s) is/are necessary;
- A good cause for the modification(s);
- A description of how the modification(s) will impact the scheduled completion date (incomplete projects);
- An updated Sources and Uses Statement; and
- Statement that remaining commitments and representations made within the approved AHP application remain unchanged.

