



MEMORANDUM

RECENT PROGRAM CHANGES

As a result of the new regulations and the adoption of the 2010 AHP Implementation Plan by the Bank's board of directors in December 2009 there have been several changes to the AHP application, scoring and monitoring.

The maximum amount for AHP application requests has been increased back to \$450,000 from \$350,000.

Application deadlines are March 1 and September 1 in 2010.

Changes to the 2010 AHP

Funding will be \$22.4 million, compared to \$4.7 million in 2009. There will be two application rounds, March 1 and September 1.

AHP competitive program homeownership projects rates and terms guidelines have been expanded for 2010:

- The difference between the maximum allowable mortgage rate has been increased from 150 basis points to 200 basis points, above the posted Freddie Mac rate.
- Maximum allowable loan discount points have been increased from 1.5 to 2.0 points.
- Maximum lender fees have been increased from 2.5 % to 3.0%. However, the maximum lender fees applies to fees paid by the buyer and seller combined.
- The maximum allowable front ratio is 38%.

The definition of "homeless" has been updated to agree to the most recent HUD definition.

Scoring priorities have been modified:

District Priority 1 is now 20 points rather than 32.5 points and retains the special needs, member financial participation, rural and first-time homebuyer factors. The community involvement and urban infill/rehab factors have been moved to District Priority 2 and have been modified.

District Priority 2 is now 17.5 points rather than 5 points. District Priority 2 now includes the following components: community involvement, federal program financing, support services and priorities for farm worker, workforce housing, rural employment related housing needs, large units, infill in urban or rural areas, and green building.

Some of the guidelines used to evaluate feasibility and need for subsidy for rental projects have also been modified:

- The standard for capitalized operating and debt service reserves has been increased to 12 months from 8 months.
- Projects involving rehabilitation must now provide a detailed description of the work to be performed as well as the costs of the rehabilitation.
- The interest rate guideline has been increased from 250 basis points over the FHLBank Topeka CHP rate to 300 basis points.
- The maximum management fee is increased to 15% from 10% of rent revenue.

- The acceptable debt coverage ratio is now 1.00 to 1.50 but will be evaluated for the entire 15-year term of the pro forma.
- For projects with no debt, the cash flow ratio has been modified from a ration of .90 operating/reserves to effective gross income to .85.

Application Submission -- Applications must be submitted using the Bank's online application process. Hard copy of the application from are no longer accepted. Signature pages and exhibits must be submitted in hard copy. Signature pages and exhibits must be submitted with a week of the AHP application deadline.

Scoring

Empowerment – Beginning in 2008 some of the empowerment factors require that applicants commit to a specific number of units. Mandatory homebuyer education, Sweat equity, Educational programs and Family self-sufficiency program commitments all require that the number of units being committed be specified. The Empowerment score will be based on the proportion of the project's total units committed to any of these factors. e.g. If half the project's units are committed to be subject to mandatory homebuyer counseling the project will earn $50\% * 2.5 \text{ pts} = 1.25$ for this level of commitment for this one factor.

Targeting - Applications for AHP funds to be used to finance rental projects with existing tenants must submit documentation to show that the incomes of the existing tenants are within the commitments made in the AHP application for Targeting.

The scoring for targeting of homeownership applications has been revised. The new scoring formula for this criterion is described in the 2009 AHP Implementation Plan.

Subsidy Per Unit – The weighting for subsidy per unit was increased to 10 points in 2008. Rental and homeownership application continue to be scored separately for this criterion. Applications will be scored using a range of subsidy per unit.

District Priority #1: Member Participation - Credit will now be awarded for the financial support of any FHLBank member institution. Credit is no longer limited to the qualified involvement of the FHLBank member submitting the AHP application.

Other Important Instructions:

Application Submission -- Applications must be submitted using the Bank's online application process. Hard copy of the application from are no longer accepted. Signature pages and exhibits must be submitted in hard copy. The receipt of all applications will be confirmed by the FHLBank Topeka. Confirmation will be provided by transmission of an email or fax from FHLBank to the member and sponsor for all applications received by the Bank within 5 business days of the application exhibits deadline. If a member or applicant does not receive a confirmation fax within 5 business days of expected delivery date of exhibits and supporting documentation, FHLBank Topeka HCD staff should be contacted immediately.

Empowerment, Community Stability, Community Participation, Support Services -- The sections of the application form for these factors clearly identify those commitments that will require that at least 20% of the total units funded must address the factor claimed by the applicant. These are not aggregate requirements but rather must be met for each individual factor claimed with each scoring section. e.g. If an applicant claims and is credited for mandatory homebuyer education and sweat equity under the empowerment section the project will have to show that at least 20% of the households assisted met the mandatory homebuyer education requirement. The applicant will also have to show that 20% of the households also met sweat equity commitment. e.g. Projects showing 10% homebuyer education and 10% sweat equity units do not meet this requirement.

Member Participation -- Scoring for this factor is separated into two levels. Members providing loans such as construction loans, permanent loans or mortgage loans or purchasing tax credits will be eligible for maximum points available for this factor. Members contributing \$1,000 or more will be eligible for 1 point. Terms and conditions of commitments to line of credit will be evaluated to determine the level of credit awarded but unless it is determined that the line of credit is likely to be used such commitment will be awarded half the possible points. Please note that the member participation is no longer required to be the same institution shown as applicant for the AHP funds. Participation by other FHLBank Topeka members will be credited under this factor even if they are not the AHP applicant member. Projects can be awarded points under only one part of member participation not both.

Income Limits -- Mortgage Revenue Bond (MRB) program income limits continue to be used for all AHP homeowner projects. HUD income limits are still used for all rental projects. MRB and HUD income limits are provided on the FHLB Topeka AHP web page. Previous year's income limits are used until updated income limits are provided by federal and state agencies in the spring each year.

Income Calculation Guidelines -- Beginning in 2006 all AHP programs will require income to be determined based on income for all members of a household. Income must be determined according to FHLBank Topeka Income Calculation Guidelines and documented using the FHLBank Topeka Income calculation worksheet. This change will most significantly impact homeownership projects. If a rental project is purchased, constructed, rehabilitated and or operated, with funds from a federal, state, or local government entity program, project owners will use the income policy issued and applicable to those programs for purposes of qualifying tenants for occupancy in AHP assisted units. If the project has not used funding from these other sources, the owner will use the guidelines set forth in this document. The applicable program guidelines must be identified to the FHLBank.

Application Form and Exhibit 1 -- MUST be submitted via the on-line application

Signature page -- Original signatures of the member, sponsor and owner are required

Application Exhibits Submit only one copy of exhibits with signature page

Long-Term Retention and Repayment -- Mandatory retention periods are 5 years for owner projects and 15 years for rental projects. Rental projects are subject to repayment of the entire amount of AHP subsidy provided during the 15 year retention period rather than a pro rata amount. Repayment of AHP funds for owner projects is based on a pro rata share of the unused subsidy.

Application Limit -- The maximum AHP application request is \$350,000.

Minimum Units Threshold for Homeless and Special Needs Criteria -- A minimum of 20% of the project's total units must be committed to homeless or special needs to begin receiving credit under these criteria.

Subsidy Per Unit -- Only rental or owner units committed to households at or below 80% of median will be used to calculate the AHP subsidy per unit scoring criterion.

Habitat for Humanity -- Applications for AHP funds to be used in conjunction with Habitat programs must complete the AHP Needs Analysis worksheet rather than the Homeownership Project Worksheet. Applicants considering Habitat related AHP subsidy should contact FHLBank staff for assistance.

Documentation -- Many applications continue to lose out on possible points because the required documentation in support of the commitment claimed is not provided. The application form clearly identifies those commitments requiring supporting documentation.