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Introduction

This Policy sets forth the provisions of the 2026 Affordable Housing Program (AHP) Implementation Plan (Plan) for the Federal Home Loan Bank of Topeka (FHLBank). FHLBank's board of directors (board) is required to adopt, after consultation with its Affordable Housing Advisory Council (Advisory Council), a written AHP Plan as set forth in 12 C.F.R. Part 1291—Federal Home Loan Banks' Affordable Housing Program (Regulations). The board shall not amend the AHP Plan without first consulting its Advisory Council, which shall provide recommendations of amendments to the board for consideration. The board shall not delegate to FHLBank officers or other FHLBank employees the responsibility to consult with the Advisory Council prior to adopting or amending the AHP Plan. FHLBank shall notify the Federal Housing Finance Agency (FHFA) of any amendments made to its AHP Plan within 30 days after the date of adoption. FHLBank shall publish its current AHP Plan on its website and any amendments made thereto within 30 days after the amendments are adopted. While the AHP Plan includes information pertaining to FHLBank's AHP, it is not intended to be a comprehensive statement of all AHP policies and procedures. In the event of a conflict between the AHP Plan and the Regulations, the Regulations shall govern.

The purpose of this AHP Plan is to set forth the policy and provisions of the AHP for FHLBank as required by the Regulations. This AHP Plan shall serve to establish requirements for the AHP, which includes the Homeownership Set-aside Program (HSP).

Scope

This AHP Plan provides the framework and guidance for managing FHLBank's AHP.

(1) **Applicable Statutory and Regulatory Provisions.** Applicable provisions of the Federal Home Loan Bank Act (Act) and the Regulations supersede this AHP Plan, and any actions taken hereunder shall be consistent with such provisions.

(2) **Affordable Housing Advisory Council.** Per 12 C.F.R. §1291.14, FHLBank's board shall appoint an Advisory Council of 7 to 15 members. These members shall reside in FHLBank's district and shall be drawn from community for-profit and not-for-profit organizations that are actively involved in providing or promoting low-and moderate-income housing and community lending in FHLBank's district.
   (a) FHLBank shall solicit nominations for membership on the Advisory Council from community for-profit and not-for-profit organizations.
   (b) The board shall appoint Advisory Council members from a diverse range of organizations so that representatives of no one group constitute an undue proportion of the membership of the Advisory Council, giving consideration to the size of FHLBank's district and the diversity of low- and moderate-income housing and community lending needs and activities within FHLBank's district.
   (c) Advisory Council members shall be appointed to serve a three-year term with term limitations of three full consecutive terms, which shall be staggered to provide continuity in experience and service to the Advisory Council (except that Advisory Council members may be appointed to serve for terms of one or two years solely for purposes of reconfiguring the staggering of the three-year terms). An Advisory Council member appointed to fill a vacancy shall be appointed for the unexpired term of their predecessor in office.
   (d) The Advisory Council shall elect from among its members a chairperson, a vice chairperson, and any other officers the Advisory Council deems appropriate.
   (e) The Advisory Council shall meet quarterly with representatives of the board to provide advice regarding how to carry out the housing finance and community lending mission of FHLBank, including, but not limited to: advice on the low- and moderate-income housing and community lending programs and needs in FHLBank's district, and on the use of AHP subsidies, FHLBank advances, and other FHLBank credit products for these purposes.

(f) The Advisory Council's advice shall include recommendations on:
- FHLBank's Community Support Program and Targeted Community Lending Plan (TCLP) pursuant to §12 C.F.R. 1290.6(a)(5)(iii);
- The amount of AHP funds to be allocated to FHLBank's General Fund and any Targeted Fund(s) and the HSP, including how the HSP funds should be apportioned under the one-third funding allocation requirement in §12 C.F.R. 1291.12(b);
- The AHP Plan and any subsequent amendments thereto;
- The scoring methodologies, related definitions, and any additional optional FHLBank district eligibility requirements for the General Fund and any Targeted Fund(s); and
- The eligibility requirements and any priority criteria for the HSP.

(g) Prior to adoption, the Advisory Council shall review the AHP Plan and any subsequent amendments thereto, and provide its recommendations to the HGC.

(h) The Advisory Council annually shall submit to the FHFA by May 1 its analysis of the low- and moderate-income housing and community lending activity of FHLBank. Within 30 days after the date the analysis is submitted to the FHFA, FHLBank shall publish the analysis on its publicly available website.

(3) **Mission and Governance Committee.** The MGC shall provide primary review and oversight of all activities regarding FHLBank's housing initiatives. Quarterly, the MGC shall obtain the Advisory Council's advice on ways in which FHLBank can meet its housing finance and community lending mission. Among other responsibilities, the MGC is charged with advising the board with respect to the following:
- FHLBank's AHP Plan;
- Allocation of unappropriated funds to the AHP and the HSP;
- Modifications to increase subsidy;
- Competitive awards for FHLBank's General Fund and any Targeted Fund(s);
- Advisory Council Charter;
- Advisory Council appointments; and
- Voluntary Programs.

(4) **Community Support Program and Targeted Community Lending Plan (TCLP).** The TCLP is established to promote and enhance affordable housing and community development in FHLBank's district by providing loans, grants, and other assistance to members to provide financing for eligible targeted community lending at the appropriate targeted income levels, including underserved neighborhoods and communities. FHLBank's board adopts the TCLP at least annually which includes many of the programs and activities undertaken by FHLBank in the area of community support, and publishes the current TCLP on the website for public access.

Definitions

Terms used within this AHP Plan and in all applicable AHP agreements, AHP forms, AHP applications and on FHLBank's website related to the AHP shall have the meanings as set forth in Exhibit E.

Policy

I. Affordable Housing Program

A. Program Summary. The AHP is a special program that helps members provide financing for owner-occupied and rental housing that is affordable to very low-income (VLI), low- and moderate-income households through the use of subsidized advances and direct subsidies. Each year, FHLBank shall allocate the greater of (1) ten percent (10%) of its net earnings from the prior year, or (2) FHLBank's pro rata share of an aggregate of $100 million to be contributed in total by all Federal Home Loan Banks, such proration being made on the basis of the net earnings of all the Federal Home Loan Banks for the prior year (except that the required annual AHP contribution for FHLBank shall not exceed its net earnings in the prior year) to award in AHP subsidies.

B. Allocation of Contribution. FHLBank, after consultation with its Advisory Council and pursuant to the AHP Plan, shall allocate its annual required AHP contribution as follows:

1. FHLBank shall allocate that portion of its annual required AHP contribution that is not set aside to fund the HSP, to provide funds to members through its General Fund.
2. FHLBank may accelerate to its current year's program from future annual required AHP contributions an amount up to the greater of $5 million or 20 percent (20%) of its annual required AHP contribution for the current year. FHLBank may credit the amount of the accelerated contribution against required AHP contributions pursuant to the Regulations over one or more of the subsequent five years.

C. Funding Period and Application Process. FHLBank shall offer one General Fund funding period in 2026. The 2026 application period shall begin July 1, 2026, and end July 31, 2026. All applicants shall be notified regarding the final status, either approved or denied, of applications no later than December 31, 2026.

D. Eligible Applicants. FHLBank shall accept applications for AHP subsidy only from institutions that are members of FHLBank at the time the application is submitted.

E. Applications. Complete applications must be submitted through FHLBank's online application system utilizing FHLBank's current forms and instructions by 5:00 p.m., Central time on July 31, 2026.

II. AHP Minimum Eligibility Requirements

A. Maximum Funding Per Project and Per Unit. The maximum 2026 AHP subsidy per project is $1.5 million. Each AHP project is limited to a maximum AHP subsidy of $75,000 per AHP eligible unit. Multiple applications representing the same project, as determined in FHLBank's sole discretion, will be deemed a single project regardless of the year or years in which the applications were submitted and/or awarded and limited to receiving the maximum project subsidy and subsidy per unit allowable in the year of the original award.

B. Eligible Projects. FHLBank shall determine whether the application involves projects or activities meeting either of the two broad purposes of the program for which the AHP subsidy shall be used exclusively, as identified below:

1. **Owner-occupied Projects.** Projects in which 100 percent (100%) of the units in the project are for VLI or low- or moderate-income households, the housing is to be used as the household's primary residence, and the AHP subsidy will be used for: 1) down payment and/or closing cost assistance for the purchase of an existing or newly constructed home; or 2) the rehabilitation of an owner-occupied home. Status as VLI or low- or moderate-income household shall be determined for owner-occupied units using the applicable area median income (AMI) as defined in Exhibit E. An eligible household must have income meeting the income targeting commitments in the approved AHP application at the time it is qualified by the project sponsor for participating in the project. An owner-occupied project sponsor may include only one each of the following project types per application round, but not a combination thereof: rehabilitation or purchase.
2. **Rental Projects.** The purchase, construction, or rehabilitation of a rental project, where at least 20 percent (20%) of the units in the project are occupied by and affordable for VLI households. Status as VLI shall be determined for rental projects using the applicable AMI as defined in Exhibit E. For a project that is not occupied at the time of AHP application submission, an eligible household must have income meeting the income targeting commitments in the approved AHP application upon initial occupancy of the rental unit. For a project involving purchase or rehabilitation that is occupied at the time of AHP application submission an eligible household must have an income meeting the income targeting commitments in the approved AHP application at the time of the AHP application submission or, if the project has a relocation plan for current occupants approved by one of its federal, state, or local government funders or that meets the Relocation Plan standards identified in Exhibit E, a household may have an income meeting the income targeting commitments upon initial occupancy of the rental unit after the completion of the purchase or rehabilitation.

C. Need for Subsidy. A project's estimated sources of funds, including AHP subsidy, must equal its estimated uses of funds, as reflected in the project's development budget. The difference between a project's sources of funds (net the AHP subsidy) and uses of funds is the project's funding gap, which shall not exceed the maximum funding per project.

1. **Sources of Funds.** The project's estimated sources of funds include conventional financing, funds from other agencies, and donations. It may include the estimated market value of in-kind donations and voluntary professional labor or services (excluding the value of sweat equity), provided that the project's uses of funds also includes or excludes, respectively, the value of such estimates.
    a. A project's cash sources of funds include: all cash contributions from the project sponsor or project owner, other cash sources, and estimates of funds a project sponsor or project owner intends to obtain but which have not yet been committed to the project.
    b. In owner-occupied projects where the project sponsor provides permanent financing, the project sponsor's cash contribution must include the present value of the buyer's payments including cash down payments, 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.
    c. AHP subsidy may be reduced prior to the reduction of owner equity contributions and/or deferred developer fees, as committed to at the time of application, at the discretion of FHLBank.
    d. FHLBank shall determine if a project's sources, as reflected in the sources of funds on the development budget, are reasonable.
2. **Uses of Funds.** The project's estimated uses of funds are the actual outlay of cash needed to pay for materials, labor and acquisitions or other costs of completing the project. If the sources of funds included the estimated market value of in-kind donations and voluntary professional labor or services (excluding the value of sweat equity), they must also be included in the uses of funds.
    a. Cash costs shall not include in-kind donations, voluntary professional labor or services or sweat equity.
    b. FHLBank shall determine if a project's costs, as reflected in the uses of funds on the development budget, are reasonable.
3. **FHLBank's Review of Need for Subsidy.** A project may not need the AHP subsidy even if the project has demonstrated feasibility. FHLBank may, in its sole discretion, determine that certain development costs (e.g., ineligible LIHTC basis finance costs) are not eligible for funding.
    a. FHLBank shall deny funds to an application, even if the application's score was high enough to be funded, if FHLBank, in its sole discretion, determines that the project does not meet FHLBank's established feasibility guidelines, the project does not demonstrate a need for AHP subsidy, or proposed costs are not reasonable and customary in light of industry standards for the location of the project and the long-term financial needs of the project.
    b. A project should not be complete as evidenced by having a certificate of occupancy or other indications of completion, as determined by FHLBank in its sole discretion, prior to the date of board approval of the project's application.
    c. Any request for additional AHP subsidy for a previously-awarded project must be made through a modification request. Requests for additional subsidy must be justified and not for the sole purpose of increased fees to the developer. Total subsidy for the project cannot exceed the maximum subsidy per project allowed at the time of application. Maximum subsidy per unit cannot exceed the maximum subsidy per unit allowed at the time of application, if applicable.
    d. FHLBank will require an independent third-party cost certification of the development budget at rental project completion, to be completed at the expense of the rental project sponsor or project owner.
    e. FHLBank will require an independent third-party inspection of owner-occupied rehabilitation at disbursement, to be completed at the expense of the owner-occupied rehabilitation project sponsor.
    f. FHLBank may request an independent third-party review at any time of any aspect of a rental project's feasibility to be completed at the expense of the rental project sponsor or project owner.

4. **Subsidy Allowable/Changes.** Based on the evaluation of feasibility and the project's funding gap, FHLBank shall estimate the amount of AHP subsidy allowable for the project at the time of application based upon the project's estimated sources/uses of funds. This determination is made solely at FHLBank's discretion and is not a representation as to the actual funding gap or feasibility of the project. The amount of allowable AHP subsidy may change during the project's life as actual development costs, mortgage amounts, tax credits and other funding source allocations become available. If there are changes in sources/uses of funds or other material changes that would decrease the project's need for AHP subsidy, FHLBank shall adjust the amount of approved AHP subsidy or, if already disbursed, recapture the appropriate amount of the AHP subsidy.

D. Project Costs. In determining the reasonableness of the project's total cost, FHLBank shall take into consideration the geographic location of the project, development conditions, and other non-financial household or project characteristics, in accordance with the Project Cost Guidelines identified in Exhibit A.

1. **Reasonableness of Fees.** FHLBank has established limits for fees that may be charged in General Fund projects. For purposes of determining the reasonableness of a developer's fee as a percentage of development costs, FHLBank will include estimates of the market value of in-kind donations and volunteer professional labor or services (excluding sweat equity value) committed to the project as part of the total development costs.
2. **Cost of Property and Services Provided by a Member Institution.** The purchase price of a property or services, as reflected in the project's development budget, sold to the project by a member providing AHP subsidy to the project, or, in the case of property, upon which such member holds a mortgage or lien, cannot exceed the market value of such property or services as of the date the purchase price was established. In the case of real estate owned property sold to a project by a member providing AHP subsidy to the project, or property sold to the project upon which the member holds a mortgage or lien, the market value of such property is deemed to be the "as-is" or "as-rehabilitated" value of the property, whichever is appropriate. The value shall be determined by an independent appraisal of the property performed by a state-certified or licensed appraiser, as defined in §12 C.F.R. 1026.35(c)(1)(i), within six months prior to the date of the disbursement of the AHP subsidy.
3. **Acquisition Costs of Rental Projects.** If the proposed project budget includes the acquisition of vacant land and/or existing buildings, documentation of the proposed acquisition costs (see Exhibit E) and market value (see Exhibit E) is required at the time of the AHP application submission; such documentation must be dated within the current or previous calendar year of the application date and must be submitted through AHP Online. If the transaction has closed, the documentation may, instead, be from the current or previous calendar year of the purchase closing date.

E. Reasonable Financing Costs. The rate of interest, points, fees, and any other charges for all loans made in conjunction with the AHP direct subsidy shall not exceed guidelines for interest, points, fees, and other charges for loans of similar maturity, terms, and risk. (See Exhibits A and Exhibit B).

F. Project Feasibility. FHLBank reserves the right, in its sole discretion, to regard an application as infeasible and therefore ineligible if it appears unlikely that debt or equity funds identified in the sources of funds will be obtained in a timely manner. (See Exhibit B.)

1. **Developmental Feasibility.** The project must be likely to be completed and occupied, based on relevant factors, including, but not limited to, the project's development budget, operating proforma statement (rental projects only), market analysis and the project sponsor's experience in providing the requested assistance to households. FHLBank evaluates a project's readiness to proceed and its capacity to finish. (See Exhibit B.)
    a. The status of debt and equity sources will be assessed at the time of feasibility analysis. Projects without firm debt and equity commitments may be regarded as infeasible for the applicable AHP funding period.
    b. FHLBank in its sole discretion may recommend approval of an AHP application for which additional documentation (including, but not limited to, cost reasonableness data or Low-income Housing Tax Credits (LIHTC) awards) is required in order to demonstrate cost reasonableness or feasibility.

The additional documentation must be provided within one year of the date in which the AHP application was approved. If such documentation is not provided in the prescribed time frame, the award will be de-obligated and offered to a qualified alternate or, if no alternates are available, returned to the AHP fund.

c. The property and buildings associated with the application must be owned, leased, subject to a commitment to purchase or subject to a commitment for a long-term lease (rental projects only).

2. **Operational Feasibility of Rental Projects.** A rental project must be feasible (i.e., able to operate in a financially sound manner as projected in the project's operating proforma statement). (See Exhibit B.)
   a. The proforma is used to evaluate the project's likelihood to operate as committed through the retention period. The proforma is located in the rental feasibility workbook. Guidelines are provided for operating costs, annual reserve contributions, income and expense escalators, reasonable vacancy rates, debt coverage ratio and fees. (See Exhibit B.)
   b. Rental acquisition projects shall provide three years of operating or income statements that demonstrate the validity of all assumptions provided in the proforma.
   c. Projects that rely on donations for the support of the operating proforma must be able to demonstrate a track record of raising the funds necessary to support the project.
   d. FHLBank, at its sole discretion, may request the project demonstrate the ability to cover any operating shortfalls. The member, project sponsor, or project owner must establish that a market exists for the units, as proposed, and that a significant number of potential homebuyers or potential tenants exist in the marketplace for those units.

G. Previous Experience with the Member, Project Sponsor, or Project Owner.

1. A project sponsor must be qualified and able to perform its responsibilities as committed to in the application for AHP subsidy funding of the project.
2. Members, project sponsors or project owners with previous experience must have a demonstrated ability to provide timely monitoring information and to complete projects on a timely basis. FHLBank reviews performance on past AHP projects as an indication of performance on new applications.
3. Members, project sponsors or project owners with no previous experience must provide information as required in the application exhibits sufficient to demonstrate qualifications and abilities.

H. Project Sponsor Qualifications. A project sponsor must be qualified and able to perform its responsibilities as committed to in the application for AHP subsidy and as determined by FHLBank in its sole discretion. FHLBank will evaluate the qualifications of, and any covered misconduct by, as defined by FHFA's Suspended Counterparty Program, the project sponsor at AHP application. FHLBank's online AHP application will include a requirement for the project sponsor to certify it has not engaged in, and is not engaging in, covered misconduct. (See Exhibit E.) If the project sponsor is not qualified and able to perform its responsibilities, such project sponsor will not be eligible to participate in the AHP, and any pending applications will be deemed ineligible to participate in the AHP. An application with a project sponsor determined by FHLBank, in its sole discretion, to be of insufficient capacity may be subject to an adjustment in the number of units requested or to the requested subsidy.

When reviewing Sponsor Qualifications, FHLBank will consider the following:

1. **Funds Utilization:**
   a. The sponsor's use of previously awarded funds (identifies projects that required de-obligations or recaptures either at or prior to the project's physical completion date).
   b. The sponsor's timely use of funds within current or previous projects.
2. **Project/Sponsor Performance:**
   a. Number of approved modifications;
   b. Number of exceptions to policy;
   c. Punitive List entries, Risk Ratings 2-6.
3. Placement on the Office of Foreign Assets Control list.
4. Placement on FHLBank's internal HCD Fraud Discrepancy Tracking list.

5. **Online Presence:** A reasonable general web search to obtain information about the project that may be relevant to the project's successful completion.
6. **IRS Form 990 Review:** IRS Form 990 is reviewed to determine the percentage of Program Services Expenses to Total Functional Expenses.

I. Timing and Use of AHP Subsidy . Within 12 months of the date of AHP application approval for rental applications and within six months of the date of AHP application approval for owner-occupied applications, one of the following must be submitted by the project:

- For rental projects, the project must submit a disbursement request for a minimum of 25 percent (25%) of the subsidy awarded, or, provide documentation establishing that AHP subsidy was used to procure financing commitments that were not approved at the time of AHP application.
- For owner-occupied projects, the project must submit a minimum of one disbursement request.

In its sole discretion, FHLBank may determine that the subsidy request is insufficient to demonstrate project start. (See Exhibit B.) FHLBank may extend the project start date for one six-month period, provided that reasonable progress is being made in obtaining funding or toward completion of the project. (See Exhibit B.) All requests for disbursement of AHP subsidy must be submitted within 42 months from the project approval date or approved extension date. The project must be completed with all requested funds disbursed no later than 48 months from the project approval date or approved extension date.

J. Counseling Costs. AHP funds may be used to pay for counseling costs only where: 1) such costs are incurred in connection with counseling of homebuyers who actually purchase an AHP-assisted unit; and 2) the cost of the counseling has not been covered by another funding source, including the member.

K. Cash Back to Household. A household may receive a total of up to $250 cash back at any point in a purchase transaction. Unused escrow funds may be returned to the homebuyer subject to the $250 cash back limit. Any AHP direct subsidy exceeding such amount that is beyond what is needed at closing for closing costs and the approved mortgage amount, including unused escrow funds, shall be used 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.

L. Reimbursement to Household. Households may not be reimbursed for rehabilitation/repair expenses paid outside of closing.

M. Occupancy. At least one occupant of the house or residence must be of legal age to enter into an enforceable contract.

N. Refinancing. A project may use AHP subsidies to refinance an existing single-family or multifamily mortgage loan, provided that the refinancing produces equity proceeds and such equity proceeds up to the amount of the AHP subsidy in the project shall be used only for purchase, construction, or rehabilitation of housing units meeting the eligibility requirements of the Regulations. AHP funds cannot be used to refinance existing projects in cases where no equity is taken out of the project and the refinancing results in a lower debt service cost for the project, as such use of AHP subsidy would not result in the purchase, construction, or rehabilitation of projects that meet the AHP criteria.

O. Retention. The member shall ensure AHP retention requirements are met as set forth in Exhibit D.

P. Affirmative Fair Housing. The project as proposed and as approved must, and the member, project sponsor and project owner must agree to comply with all federal and state laws on fair housing and housing accessibility including but not limited to: Fair Housing Act, the Architectural Barriers Act of 1969, the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990. The member, project sponsor and project owner must demonstrate how the project will be affirmatively marketed to promote fair housing in the community.

Q. Calculating Subsidy to Reduce Interest Rate.

1. Lender Loans. When AHP funds are used to write down the interest rate on a loan, extended by a member, project sponsor, or other party to a project, the net present value of the interest foregone from making the loan below the lender's market interest rate shall be calculated as of the date of the AHP application submission and subject to adjustment as provided by Regulations.
2. Subsidized Advances. When an AHP subsidized advance is provided to a project, the net present value of the interest revenue foregone from making a subsidized advance at a rate below FHLBank's cost of funds

shall be determined as of the earlier of the date of disbursement of the subsidized advance, or the date prior to distribution on which FHLBank obtains the funding to support the subsidized advance through its asset/liability management system, or otherwise.

R. Prohibited Uses of AHP Subsidies. AHP subsidies may not be used to pay for any of the following:

1. FHLBank prepayment fees imposed on a member for a prepaid subsidized advance unless:
    a. The project is in financial distress that cannot be remedied through a project modification pursuant to 12 C.F.R §1291.29 of the Regulations and as set forth in this AHP Plan;
    b. The prepayment of the subsidized advance is necessary to retain the project's affordability and income targeting commitments;
    c. Subsequent to such prepayment, the project shall continue to comply with the terms of the approved AHP application and all applicable Regulations for the duration of the original retention period;
    d. Any unused AHP subsidy is returned to FHLBank and made available for other AHP projects or households; and
    e. The amount of subsidy used for the prepayment fee may not exceed the amount of the member's prepayment fee on the subsidized advance to FHLBank.
2. Pre-development or speculative building costs for owner-occupied new construction units;
3. Cancellation fees and penalties imposed by FHLBank on a member for a subsidized advance commitment that is canceled;
4. Processing fees charged by members for providing AHP direct subsidies to a project; or
5. Capitalized reserves, periodic deposits to reserve accounts, operating expenses, or supportive services expenses.

S. Site Visits. FHLBank, in its sole discretion, may perform site visits, access the property, and review all project compliance and required completion documentation, including but not limited to completion status and tenant and financial information.

III. AHP Application Scoring. Applications submitted to FHLBank for AHP funding consideration are scored based upon specific criteria. (See Exhibit C.) Applications shall be scored based only on the information provided in the application and obtained during the follow-up process initiated by FHLBank.

IV. AHP Agreements.

A. Agreements between FHLBank and Members. FHLBank shall have in place with each member receiving an AHP subsidized advance or AHP direct subsidy an agreement or agreements containing, at a minimum, the following provisions, where applicable:

1. **Notification of Member.** The member has been duly notified (notification may be made via letter delivered by U.S. Postal Service, a fax sent from FHLBank, linked announcement on FHLBank's website or an email sent by FHLBank) of the requirements of the Regulations, as they may be amended from time to time, and all FHLBank policies relevant to the member's approved application for AHP subsidy.
2. **AHP Subsidy Pass-Through.** The member receiving the AHP subsidy shall pass on the full amount of the AHP subsidy to the project or household, as applicable, for which the subsidy was approved.
3. **Use of AHP Subsidy.**
    a. Use of Subsidy by Member. The member shall use the AHP subsidy in accordance with the terms of the member's approved application for the subsidy and the requirements of the Regulations.
    b. Use of AHP Subsidy by the Project Sponsor or Project Owner. The member shall have in place an agreement with each project sponsor or project owner and FHLBank in which the project sponsor or project owner agrees to use and repay the AHP subsidy in accordance with the terms of the member's approved application for the subsidy and the requirements of the Regulations. This agreement shall contain a provision stating that if the project sponsor or project owner is found in noncompliance, the project sponsor or project owner shall repay AHP subsidies to the member or FHLBank in accordance with the Regulations.

4. **Repayment of AHP Subsidies in Case of Noncompliance.**
    a. In the instance of noncompliance by a member, the member shall repay AHP subsidies to FHLBank in accordance with the Regulations.
    b. The member shall have in place an agreement with each project sponsor and in the case of rental projects also the project owner, in which the project sponsor, and project owner, if applicable, agrees to repay AHP subsidies to the member or FHLBank in accordance with the Regulations.
5. **Monitoring.**
    a. The member shall comply with the monitoring requirements applicable to the member as established by FHLBank in this Plan pursuant to the Regulations.
    b. The member shall have in place an agreement with each project sponsor and in the case of rental projects also the project owner, in which the project sponsor, and project owner, if applicable, agrees to comply with the monitoring requirements applicable to such parties as established by FHLBank in its monitoring policies pursuant to Regulations.
    c. The owner of a LIHTC project will provide prompt written notice to FHLBank if the project is in material and unresolved noncompliance with the LIHTC income targeting or rent requirements at any time during the AHP 15-year retention period.
6. **Transfer of AHP obligations.**
    a. The member shall make best efforts to transfer its obligations under the approved application for AHP subsidy to another member in the event of its loss of membership in FHLBank prior to FHLBank's final disbursement of AHP subsidies; or
    b. If, after final disbursement of AHP subsidies to the member, the member undergoes an acquisition or a consolidation resulting in a successor organization that is not a member of FHLBank, the nonmember successor organization assumes the member's obligations under its approved application for AHP subsidy, and where the member received an AHP subsidized advance, the nonmember assumes such obligations until prepayment or orderly liquidation by the nonmember of the subsidized advance.
7. **Deed Restrictions**. The member shall ensure AHP retention requirements are met as set forth in Exhibit D.
8. **Final Closing Documents for Owner-occupied Projects.** Sponsors must submit to FHLBank a copy of the recorded deed restriction or other legally enforceable retention agreement or mechanism as required by FHLBank, final closing document, if applicable, and other documentation requested by FHLBank with the request for disbursement.
9. **Lending of AHP Direct Subsidy.** If a member, project sponsor, or project owner lends AHP direct subsidy to a project, any repayments of principal and payment of interest received by the member, project sponsor, or project owner must be paid within a reasonable amount of time to FHLBank.
10. **Special Provision: For Subsidized Advances.**
    a. The term of the AHP-subsidized advance shall be no longer than the term of the member's loan to the project funded by the advance, and at least once in every 12-month period, the member shall be scheduled to make a principal repayment to FHLBank equal to the amount scheduled to be repaid to the member on its loan to the project in that period.
    b. Upon a prepayment of an AHP subsidized advance, FHLBank shall charge a prepayment fee only to the extent FHLBank suffers an economic loss from the prepayments.
    c. If all or a portion of the loan or loans financed by an AHP subsidized advance are prepaid by the project to the member, the member may, at its option, either:
        - Repay to FHLBank that portion of the advance used to make the loan or loans to the project, and be subject to a fee imposed by FHLBank sufficient to compensate FHLBank for any economic loss FHLBank experiences in reinvesting the repaid amount at a rate of return below the cost of funds originally used by FHLBank to calculate the interest rate subsidy incorporated in the advance; or

- Continue to maintain the advance outstanding, subject to FHLBank resetting the interest rate on that portion of the advance used to make the loan or loans to the project to a rate equal to the cost of funds originally used by FHLBank to calculate the interest rate subsidy incorporated in the advance.

B. Agreements between FHLBank and Project Sponsor or Project Owner. FHLBank shall have in place an agreement with each project sponsor, and in the case of rental projects also the project owner, in which the project sponsor and/or project owner agrees to repay AHP subsidies directly to FHLBank in accordance with the Regulations.

V. AHP Processes

A. AHP Funding Procedures.

1. **Project Approval.** FHLBank's board shall approve AHP applications beginning with the highest scoring application until the total funding amount available is exhausted (except for any amount insufficient to fund the next highest scoring application). The board shall also approve up to the next six highest scoring applications as alternates. FHLBank shall fund an approved alternate within one year of approval if sufficient previously committed AHP subsidies become available. Alternates must provide updated feasibility information, if requested, at the time AHP funding is offered.
2. **Agreements.** A written agreement must be fully executed among FHLBank, the member, project sponsor and project owner, as applicable, for each approved AHP project.
3. **Modifications.** If a project sponsor submits, in writing, a request for modification to remedy noncompliance or receive additional subsidy, and there is or will be a change in the project that would change the score that the project application received in the AHP funding round in which it was originally scored and approved, had the changed facts been operative at that time, FHLBank shall approve in writing a request for a modification to the terms of the approved application provided that:
    a. FHLBank first requests that the project sponsor makes a reasonable effort to cure any noncompliance within a reasonable period of time, and the noncompliance could not be cured within a reasonable period of time;
    b. The project, incorporating any such changes, would meet the regulatory eligibility requirements including project feasibility;
    c. The application, as reflective of such changes, continues to score high enough to have been approved in the AHP funding round in which the application was originally scored and approved by FHLBank, which is as high as the lowest-ranking alternate approved for funding by FHLBank; and
    d. There is good cause for the modification, which may not be solely remediation of noncompliance, and the analysis and justification for the modification, including why a cure of noncompliance was not successful or attempted, are documented by FHLBank in writing.
    e. Modifications involving an increase in AHP subsidy: 1) may not be requested by projects that are complete at the time the increase in subsidy is requested; and 2) must be approved or denied by FHLBank's board.
4. **Disbursements.** Prior to each disbursement, FHLBank shall verify FHLBank membership and that a project meets AHP eligibility requirements, including all commitments relative to the status and type of the project.
    a. FHLBank's online AHP disbursement request will include a requirement for the project sponsor to certify it has not engaged in, and is not engaging in, covered misconduct as defined in the FHFA's Suspended Counterparty Policy and in Exhibit E of this AHP Plan.
    b. All AHP funds for a project must be requested within 42 months and all requested funds must be disbursed no later than 48 months from the date of FHLBank's board approval of the AHP project or approved extension date.
    c. All disbursement request amounts must be rounded down to the nearest whole dollar.
    d. During review of a disbursement request, FHLBank may request additional information, correction, or clarification. Timely response is required to ensure timely use of funds. FHLBank may, at its

discretion, reject disbursement requests for which FHLBank has not received the requested additional information, correction, or clarification of the disbursement request within 30 days of FHLBank's request.

e. Rental projects will be funded on a reimbursement basis after the acquisition, construction, and/or rehabilitation costs are incurred by the project. FHLBank disbursement will be on a reimbursement basis for project costs incurred. Disbursement of AHP Subsidy for a rental project is at the Sponsor's risk, with reimbursement subject to FHLBank review and approval as set forth in this AHP Plan.

f. For rental projects, disbursement requests, except the final disbursement request, must be for a minimum of 25 percent (25%) of the subsidy award amount. The final disbursement request amount may be for the remaining amount available if the remaining amount available is less than 25 percent (25%) of the subsidy award amount.

g. Owner-occupied disbursement requests must be submitted no later than 90 days from the date of closing for purchase projects, or the rehabilitation completion date for rehabilitation projects.

h. Owner-occupied projects are limited to submitting eight open unfunded disbursement requests at any given time.

i. Owner-occupied projects will be funded on a reimbursement basis after either closing of the purchase transaction or, for Owner-occupied Rehabilitation projects, after completion of the rehabilitation and payment of all rehabilitation costs.FHLBank disbursements will be on a reimbursement basis for project costs incurred. Disbursement of AHP Subsidy for an Owner-occupied project is at the Member's and/or Sponsor's risk, with reimbursement subject to FHLBank review and approval as set forth in this AHP Plan.

j. **Non-housing Related Debts.** For owner-occupied projects, payment of non-housing related debts (costs) are prohibited, regardless of the amount of funds the household and/or other parties contributed to the transaction.

k. **Loss of FHLBank Membership.** If a member with an approved AHP subsidy loses its FHLBank membership, FHLBank may transfer the AHP subsidy to another FHLBank member to whom the institution has transferred its obligation under the approved AHP application or a member of another Federal Home Loan Bank who has assumed the obligations of the former member. Otherwise, any non-disbursed AHP funds shall be retained and de-obligated by FHLBank.

l. **Subsidies for Write Down of Loan Principal or Rate.** If a decrease in the principal amount or market interest rates causes the AHP subsidy needed to maintain the debt service cost for the loan to decrease from the amount of subsidy initially approved, FHLBank shall reduce the AHP subsidy amount accordingly and the amount of the reduction shall be repaid to FHLBank and added to the AHP fund for appropriate utilization.

B. AHP Monitoring—General Information.

1. **Back-up and Other Project Documentation.**
   a. Project sponsor and project owner shall maintain and provide for FHLBank's review, back-up project documentation regarding household income and rents and other documentation, which in FHLBank's sole discretion, is deemed necessary to support the certification submitted by the project sponsor.
   b. Back-up documentation shall be made available for FHLBank review upon request. FHLBank may elect to use a risk-based sampling plan to review the back-up documentation, but FHLBank shall not use a sampling plan to select the projects to be monitored.
2. **Notification of Noncompliance by Owners of LIHTC projects.** Project Owners will provide, and FHLBank will review, any LIHTC notices of material and unresolved noncompliance during the AHP retention period as described in IV. A.5(c).
3. **Project Progress--Prior to Project Completion.** At least semi-annually, the project sponsor must provide reports to FHLBank indicating whether reasonable progress is being made toward project completion, in compliance with the commitments made in the approved AHP application, the AHP Plan, and the Regulations.

4. **Annual Adjustment of Income Targeting Commitments.** For purposes of determining compliance with the targeting commitments in an approved AHP application for both initial and long-term AHP monitoring purposes, such commitments shall be considered to adjust annually according to the current applicable median income data. A Rental unit may continue to count toward meeting the targeting commitment of an approved AHP application as long as the rent charged to a household remains affordable for the household occupying the unit.

C. AHP Project Completion Reporting.

1. Within two months of the project completion date for owner-occupied projects or one year and 150 days for rental projects: a) FHLBank shall complete a review of the project commitments and requirements; b) FHLBank will request a certification of compliance from the project sponsor, as applicable; c) FHLBank will notify the project sponsor of receipt of certification. This notification is acknowledgement of receipt of certification only and does not indicate compliance with the AHP Plan or Regulations.
2. **Required Documentation.** The sponsor must provide documentation to support the following:
   - Satisfactory progress is being made toward occupancy by eligible households;
   - AHP subsidy was used for eligible purposes according to the commitments made in the executed AHP Agreement;
   - Household incomes comply with the income targeting commitments made in the executed AHP Agreement. Rental projects that have been allocated funds under the following programs are required to submit only the Tenant Income Worksheet but are exempt from providing back-up documentation of tenant incomes and rents:
     - Low-Income Housing Tax Credits
     - HUD Section 202 Program for the Elderly
     - HUD Section 811 Program for Housing the Disabled
     - USDA Section 515 Rural Multifamily Program
     - USDA Section 514 Farmworker Multifamily Program;
   - For rental projects, household rents must comply with rent commitments made in the executed AHP Agreement;
   - Project's actual costs were reasonable in accordance with FHLBank's Project Cost Guidelines (See Exhibit A);
   - AHP subsidy was necessary for project completion as currently structured;
   - Services and activities committed to in the executed AHP Agreement have been provided in connection with the project; and
   - Each AHP-assisted unit is subject to AHP retention agreement as required by Regulations;
   - A third-party cost certification of project costs is required for rental projects;
   - Other documentation at the discretion of FHLBank.

D. Exemption from Long-term Monitoring for Low-Income Housing Tax Credit Projects.

For completed AHP rental projects that have been allocated LIHTCs, FHLBank shall rely solely on the monitoring performed by the state-designated housing tax credit agency administering the LIHTCs of the income targeting and rent requirements applicable under the LIHTC program. FHLBank shall not obtain and review reports from such agency or otherwise monitor these projects' long-term AHP compliance. This exemption does not apply to the requirement for LIHTC project owners to provide prompt written notice to FHLBank of material and unresolved noncompliance with the LIHTC income targeting or rent requirements at any time during the AHP retention period as described in section IV. A.5(c).

E. Reliance on Other Governmental Monitoring for Certain Long-term Monitoring Requirements.

For completed AHP rental projects that have been funded in part using the governmental programs identified below, the project sponsor must certify to FHLBank that household incomes and rents are in compliance with the current targeting and affordability commitments. The sponsor will provide information on the ongoing financial viability of the project including whether the project is current on property taxes and loan payments, its vacancy rate, and whether it is in compliance with its commitments to other funding sources. FHLBank will review the certification provided by the project sponsor. The governmental programs are:

- 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.

F. Exemption from Long-term Monitoring for Shelters.
For shelters serving the homeless and victims of domestic violence, FHLBank shall not require back-up documentation regarding household incomes and rents but shall rely solely on certifications by the shelters that the shelter residents' incomes and rents comply with the income targeting and rent commitments made in the executed AHP Agreement.

G. Long-term Monitoring of All Other Rental Projects.

1. In the second year after the project completion date and annually thereafter through the retention period, the project sponsor must certify to FHLBank that household incomes and rents are in compliance with the current targeting and affordability commitments. The sponsor will provide information on the ongoing financial viability of the project, including whether the project is current on property taxes and loan payments, its vacancy rate, and whether it is in compliance with its commitments to other funding sources. FHLBank will review the certification provided by the project sponsor.
2. FHLBank shall request and review back-up documentation regarding household incomes and rents and other project documentation based on the project's total development costs at project completion as follows:
   - Projects receiving $100,000 or less in AHP subsidy will not be subject to providing documentation of the project's units.
   - For projects receiving AHP subsidy greater than $100,000 and less than or equal to 25 percent (25.0%) of the project's total development costs, FHLBank shall review project documentation for a sample of the project's units every six years.
   - For projects receiving available AHP subsidy more than 25 percent (25.0%) to 50 percent (50.0%) of the total development costs, FHLBank shall review project documentation for a sample of the project's units every four years
   - For projects receiving available AHP subsidy more than 50 percent (50.0%) of the total development costs, FHLBank shall review project documentation for a sample of the project's units every two years.
3. FHLBank, in its sole discretion, may perform site visits, access the property, and review all project compliance and required completion documentation, including but not limited to completion status and tenant and financial information.
4. FHLBank, in its sole discretion, may monitor projects more frequently.

H. Compliance and Monitoring Certifications. Certifications submitted to FHLBank shall be executed by the sponsor.

I. Reuse of Repaid AHP Direct Subsidies in Same Project. AHP direct subsidy, including any interest, repaid to a member or project sponsor must be repaid by such parties to FHLBank within a reasonable amount of time as determined by FHLBank, but not exceeding 30 calendar days. Retention by a member or project sponsor or project owner of repaid AHP direct subsidies for subsequent re-use is prohibited by FHLBank.

J. Reasonable Collection Efforts. If a project is unable to eliminate its noncompliance or resolve it through a modification, FHLBank shall follow the process outlined below to recover all or part of the AHP subsidy.

1. **Demand for Repayment.** FHLBank shall demand recovery of the full amount of AHP subsidy, plus interest when deemed appropriate, not used in compliance with project commitments. If the noncompliance is occupancy by households with incomes exceeding the project's targeting commitments in the AHP application, the amount of AHP subsidy due is calculated based on the number of units in noncompliance, the length of the noncompliance, and the portion of the AHP subsidy attributable to the noncompliant units. The member shall repay to FHLBank any amount of the AHP subsidy (including interest) that, as a result of the member's actions or omissions, caused the subsidy to be used in noncompliance with the member's commitments in the approved AHP application or the requirements of the Regulation. All

recovered funds shall be made available for other AHP eligible projects. FHLBank shall reimburse the AHP fund for misuse or noncompliance with Regulations caused by FHLBank.

2. **Settlements.** If FHLBank is unsuccessful in its efforts to collect the full amount due as set forth in Section V.I.1.:
    a. FHLBank shall make reasonable efforts to collect the subsidy from the project sponsor or owner, which may include settlement for less than the full amount due, taking into account factors such as the financial capacity of the project sponsor or owner, assets securing the AHP subsidy, other assets of the project sponsor or owner, the degree of culpability of the project sponsor or owner, and the extent of FHLBank's collection efforts; and
    b. The settlement with the project sponsor or owner must be supported by sufficient documentation showing that the sum agreed to be repaid under the settlement is reasonably justified, based on the facts and circumstances of the noncompliance, including any factors identified in Section V.I.2.a. that were considered in reaching the settlement.
3. **Non-recovery of AHP funding.** Recovery is not required if:
    a. The member, project sponsor or project owner cures the noncompliance and provides appropriate documentation of the cure within the timeframe established by FHLBank;
    b. The circumstances of noncompliance are eliminated through an FHLBank-approved modification of the terms of the executed AHP Agreement; or
    c. The member is unable to collect the AHP subsidy after making reasonable efforts to collect it (i.e., producing documents related to collection efforts or producing legal documentation of foreclosure or other legal means that prevent collection, acceptable at FHLBank's sole discretion on a case-by-case basis).
4. **Monitoring.** Projects that are not in compliance may be subject to additional monitoring.
5. **Disbursement or AHP Participation Restriction.** If FHLBank determines the member, project sponsor or project owner is not in compliance with the terms and conditions of the AHP Agreement or AHP regulations, FHLBank in its sole discretion may withhold disbursement of AHP funds and deem the member, project sponsor, or project owner ineligible to participate in the AHP.
6. **Suspension and Debarment.** FHLBank may suspend or debar a member, project sponsor, project owner, or individual from AHP participation if such party shows a pattern of noncompliance or engages in a single instance of flagrant noncompliance, with the terms of an executed agreement for AHP subsidy or the requirement of the Regulations. Final determination of suspension or debarment shall be made by the President of FHLBank. FHLBank may, at its discretion, suspend or debar any party involved in or related to a project, including, but not limited to contractors, service providers or funders that FHLBank determines place a project at risk.

VI. Disposition of AHP Subsidies. AHP subsidies recaptured, repaid, or de-obligated, including any interest received, shall be made available by FHLBank in the current AHP funding year as follows:

A. To fund alternate projects in descending order based on score provided the alternate project was designated by the Board within the previous 12 months;
B. Used for another eligible household by the same project at FHLBank's sole discretion within timeframes identified by HCD;
C. Placed in the AHP reserve for deployment;
D. For modifications to increase previously-awarded AHP subsidies subject to availability and the approval of the modification by FHLBank's Board of Directors; and
E. Rolled forward into the next year's AHP.

VII. Exceptions.

A. FHLBank, in its sole discretion, may grant exceptions to the provisions, except regulatory requirements, of this AHP Plan.

B. Any exceptions to the provisions shall be documented as part of the review process at the time the application is reviewed, at disbursement, after the project is completed, and any other AHP process, and reported upon first occurrence to FHLBank's Mission and Governance committee.

C. An exception to the provisions of this AHP Plan does not constitute a contract on behalf of FHLBank for the benefit of any member, sponsor, project owner, or other third-party beneficiary associated with an AHP project, and may not be enforced by any person against FHLBank.

VIII. Homeownership Set-aside Program (HSP) and HSP+.

A. Program Summary. The HSP provides down payment and closing cost, or funding for repairs related to the transaction for first-time homebuyers earning at or below 80 percent (80%) of the AMI for households purchasing homes in Colorado, Kansas, Nebraska, or Oklahoma. HSP funding is provided on a reimbursement basis to eligible members, after closing. Up to the greater of $4.5 million or 35 percent (35%) of FHLBank's annual required AHP contribution shall be allocated to the HSP. The contribution will be divided between first-time homebuyers (HSP) and first-time homebuyers in High-Cost or Difficult Development Areas (HSP+), as defined in Exhibit E, with $1.5 million available for HSP+ and the remainder available for HSP. Additional funds may be allocated to the HSP from deobligated, recaptured, and repaid AHP and HSP funds, subject to approval by FHLBank's board of directors.

B. Eligible Members. TurnKey Member Registration Agreements (Registration Agreements), HSP/HSP+ Funds Reservation, and HSP/HSP+ Disbursement Requests will only be accepted from eligible members of FHLBank at the time the applicable document is submitted.

C. Member Registration. Members must register to participate by submitting a Registration Agreement.

D. Funding Period. Reservations will be accepted March 2, 2026 through September 30, 2026. HSP funds will be made available in 2026 with one-fourth (1/4th) of the annual funding to be available on March 2, April 1, May 1, and June 1, 2026. The full allocation of HSP+ funds will be made available March 2, 2026. Disbursement requests must be submitted by the member to FHLBank within 90 days of reservation approval. If a member has undisbursed reserved funds from any funding period prior to the current funding period, the member may not participate in the current or future rounds until undisbursed funds from the previous round are disbursed or withdrawn. This requirement supersedes the requirement that a disbursement request must be submitted by the member within 90 days of reservation approval. FHLBank shall not extend reservations past April 1 of the year following the funding period.

E. Member Limit. In most areas, HSP funds are available on a first-come, first-served basis of $75,000 in reservations per member per calendar month beginning March 2, 2026. HSP+ funds are available on a first-come, first-served basis of $175,000 in reservations per member per calendar month. The member limit in all areas will be adjusted by 9:00 a.m. Central time on the first business day of each month. Members may access the current month's limit plus the unused portion of previous months' limits if funds are available. FHLBank will evaluate funds remaining after July 1, 2026 and determine whether to continue, discontinue, change the member limit, or in the case of HSP+, whether to reallocate unreserved funds to the HSP. Any change in member limits or reallocation of funds will be announced to members. Members are neither allocated nor guaranteed reservations up to the limits in this section per month.

F. Grant Amount Requirements. The subsidy per household at reservation must be $2,500 or greater. The maximum HSP+ subsidy per household is $25,000, and the maximum HSP subsidy per household is $15,000.

G. Minimum Eligibility Requirements. These Guidelines apply to both HSP and HSP+ unless otherwise noted.

1. **First-time Homebuyer.** Homebuyer must be a First-time Homebuyer, as defined in Exhibit E.
2. **Income Eligibility.**
    a. **Eligible Households - Income Eligibility Guidelines.** The maximum household income must be at or below 80 percent (80%) of the applicable AMI at the time the household is accepted for enrollment by the member in FHLBank's HSP/HSP+. The household's enrollment date is the date the reservation is submitted to FHLBank.

b. **Income Calculation.** The income calculation is pursuant to FHLBank's income calculation user guide, available on FHLBank's website. Income must be documented for all household members age 18 or over, whether or not shown as borrowers for the purpose of other financing.

3. **Homebuyer Name and Property Address.** The homebuyer name and property address identified on the disbursement request must match the homebuyer name and property address on the approved reservation. Reservations cannot be transferred to other homebuyers or other properties.
4. **Cash Back to Household.** A household may receive a total of up to $250 cash back at any point in the purchase transaction. Unused escrow funds may be returned to the homebuyer subject to the $250 cash back limit. The Member shall use any HSP subsidy exceeding such amount that is beyond what is needed at closing for closing costs and the approved mortgage amount, including unused escrow funds, 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.
5. **Reimbursement to Household.** Households may not be reimbursed for repair expenses paid outside of closing.
6. **Financing Costs.** Rate of interest, points, fees, and other charges paid by buyer for all loans made for the project in conjunction with the HSP subsidy shall not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms, and risk. (See Exhibit B.)
7. **Homebuyer Education Requirement.** Recipients must complete a homebuyer education program provided by, or based on one provided by, an organization experienced in homebuyer education.
8. **Counseling Costs.** The HSP subsidy may be used to pay for counseling costs (homebuyer education) only where the costs are incurred in connection with counseling of homebuyers who actually purchase an HSP-assisted unit and the cost of the counseling has not been covered by another funding source.
9. **Processing Fees.** Processing fees shall not be charged by any entity for providing HSP subsidy to a household.
10. **Non-housing Related Debts.** Payment of non-housing related debts (costs) as part of the home purchase are prohibited, regardless of the amount of funds the household and/or other parties contributed to the transaction.
11. **Loan Closing.** Home purchases closed prior to FHLBank approval of the reservation for the household or prior to the HSP funding period are prohibited.
12. **Use of Subsidy.** Households must agree to use the HSP subsidies to pay for down payment, closing cost, counseling (homebuyer education), or purchase-related repairs (see definition of rehabilitation/repairs in Exhibit E) in connection with the household's purchase of a home, including a condominium or cooperative housing unit or manufactured housing, to be used as the household's primary residence.
13. **Retention Period.** Households must agree to a five-year retention period.

H. Additional Eligibility Requirements.

- **Front Ratio:** The household's ratio of monthly first mortgage payment divided by monthly household income shall not be greater than 38 percent (38%) for HSP and 44 percent (44%) for HSP+. (See Exhibit B.)

I. Other Guidelines. The member shall make best efforts to transfer its obligations under the approved application for HSP subsidy to another member in the event of its loss of membership in FHLBank prior to FHLBank's final disbursement of HSP subsidies.

J. Noncompliance Remedial Action. FHLBank shall recover from the member the amount of any HSP subsidy that is not used in compliance with this AHP Plan, the regulations, or the TurnKey Member Registration Agreement, if the misuse is the result of the actions or omissions of the member.

K. HSP Funding Procedures.

1. Requests for both reservations and disbursement of HSP funds must be submitted through HSP Online, FHLBank's online system.
2. **Reservation of HSP Subsidy.** To reserve funds for a prospective household, a member must submit a reservation in HSP Online. To submit a reservation for review, a member must submit a completed Income Calculation Workbook, income documentation as specified in the Income Calculation Guidelines,

and other documentation as required, to FHLBank through HSP Online. FHLBank shall notify the member when the reservation has been approved or denied.

3. **Disbursement Request.** To submit a disbursement for review, a member must submit the final, signed Closing Disclosure, the Homebuyer Education Certificate, a copy of the recorded Real Estate Retention Agreement and other documentation as required, to FHLBank through HSP Online within 90 days of reservation approval. FHLBank shall notify the member when the disbursement has been approved or denied.
4. **Retention Agreements.** The member shall ensure HSP retention requirements are met as set forth in Exhibit D.
5. **Cancelling Reservation or Disbursement Request.** A member may withdraw reservations, approved reservations, or disbursement requests without penalty through HSP Online.
6. **Timely Submission of FHLBank Requests for Correction, Clarification, or other Follow-up Items.** During review of a Reservation or Disbursement Request (Requests), FHLBank may request additional information, correction, or clarification of the submission. Timely response from the member is required to ensure timely use of funds. FHLBank may, at its discretion, withdraw Requests for which FHLBank has not received the requested additional information, correction, or clarification of the submission within thirty days of FHLBank's request.

L. Repayment of Subsidy. In the case of a sale, transfer, assignment of title or deed, or refinancing of the unit by a household during the retention period, the amount of HSP subsidy a household is required to repay shall be the lesser of:

1. The HSP subsidy, reduced on a pro rata per month basis until the unit is sold, transferred, or its title or deed transferred, or is refinanced, during the HSP five-year retention period.
2. Any Net Proceeds from the sale, transfer, or assignment of title or deed of the unit, or the refinancing, as applicable, minus the HSP-assisted Household's Investment.

Repayment will be made to FHLBank unless one of the following exceptions applies:

1. The unit was assisted with a permanent mortgage loan funded by an AHP subsidized advance;
2. The subsequent purchaser, transferee, or assignee is a low- or moderate-income household;
3. The sale price of the unit is less than or equal to the HOME/Housing Trust Fund Homeownership Sale Price Limit for the county where the unit is located;
4. The amount of HSP subsidy required to be paid as described above is $2,500.00 or less, or;
5. Following refinancing, the unit continues to be subject to a retention agreement as described in Exhibit D.

M. HSP Monitoring. FHLBank shall monitor compliance with all HSP requirements including HSP eligibility requirements and member certifications for each household prior to disbursement. FHLBank reserves the right to request documentation to support member certifications at anytime prior or post disbursement. FHLBank may use a reasonable sampling plan to select the households to be monitored, and to review the back-up and any other documentation received by FHLBank, but not the member certifications required. The sampling plan and its basis shall be in writing.

IX. Incorporation of Laws and Regulations.

The requirements of Section 10(j) of the Act (12 U.S.C. §1430(j)) and the provisions of the Regulations are incorporated into all agreements between FHLBank, members, project sponsors and project owners, as applicable, receiving AHP subsidies under the General Fund, and between FHLBank and members under the HSP. No amendment to the Regulations shall affect the legality of actions taken prior to the effective date of such amendment.

X. Conflict of Interest Policy.

FHLBank's Code of Ethics, which is available on FHLBank's website, addresses conflicts of interest involving FHLBank directors, employees, and Advisory Council members in regard to the AHP.

XI. Equal Opportunity.

FHLBank is committed to the principles of equal opportunity and non-discrimination in FHLBank's business activities, including employment and contracting.

Policy Review

This AHP Plan shall be reviewed annually and revised as needed by the Director of HCD. Any such revisions shall be submitted for review by the Executive Team and approval by the President, submitted to the Advisory Council for review and its recommendations and then submitted for review and approval by the HGC and the board.

Exhibits

- **Exhibit A: General Fund Project Cost Guidelines**
- **Exhibit B: Project Eligibility, Feasibility and General Fund Progress Milestone Guidelines**
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EXHIBIT A: GENERAL FUND PROJECT COST GUIDELINES

These guidelines are intended to assist in the evaluation of the feasibility of AHP-assisted projects and the need for the amount of AHP subsidy requested or approved for the project.

Projects approved prior to 2017 will be required to meet the Project Cost Guidelines as defined in this Exhibit for the year in which FHLBank begins the feasibility review. Projects approved in 2017 and after will be required to meet the Project Cost Guidelines as defined in this Exhibit at the time the application was approved for funding.

ITEM	**Rental Project Costs Guidelines** (Targets are Maximums)
1. DEVELOPMENT BUDGET	
a. Contractor Fees	Twelve percent (12%) aggregate total for contractor fees on the residential component of the project stated as a percentage of the residential costs for land improvements, new construction costs, rehabilitation costs, building hazardous material remediation, local and tap permit fees and other costs for construction and rehabilitation specified on the Development Budget tab of the Feasibility Workbook.
b. Developer / Consultant Fees	Developer and Consultant Fees may not exceed fifteen percent (15%) of the residential costs, excluding developer and consultant fees, land, amounts exceeding the maximum allowable contractor fees, contractor overhead, contractor profit, general requirements, and project reserves. In the event of a subsequent request for increase in subsidy, any additional developer/consultant fee must be no more than the original ratio of developer/contractor fee to costs and based on rates stated in FHLBank's AHP Plan at the time of AHP application. The subsequent request must include additional hard costs excluding developer fees.
c. Contingency	• 15 percent (15%) of hard costs for rehabilitation and adaptive reuse. • 10 percent (10%) of hard construction costs, new construction. • Contingency costs for combinations of rehabilitation and new construction will be proportionate to the respective costs. • 3 percent (3%) of soft costs.
d. Operating Reserves (capitalized)	12 months of operating expenses.
e. Replacement Reserves (capitalized)	$350 per unit
f. Debt Service Reserves	9 months of debt service.
g. Construction Costs	Construction costs must be reasonable. Project cost reasonableness will be determined through comparison to data established by RS Means Company or other industry construction data or justified as a result of a competitive bidding process.
2. PROJECT FINANCING	
a. Construction Loan Fees	2 percent (2%) of the construction loan amount.
b. Permanent Loan Fees	2 percent (2%) of the permanent loan amount.
c. Interest Rate	• Permanent Loan/TIF Loan: 300 basis points over the comparable 15-year or 30-year CHP rate. (Applies to permanent loans not paid out of net cash flow.)

ITEM	**Rental Project Costs Guidelines** (Targets are Maximums)
	• Construction Loan: 500 basis points over the 15-year CHP rate.

ITEM	**Owner-occupied Project Costs Guidelines** (Targets are Maximums)
1. DEVELOPER/CONTRACTOR FEES	
Down Payment Assistance	Developer/contractor fees are not permitted.
Owner-occupied Rehabilitation	Developer/contractor fees are not permitted.
2. CONSTRUCTION COSTS	
Owner-occupied Rehabilitation projects and projects with Sponsor provided below market rate financing	Owner-occupied construction costs must be reasonable. Project cost reasonableness will be determined through comparison to data established by RS Means Company or other industry construction data or justified as a result of a competitive bidding process.
Owner-occupied Rehabilitation Expenses	Owner-occupied Rehabilitation expenses to be paid with AHP subsidy must be a minimum of $3,500 per unit (excluding sponsor fee, homeowner education costs and other costs not related to direct rehabilitation expenses).
3. OTHER FEES	
a. Homebuyer/ Homeownership Education Fee	The fee for homebuyer/homeownership education shall not exceed $500 per unit.
b. Sponsor fee	The fee for a project sponsor shall:
i. Purchase/New Construction	Not exceed $1,000 per unit.
ii. Rehabilitation	Not to exceed the greater of 10 percent (10%) of the rehabilitation construction costs or $1,000 per unit (excluding expenses not related to direct rehabilitation expenses)

EXHIBIT B: PROJECT ELIGIBILITY, FEASIBILITY AND GENERAL FUND PROGRESS MILESTONE GUIDELINES

These guidelines are established pursuant to the provisions of the Regulations and contain reasonable parameters for feasibility. These guidelines are intended to assist in the evaluation of the feasibility of AHP-assisted projects and the need for the amount of AHP subsidy requested or approved for the project.

Rental projects approved prior to 2017 will be required to meet the Project Eligibility and Feasibility Guidelines as defined in this Exhibit for the year in which FHLBank begins the feasibility review. Rental projects approved in 2017 and after will be required to meet the Project Eligibility and Feasibility Guidelines as defined in this Exhibit at the time the application was approved for funding.

All AHP owner-occupied projects, regardless of approval date are required to meet the Project Eligibility and Feasibility Guidelines as defined in this Exhibit for the year in which FHLBank begins the feasibility review.

1. General Fund - RENTAL

ITEM	**Project Eligibility and Feasibility Guidelines**
a. Vacancy Rate/Bad Debt	Up to and including 7 percent (7%) of gross rent revenue.
b. Management Fee	Maximum 15 percent (15%) of net rent for 20 units or less. Maximum of 10 percent (10%) of net rent for less than 50 but greater than 20 units. Maximum of 5 percent (5%) of net rent for 50 or more units.
c. Operating Costs	Between $3,200 and $6,000 per unit per year without reserves and including real estate taxes or within operating costs approved per Section 8 operating agreement or equivalent requirement.
d. Replacement Reserves	Minimum $250 and Maximum $500/unit per year in any year on the 15-year proforma.
e. Debt Capacity Measurement	Debt Coverage Ratio (DCR) - Use DCR when total debt divided by total development cost is greater than or equal to 3 percent. The DCR shall not be lower than 1.05 in any year on the 15-year proforma. Effective Gross Income Percentage (EGI%) - Use EGI% when total debt divided by total development cost is less than 3 percent (3%). EGI% shall not be higher than 100 percent (100%) in any year on the 15-year proforma.
f. Income and expense annual increase	Housing Proforma projections of income and expense must use projected annual increase of 2 percent (2%) income and 3 percent (3%) expenses. This guideline does not apply to Service Proformas.
g. Deferred Developer Fee Repayment	Deferred developer fees must be projected to be paid within the 15-year proforma period.

2. General Fund - OWNER-OCCUPIED

ITEM	**Project Eligibility and Feasibility Guidelines**
a. Mortgage Term	All Owner-occupied purchase project units must be funded with a mortgage that meets the following guidelines: 1) Maximum mortgage term is forty (40) years. 2) Minimum mortgage term is five (5) years.
b. Mortgage Rate	First mortgage: A maximum of 200 basis points over 30-Year Fixed-rate Mortgage rate published by Freddie Mac in its Compilation of Weekly Survey Data on the first week of each calendar quarter. Second mortgage: A maximum of 400 basis points over the 30-Year Fixed-rate Mortgage rate published by Freddie Mac in its Compilation of Weekly Survey Data on the first week of each calendar quarter.
c. Mortgage Lender Fees	Lender fees paid by buyer including origination fee shall not exceed three percent (3%) of loan amount.
d. Mortgage Lender Discount Fees	Loan discount fees paid by buyer shall not exceed three percent (3%) of the loan amount.
e. Consumer Loan Interest Rate	The maximum interest rate shall be limited to 15 percent (15%).
f. Consumer Loan Lender Fees	Lender fees shall not exceed 5 percent (5%) of the loan amount or $100 whichever is greater.
g. Consumer Loan Discount Fees	Discount fees shall not exceed 2 percent (2%) of the loan amount.
h. Front ratio	A Front Ratio, as defined in Exhibit E, shall not exceed 38 percent (38%) of gross monthly income. Front Ratio does not apply to owner-occupied rehabilitation subsidies.

3. Homeownership Set-aside Program

These Guidelines apply to both HSP and HSP+ unless otherwise noted.

ITEM	Project Eligibility and Feasibility Guidelines
a. Mortgage Term	All home purchases must be funded with a mortgage that meets the following guidelines: 1) Maximum mortgage term is forty (40) years. 2) Minimum mortgage term is five (5) years.
b. Mortgage Rate	First mortgage: A maximum of 200 basis points over 30-Year Fixed-rate Mortgage rate published by Freddie Mac in its Compilation of Weekly Survey Data on the first week of each calendar quarter. Second mortgage: A maximum of 400 basis points over the 30-Year Fixed-rate Mortgage rate published by Freddie Mac in its Compilation of Weekly Survey Data on the first week of each calendar quarter.
c. Lender Fees	Lender fees paid by buyer including origination fee shall not exceed three percent (3%) of loan amount.
d. Lender Discount Fees	Loan discount fees paid by buyer shall not exceed three percent (3%) of the loan amount.
e. Homebuyer Education Fee	The fee for homebuyer education shall not exceed $500.
f. Front ratio	A Front Ratio, as defined in Exhibit E, shall not be greater than 38 percent (38%) for HSP and 44 percent (44%) for HSP+.

General Fund - Progress Milestones Guidelines

Progress milestones such as those listed below are used by HCD to quantify a project's readiness to proceed at application, judge the merit of a project's extension request, and in evaluating the status of a project at disbursement and monitoring.

Application Milestones

Projects completed prior to AHP approval are not eligible to apply. Applicants should be in the process of, or have completed, these activities at the time of application (or have completed such other objectives as agreed to by FHLBank and the project):

Rental	**Owner-occupied**
• All funding source applications initiated or submitted	• Needs Assessment completed
• Project buildings and underlying land must be owned, leased, subject to a commitment to purchase or subject to a commitment for a long-term lease.	• Scope of project defined
• Market Study or Market Needs Assessment completed	• Preliminary cost estimates developed
• Scope of work and construction specifications defined	• Other funding sources identified
• Preliminary cost estimates developed	If the applicant has an open project with the same activity type from prior rounds, the following percentage of units must be member approved in AHP Online or have already funded prior to the application deadline: • Prior years round = 25% • Two years prior = 50% • Three years prior = 75%
• Architectural and/or other specifications completed	
• Relocation Plan (if applicable). See Exhibit E.	

Project Start Milestones

The project may demonstrate project start as identified below:

Rental	**Owner-occupied**
• Submit a disbursement request that meets the Disbursement Milestones and is for at least 25 percent (25%) of the subsidy awarded within twelve months of application approval.	• Submit a minimum of one disbursement request within six months of application approval.

• Provide documentation establishing that AHP subsidy was used to procure a financing commitment that was not approved at the time of the AHP application and must meet the criteria provided below.
  • Amount of financing commitment must be at least $20,000.
  • Project must submit a disbursement request for at least 25 percent (25%) of the subsidy awarded within 18 months of the date of the AHP application approval.
	• Provide documentation establishing that AHP subsidy was used to procure a financing commitment that was not approved at the time of the AHP application and must meet the criteria provided below.
	  • Amount of financing commitment must be at least $5,000.
	  • Project must submit a minimum of one disbursement request within 18 months of the date of the AHP application approval.

Project Extension Milestones

One six-month extension may be granted, in FHLBank's sole discretion, to the 12-month start requirement. Written requests for extension will be considered if some or all of the following have been completed (or if such other objective has been completed as agreed to by FHLBank and the project):

Rental	**Owner-occupied**
• All funding source applications approved	• Buyers/owners selected for 25 percent (25%) of total AHP units
• Contractor selection completed	• Project Marketing started
• Zoning change approved	
• Building permits obtained	
• Construction financing closing	
• Environmental review process completed	

Disbursement Milestones

At the time of a disbursement request or a project progress review (semi-annual report), a project must demonstrate a continuing need for subsidy and continued eligibility, as well as progress toward one or more of the following (or progress toward such other objective as agreed to by FHLBank and the project):

Rental	**Owner-occupied**
• Other funding source applications approved	• Other funding source applications approved
• Project buildings and underlying land must be owned or leased at time of disbursement.	• Commitments are progressing with each disbursement
• Construction/Rehabilitation started	

Monitoring Milestones

At the time of project completion reporting, a project must demonstrate the following have occurred:

Rental	**Owner-occupied**
• Construction/Rehabilitation completed	• All commitments are fulfilled at project completion.
• Project occupancy is adequate for monitoring	
• Financial reports are available	
• Commitments have been fulfilled	

EXHIBIT C: GENERAL FUND SCORING CRITERIA: POINT DETERMINATIONS

Regulations require FHLBank to allocate 100 points among the scoring criteria listed below that have been adopted by FHLBank for its General Fund. Each applicant receives points based on their satisfaction of the scoring criteria. Scores calculated in FHLBank's online application system may differ slightly from applicant-calculated scores based on formulas in this AHP Plan due to the rounding convention utilized by FHLBank's online application system. Calculations are consistent amongst all applications. Applications are recommended for funding in descending order of score until the total amount of funds available is exhausted.

In the event of a tied score between two or more applications when the funds are sufficient to satisfy the funding requests of all of the tied applications, the tied projects will be ranked highest to lowest according to the scores awarded in one or more of the following scoring criteria, until the scores are differentiated and the AHP funds are exhausted, in this order: Subsidy Per Unit, Targeting, Underserved Communities and Populations - Rental Housing for Extremely Low-income Households, and Home Purchase by Low- or Moderate-income Households.

In the event of a tied score between two or more applications when the funds are insufficient to satisfy the funding requests of all of the tied applications, the tied projects will be ranked highest to lowest according to the scores awarded in one or more of the following scoring criteria, until the scores are differentiated and the AHP funds are exhausted, in this order: Subsidy Per Unit, Targeting, Underserved Communities and Populations - Rental Housing for Extremely Low-income Households, and Home Purchase by Low- or Moderate-income Households.

FHLBank shall document in writing its analysis and results for each use of the tie-breaker methodology.

In the event a tied application is not recommended for funding under the tie-breaker methodology described above, or if an application is tied with another application but requested more subsidy than the amount of AHP funds that remain to be awarded, the non-prevailing application shall be approved as an alternate for funding.

1. **Use of Donated or Conveyed Government-owned or Other Properties** (Variable: 5 points maximum). To be considered donated property, the land or units must be donated at no or a de minimis cost to the project, excluding transfer or closing costs. Donations of property previously or currently owned by the project sponsor, owner, developer, or any affiliate, are not eligible to receive points under this scoring criterion, unless originally donated to the project sponsor, owner, developer, or any affiliate. Projects involving rehabilitation without acquisition of property may not receive points under this criterion. Reductions in the sale price of a property are not considered donated property.

Points will be awarded to applications which have a minimum of 20 percent (20%) of land or units fully donated.	
Donation of land or units conveyed by the federal government or any agency or instrumentality thereof (states, counties, cities, etc. are not considered instrumentalities of the federal government).	5 points

Points will be awarded to applications which have a minimum of 20 percent (20%) of land or units fully donated.	
Donation made within five years of current AHP application deadline.	5 points
Donation made more than five years from the current AHP application deadline.	2.5 points

2. **Sponsorship by a Not-for-Profit Organization or Government Entity** (Variable: 5 points maximum). This criterion includes project sponsorship by a not-for-profit organization, a state or 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. Sponsorship can also include a not-for-profit organization that owns a for-profit entity that is the general partner in the partnership that owns an AHP-eligible rental project.

Rental
5 points will be awarded to federally recognized Native American Tribes, Tribal Designated Housing Entities, Alaskan Native Villages or the government entity for Native Hawaiian Home Lands (Native) sponsors that meet one of the following criteria:
• has a controlling interest (>50 percent [50%]) in the ownership entity, or
• has a controlling interest in the general partner (GP) or the limited partner (LP) or the managing partner(s) of the owner (>50 percent [50%] ownership of the project).
2.5 points will be awarded if the not-for-profit or non-native government sponsor meets one of the following criteria:
• has a controlling interest (>50 percent [50%]) in the ownership entity, or
• has a controlling interest in the general partner (GP) or the limited partner (LP) or the managing partner(s) of the owner (>50 percent [50%] ownership of the project).
1 point will be awarded if the not-for-profit, Native, or non-native government sponsor meets one of the following criteria:
• has an ownership interest of at least 10 percent [10%] in the ownership entity, or
• has an ownership interest of at least 10 percent [10%] in the general partner (GP) or the limited partner (LP) or the managing partner(s).

Owner-occupied
5 points will be awarded to federally recognized Native American Tribes, Tribal Designated Housing Entities, Alaskan Native Villages or the government entity for Native Hawaiian Home Lands (Native) sponsors that meet one of the following criteria:
• manages the construction or rehabilitation of the property;
• providing empowerment services directly as defined in this AHP Plan;
• qualifies borrowers and provides or arranges financing for the owners of the units.
2.5 points will be awarded if the not-for-profit or non-native government sponsor meets one of the following criteria:
• manages the construction or rehabilitation of the property;
• providing empowerment services directly as defined in this AHP Plan;
• qualifies borrowers and provides or arranges financing for the owners of the units.

3. **Home Purchase by Low- or Moderate-income Households** (Fixed: 5 points) Applications that support the financing of home purchases by low- or moderate-income households are awarded five points.

4. Income Targeting (Variable: 20 points maximum)

Targeting reflects the extent to which a project creates housing for very low-, low-, or moderate-income households. Applications are awarded points based on a declining scale with projects having the highest percentage of units targeted to households with the lower percentage of AMI awarded the highest number of points. The number of points awarded is calculated based on the number of units targeted within each of the income targeting categories. Each category is weighted with a value of 20, 18 16, or 0. The weightings and income categories are:

WEIGHTINGS	INCOME CATEGORIES
20	Less than or equal to fifty percent (50%) of AMI
18	Greater than fifty percent (50%) of AMI but less than or equal to sixty percent (60%) of AMI
16	Greater than sixty percent (60%) of AMI but less than or equal to eighty percent (80%) of AMI
0	Greater than eighty percent (80%) of AMI (market-rate units)

a. **Owner–occupied projects.** All owner-occupied units must be targeted to households at or below 80 percent of AMI.

b. **Rental projects.** A minimum of 20 percent (20%) of the units must be reserved for households at or below 50 percent (50%) of the AMI to be eligible for scoring.

   i. The income targeting commitments established with other funding sources must either match or be more restrictive than the targeting selected in the AHP application for the 15-year retention period of the project.

   ii. For projects that are occupied at the time the AHP application is submitted, the income targeting in the application must match the targeting of households living in the property, unless an acceptable relocation plan is submitted.

- 20 points shall be awarded to owner-occupied or rental projects with 60 percent (60%) or more of the units in the project reserved for occupancy by households with incomes at or below 50 percent (50%) of the AMI.
- For all other projects, the points shall be awarded as follows:

Points Awarded = [20 * (% of Units ≤ 50% of AMI)] + [18 * (% of Units > 50% of AMI but ≤ 60% of AMI)] + [16 * (% of Units > 60% of AMI but ≤ 80% of AMI)].

Using the formula as depicted above, an application with 30 percent (30%) of the units targeted to households with incomes at or below 50 percent (50%) of AMI, 30 percent (30%) of the units targeted for households greater than 50 percent (50%) of AMI but less than or equal to 60 percent (60%) of AMI and 40 percent (40%) to households greater than 60 percent (60%) of AMI but less than or equal to 80 percent (80%) of AMI would be receive 17.8 points, computed as follows:

Points Awarded = (20*30%) + (18*30%) + (16*40%) = 17.8.

NOTE: A manager's or caretaker's unit cannot receive AHP funding unless it is income restricted according to the application targeting. If the manager's or caretaker's unit shall not be income restricted, the unit shall be excluded from the total number of AHP-assisted units in the project.

5. Underserved Communities and Populations (Variable: 15 points maximum)

This criterion includes the provision of housing for underserved communities or populations, by addressing one or more of the following specific housing needs:

- Housing for Homeless Households
- Housing for Special Needs Populations
- Housing for Other Targeted Populations
- Rental Housing for Extremely Low-income Households

Points will be awarded based on the individual Underserved Communities and Populations criteria committed to in the application as follows:

Range	Points Awarded
<20 percent (20%) Underserved Communities Units	0 points
≥20 percent (20%) and <50 percent (50%) Underserved Communities Units	1.75 points
≥50 percent (50%) and <75 percent (75%) Underserved Communities Units	3.5 points
≥75 percent (75%) Underserved Communities Units	5 points

a. **Housing for Homeless** (Variable: 5 points maximum)

This criterion includes the financing of housing, excluding overnight shelters, reserving at least 20 percent (20%) of the project's total units for homeless households (as defined in Exhibit E), the creation of transitional housing for homeless households permitting a minimum of six months' occupancy, or the creation of permanent owner-occupied housing reserving at least 20 percent (20%) of units for homeless households. A project must reserve units for occupancy by homeless households, not merely market to homeless persons or give priority to the homeless for waiting list purposes.

Scoring example: A project reserving 50 percent (50%) of the project's total units for homeless households would receive 3.5 points.

b. **Housing for Special Needs Populations** (Variable: 5 points maximum)

This criterion includes the provision of housing reserving at least 20 percent (20%) of the project's total units for special needs households (as defined in Exhibit E).

c. **Housing for Other Targeted Populations** (Variable: 10 points maximum)

This criterion includes the provision of housing reserving at least 20 percent (20%) of the project's total units for:

i. Large Units (as defined in Exhibit E);
ii. Native American households (as defined in Exhibit E).;
iii. Rural households (as defined in Exhibit E).; or
iv. Veteran or Active Duty households (as defined in Exhibit E).

d. **Rental Housing for Extremely low-income Households** (Variable: 5 points maximum)

This criterion includes the provision of housing reserving at least 20 percent (20%) of the project's total units for Extremely Low-income (ELI) households (as defined in Exhibit E).

6. Creating Economic Opportunity (Variable: 10 Points Maximum)

The financing of housing that facilitates economic opportunity for the residents by addressing one or more of the following specific housing needs:

Promotion of Empowerment: The provision of housing in combination with a program offering services that assist residents in attaining life skills or moving toward better economic opportunities. Two and one half points (to a maximum of 10) will be awarded for each of the following Promotion of Empowerment criteria committed to below:

a. **Housing Education:** Commitment to participation of at least 50 percent (50%) of project's total units:

- Homebuyer (Prepurchase) Education/Counseling (Owner-occupied projects only)
- Homeowner (Post-purchase) Maintenance Education/Counseling (Owner-occupied projects only)
- Tenant Counseling (Rental projects only)

b. **Financial Education**: Commitment to make available to 100 percent (100%) of project's total units.
c. **Education or Training Programs**: Commitment to make available to 100 percent (100%) of project's total units. Education or Training Programs are defined in Exhibit E.
d. **Sweat Equity:** Commitment to participation of at least 20 percent (20%) of project's total units. (Owner-occupied projects only)
e. **Mental or Behavioral Health Services:** Commitment to make available to 100 percent (100%) of project's total units. Mental or Behavioral Health Services are defined in Exhibit E.
f. **Adult or Child Care:** Commitment to make available to 100 percent (100%) of project's total units.
g. **Case Management or Residential Services**: Commitment to participation of at least 50 percent (50%) of project's total units.

7. Community Stability (Variable: 10 points maximum)

The promotion of community stability through preservation of affordable housing or by rehabilitating and converting non-housing use properties to housing use properties, and not displacing low- or moderate-income households, or if such displacement will occur, assuring that such households will be assisted to minimize the impact of such displacement.

Five points each will be awarded for each of the following:

a. **Preservation of Affordable Housing** Five points shall be awarded for applications dedicated to Owner-occupied Rehabilitation or Preservation of Federally Assisted Housing (as defined in Exhibit E).
b. **Adaptive Reuse** Five points shall be awarded for applications in which at least 80 percent (80%) of the proposed project units are committed to this criterion (as defined in Exhibit E).

8. FHLBank Priorities (Variable: 30 points maximum)

FHLBank awards a maximum of five points to applications in each category up to a maximum of 30 points.

a. **AHP Subsidy per Unit** (SPU) (Variable: 5 points maximum)

Points shall be awarded based on the extent to which projects propose to use the least amount of AHP SPU (average of AHP units) within the ranges specified below:

Applications with SPU less than or equal to the minimum SPU will receive 5 points. Minimum score is 0.

SPU Scoring Formula.	Points awarded = [(75,001- X)/60,000]*5, where X = SPU requested.
NOTE: SPU has a range of $75,000 to $15,000.	

b. **Member Financial Participation** (Fixed: 5 Points)

Owner-occupied Projects	Five points shall be awarded to owner-occupied projects in which an FHLBank system member provides liquidity to the project sponsor or homebuyer/homeowner for at least 20 percent (20%) of the project's total units through one of the following: Financial support for homebuyers/homeowners: • Loaning at least $500 towards the purchase transaction/rehabilitation costs, • Donating at least $500 towards the purchase transaction/rehabilitation costs, • Purchasing or originating the project's first mortgage loans, Financial support for project sponsors: • Contributing funds to a lender consortium or other mechanism as established by the terms in the consortium agreement or agreement for other mechanism that provides funds for home purchase mortgages or owner-occupied rehabilitation, or • Line of credit where draws for the construction or rehabilitation costs can be tied back to the project units.

Rental Projects	Five points shall be awarded to rental projects in which: • Grants are funded by or credit is drawn from/advanced by a Federal Home Loan Bank system member, and • Grant or credit drawn amount is at least twenty-five percent (25%) of the AHP subsidy awarded.

c. **Climate Resiliency and Sustainability** (Variable: 5 Points Maximum)

One point shall be awarded if 50 percent (50%) or more of the project's total units will incorporate one or more of the following Climate Resiliency and Sustainability scoring criterion, up to a total of five points:

- Sustainable materials
- Solar/wind/other renewable energy sources
- Energy efficient appliances
- Urban agriculture/food production
- Storm water collection
- FSC-certified (or similar) wood
- Weatherization repairs
- Infill development
- Location in a Federally Declared Disaster Area with the initial declaration date being no more than 24 months prior to the current AHP application deadline
- LEED (or similar) certification
- Low-flow plumbing fixtures

d. **District Distribution** (Fixed: 5 Points maximum)

Single-site	In-District projects that are located within a county that has not received an AHP General Fund project award from the Bank for housing units during any of the previous three (3) calendar years prior to the 2026 General Fund (i.e. any project awarded during 2022 or prior) are eligible for five (5) points.
Multi-site	In-District projects with at least 50 percent (50%) of units located within a county that has not received an AHP General Fund project award from the Bank for housing units during any of the previous three (3) calendar years prior to the 2026 General Fund (i.e. any project awarded during 2022 or prior) are eligible for five (5) points.
**A list of counties will be published on FHLBank's website (www.fhlbtopeka.com/ahp).*	

e. **Residential Economic Diversity** (Variable: 5 Points maximum)

This criterion includes the provision of housing where at least 20 percent (20%) of a project's total units are located in a High Opportunity Area (as defined in Exhibit E).

Range	**Points Awarded**
<20 percent (20%) of Households located in a High Opportunity Area	0 points
≥20 percent (20%) and <50 percent (50%) of Households located in a High Opportunity Area	1.75 points
≥50 percent (50%) and <75 percent (75%) of Households located in a High Opportunity Area	3.5 points
≥75 percent (75%) of Households located in a High Opportunity Area	5 points

f. **Overnight Homeless Shelters** (Fixed: 5 Points)

Five points shall be awarded to applications in which the project reserves at least 90 percent (90%) of the project's total units for overnight stays with no minimum stay requirements and that do not receive points in the Underserved Communities and Populations category for Homeless Households.

g. **In District** (Fixed: 5 Points)

Five points shall be awarded to applications in which 50 percent (50%) or more of the project's total units are located in Colorado, Kansas, Nebraska, or Oklahoma.

h. **Qualified Census Tract or Difficult Development Area** (Variable: 5 Points Maximum)

This criterion includes the provision of housing where at least 20 percent (20%) of a project's total units are located in a Qualified Census Tract (QCT) or Difficult Development Area (DDA) (see Exhibit E).

Range	**Points Awarded**
<20 percent (20%) of Households located in a QCT or DDA	0 points
≥20 percent (20%) and <50 percent (50%) of Households located in a QCT or DDA	1.75 points
≥50 percent (50%) and <75 percent (75%) of Households located in a QCT or DDA	3.5 points
≥75 percent (75%) of Households located in a QCT or DDA	5 points

EXHIBIT D: RETENTION REQUIREMENTS

The following sets forth retention requirements for AHP Rental and AHP owner-occupied and HSP retention requirements.

AHP Owner-occupied and HSP:

A household that receives AHP/HSP subsidy for the purchase of an existing or newly-constructed home or for Repairs shall be subject to a deed restriction or other legally enforceable retention agreement or mechanism ("Retention Agreement") ensuring retention for five years (60 months) from the closing date for the purchase of the property as evidenced by the closing document. **AHP owner-occupied Rehabilitation projects are not subject to a five-year retention. FHLBank does not fund owner-occupied rehabilitation through its HSP.** The member shall ensure any Retention Agreement under this paragraph requires that:

1. FHLBank, and in FHLBank's discretion any designee of FHLBank, shall be given notice of any sale, transfer, assignment of title or deed, or refinancing of the unit by the household during the five-year retention period.
2. Any repayment of the subsidy shall be made to FHLBank.
3. The obligation to repay AHP subsidy to FHLBank shall terminate after any event of foreclosure, transfer by deed-in-lieu of foreclosure, an assignment of a Federal Housing Administration first mortgage to HUD, or death of the AHP-assisted homeowner.
4. In the case of a sale, transfer, assignment of title or deed, or refinancing of the unit by the household during the retention period, the amount of AHP subsidy calculated in accordance with number 5 (below) of the AHP Plan shall be repaid to FHLBank unless one of the following exceptions applies:
   - The unit was assisted with a permanent mortgage loan funded by an AHP subsidized advance;
   - The subsequent purchaser, transferee, or assignee is a low- or moderate-income household, or proxy for such household as defined by FHLBank in Exhibit E;
   - The amount of the AHP subsidy that would be required to be repaid is $2,500 or less;
   - Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism as defined in this section.
5. Repayment of Subsidy Calculation for Owner-occupied Projects. In the case of a sale, transfer, assignment of title or deed, or refinancing of the unit by a household during the retention period, the amount of AHP subsidy a household *subject to an AHP retention* is required to repay shall be the lesser of:
   a. The AHP subsidy, reduced on a pro rata basis per month until the unit is sold, transferred, or its title or deed transferred, or is refinanced, during the AHP five-year retention period; or
   b. Any Net Proceeds from the sale, transfer, or assignment of title or deed of the unit, or the refinancing, as applicable, minus the AHP-assisted Household's Investment.

Rental Projects:

Projects shall be subject to a deed restriction or other legally enforceable retention agreement or mechanism requiring retention for 15 years (180 months) from the project completion date requiring that:

1. The rental units, or applicable portion thereof, must remain occupied by and affordable for households with incomes at or below the income commitments in the approved AHP application for the duration of the retention period.
2. FHLBank, and in FHLBank's discretion any designee of FHLBank, shall be given notice of any sale, transfer, assignment of title or deed, or refinancing of the project by the project owner during the retention period.
3. Any repayment of the subsidy shall be made to FHLBank.
4. In the case of a sale, transfer, assignment of title or deed, or refinancing of the project or any portion thereof by the project owner during the retention period, the full amount of the AHP subsidy received by the project owner shall be repaid to FHLBank, unless one of the following exceptions applies:

a. The project continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the approved AHP application for the duration of the AHP 15-year retention period;
b. If authorized by FHLBank, in its discretion, the households are relocated, due to the exercise of eminent domain, or for expansion of housing or services, to another property that is made subject to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the approved AHP application for the remainder of the retention period; and

5. The income-eligibility and affordability restrictions applicable to the project shall terminate after any foreclosure.

EXHIBIT E: DEFINITIONS

Active Duty: A person serving full-time duty in the Armed Forces, other than active duty for training.

Acquisition Cost: The final price of an asset including purchase price, legal costs, closing costs, and other costs associated with the acquisition of a property. Acceptable documentation includes, but is not limited to: an executed purchase agreement, executed settlement statement, executed option to purchase, or other documentation acceptable to FHLBank.

Adaptive Reuse: The conversion of a building from a non-housing use to a housing use, including the reuse of religious buildings for housing purposes. Examples include, but are not limited to: a warehouse converted to apartments or condominiums; a hotel converted to apartment units other than overnight shelter units; schoolhouses converted to apartments; or convents and monasteries converted to a housing use for the general public.

Adult Care: Coordinated programs of professional and compassionate services for adults in a community-based group setting. Adult Care provides social and some health services to adults who need supervised care in a safe place outside the home during the day.

Affiliate: Any person or entity that controls, is controlled by, or is under common control with the organization.

Affirmatively Marketed: Marketing actions to provide information about the project to the broadest number of the targeted population in order to attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, gender, religion, familial status, or disability.

Affordable (rental): (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 (80%) of the AMI, does not exceed 30 percent (30%) 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 person 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 12 C.F.R. §1291.1 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 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 the General Fund.

AHP Reserve – Current Year: Internal FHLBank account containing AHP funds that have not been appropriated for approved AHP projects or an HSP funding round.

AHP Units: Units committed to occupancy by households at or below 80 percent (80%) of AMI.

Area Median Income (AMI): For owner-occupied and rental households, the median income for the area, based on limits as published by the United States Department of Agriculture and adjusted for household size. NAHASDA income limits may be used for either owner-occupied or rental households for Native American projects.

Builder's Overhead: An allowance for the portion of the builder's off-site (home office) expenses that are attributable to the project.

Builder's Profit: The builder's revenue minus cost, typically a function of the size of the project, the total development cost and the risk associated with the project.

Case Management: A dynamic process that assesses, plans, implements, coordinates, monitors, and evaluates to improve outcomes, experiences, and value. The practice of Case Management is professional and collaborative, occurring in a variety of settings where medical care, mental health care, and social supports are delivered. Services are facilitated by diverse disciplines in conjunction with the care recipient and their support system.

Child Care: The care of children by a day-care center, babysitter, or other provider while parents are working.

CHP Rate: The rate of interest charged to a Member for an advance under the Community Housing Program. CHP rates are only available to FHLBank Members.

Climate Resiliency and Sustainability: Development which includes practices and principles aimed to reduce environmental impact and the responsible use of natural resources. Additionally, the products or programs used have the capacity to withstand and adapt to climate-related hazards.

- Sustainable materials – Eco-friendly or recyclable materials such as bamboo, reclaimed wood, recycled steel/plastic/glass, Hardie Board, etc.
- Solar/wind/other renewable energy sources – Energy made from renewable natural resources that are replenishable.
- Energy efficient appliances – All Energy Star labeled appliances (appliances with this label have been designated by EPA as highly efficient). Energy Guide labels showing yearly operating costs at or below half of other similar models. Examples include: HVAC systems (including heat pumps), dishwasher, refrigerator, water heater, etc.
- Urban agriculture/food production – Community gardens, rooftop farms, etc., aiming to improve food insecurity or economic opportunity, or personal project usage.
- Storm water collection – Harvesting or reuse of storm water which manages excess water (ie: detention pond, rain barrels, and other catchment systems, etc.).
- FSC-certified (or similar) wood – Wood that comes from a sustainably managed forest.
- Weatherization repairs – Replacement/repairs to insulation, windows, doors, caulking, etc.
- Infill development – The construction of buildings on vacant, abandoned and underused land, in places that have been previously developed. The scale and character of infill development depends on its specific context.
- Location in a Federally Declared Disaster Area with the initial declaration date being no more than 24 months prior to the current AHP application deadline. Counties with a "Major Disaster Declaration" (Individual Assistance and/or Public Assistance) from the Federal Emergency Management Agency (FEMA).
- LEED (or similar) certification – Any rating within the LEED (or similar) certification system.
- Low-flow plumbing fixtures – Fixtures designed to conserve water while maintaining performance.

Closing Costs: Expenses over and above the price of the property incurred by the buyer when transferring ownership of the property.

> **Eligible Closing Costs include**, but are not limited to: loan origination fee, loan discount fee, appraisal fee, credit report, mortgage insurance, application fee, closing fee, document preparation, attorney fees, title insurance (for mortgagee or owner), abstracting fees, recording fees, tax stamp fees, survey fees, pre-paid interest for up to 30 days, initial flood insurance premium, two months' escrow of mortgage insurance, escrow of property tax as appropriate for the jurisdiction in which the property is located, two months' escrow of flood insurance, first year's premium for homeowner's insurance, first year's premium for mortgage insurance, property inspection fees, homebuyer education classes (not to exceed maximum cost set forth in this Plan), financial education programs, etc.
>
> **Ineligible Closing Costs include**, but are not limited to: single premium or monthly life and/or disability insurance coverage, escrow of principal and interest payments, or payments of personal obligations of the households including personal loans, judgments, or liens.

Co-borrower: Individual(s) included on the deed, mortgage/deed of trust, and promissory note for a property in conjunction with another individual(s) and is liable for repayment of debt secured by the mortgage/deed of trust.

Co-owner: Individual(s) included on the deed and/or mortgage/deed of trust for a property in conjunction with another individual(s).

Co-signer: Individual(s) included on the promissory note and liable for repayment of debt for real estate but is not on the deed and/or mortgage/deed of trust for property. If non-occupying co-signer income is used to qualify the household for the loan, the household is not eligible for AHP or TurnKey grant programs. "Co-signer" and "Guarantor" are commonly used interchangeably.

Community Development Block Grant (CDBG): A flexible program that provides communities with resources to address a wide range of unique community development needs. The CDBG program provides annual grants on a formula basis to units of local government and states.

Community Housing Development Organization (CHDO): A private nonprofit organization with a 501(c) federal tax exemption, the CHDO must include providing decent, affordable housing to low-income households as one of its purposes in its charter, articles of incorporation, or by-laws. It must serve a specific, delineated geographic area; a neighborhood, several neighborhoods, or the entire community, but not the entire state. Nonprofit organizations must meet certain criteria to be considered a CHDO, as defined by HUD HOME program regulations.

Consumer Loan: An amount of money lent to an individual that is not secured by a mortgage on the household's principal residence.

Contractor Fees: Project costs allocated to the contractor, including Contractor Overhead, Contractor Profit, and General Conditions/Requirements.

Cost of Funds: The estimated cost of issuing FHLBank System consolidated obligations with maturities comparable to that of the subsidized advance.

Covered Misconduct: Any conviction or administrative sanction within the past three (3) years if the basis of such action involved fraud, embezzlement, theft, conversion, forgery, bribery, perjury, making false statements or claims, tax evasion, obstruction of justice, or any similar offence, in each case in connection with a mortgage, mortgage business, mortgage securities or other lending product.

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 as a result of: (1) withdrawals, cancellations, or modifications or (2) the maximum disbursement time limitation has expired.

Deferred Developer Fee: The portion of a developer fee invested in the project and shown as a source of funds on the Source of Funds worksheet and evidenced by a promissory note, partnership agreement, or other written agreement acceptable to FHLBank, such fee to be repaid from the Project's cash flow after payment of operating expenses of the Project and after payment of debt service for all superior liens.

De minimis Cost: A de minimis cost for purposes of donated property shall be $100 or less, or for leased property an amount of $100 or less per year.

Developer Fee: Fees paid to the project developer as shown on the Development Budget worksheet. Developer fees also include consultant fees for consultants who perform tasks that a developer would normally perform, e.g., tax credit, AHP and loan applications, manage local government approvals, act as an owner agent for pre-construction or construction activities.

Difficult Development Areas (DDA): Areas with high land, construction, and utility costs relative to the AMI. The designation is based on Section 42(d)(5) of the Internal Revenue Code and uses data from Fair Market Rents, Income limits, the 2020 Census, and the five-year American Community Survey. DDA designations are validated using the HUD website Qualified Census Tracts and Difficult Development Areas | HUD USER

AHP projects use the Metropolitain Difficult Development Areas or Non-metropolitan Difficult Development Areas table

HSP+ households use the Non-metropolitan Difficult Development Areas Tables only

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

Director: The Director of the Federal Housing Finance Agency, or their designate.

Disability: A physical or mental impairment that substantially limits one or more of the major life activities of an individual.

Disbursement: A transfer of program funds to the member for use by the project.

Discount Rate: A rate which is used to discount cash flows, in the case of homeownership projects where the sponsor extends permanent financing to the homebuyer below market interest rates, to estimate the present value of the re-payments made to the sponsor.

Donated Property: Land or housing units donated or conveyed at a de minimis cost to the project. Donations of property by the project sponsor, owner, developer, or any affiliates are not eligible to receive Donated Property points, unless originally donated to the project sponsor, owner, developer, or any affiliate.

Education and Training Programs: Programs designed to improve the job performance or the probability of obtaining a job for an individual or group. Education is the process of gaining knowledge, skill, and development from study or training. Training is the process of learning skills one needs to do a particular job or activity.

Effective Gross Income: Gross rents for all units plus miscellaneous income less vacancy allowance.

Effective Gross Income Percentage: Total annual operating expenses and annual reserve contributions divided by the Effective Gross Income.

Elderly: Age 55 and above.

Extremely low-income Household: A household that has an income at or below 30 percent (30%) of the median income for the area, with the income limit adjusted for the household size in accordance with the methodology of the applicable median income standard selected from those enumerated in the definition of "median income for the area," unless such median income standard has no household size adjustment methodology.

Family Member: Any individual related to a person by blood, marriage, or adoption.

Feasibility: The ability of a project to start (readiness to proceed), finish, and operate as it committed in the application through the retention period (viability).

Federally Recognized Tribe: An American Indian or Alaska Native tribal entity that is recognized as having a government-to-government relationship with the United States, with the responsibilities, powers, limitations, and obligations attached to that designation, and is eligible for funding and services from the Bureau of Indian Affairs. Federally recognized tribes are recognized as possessing certain inherent rights of self-government (i.e., tribal sovereignty) and are entitled to receive certain federal benefits, services, and protections because of their special relationship with the United States.

FEMA: Federal Emergency Management Agency. Created in 1979 to establish a single point of contact for State and local governments to deal with all emergency management programs at the Federal level, to broaden the application of emergency preparedness and response resources to all hazards, and to take advantage of the similarities that exist in planning and response functions for peacetime and attack emergencies.

FHLBank District: The states of Colorado, Kansas, Nebraska, and Oklahoma (i.e., District 10).

Finance Agency (FHFA): The Federal Housing Finance Agency is the Federal Home Loan Bank System's regulator.

Financial Education/Credit Counseling: A program that provides education of how to manage personal finances including, but not limited to: avoiding financial scams, balancing a checkbook, online banking/billing, budgeting, planning for retirement, paying for college, etc. (as appropriate for the project's residents) and/or that educates consumers about how to avoid recurring debts that cannot be repaid through establishing an effective debt management plan or budget. The education is provided to help people achieve their personal housing and financial goals.

First-time Homebuyer: All borrowers, co-borrowers, and co-owners of the transaction, who do not own and are not investors in another residence, and who wish to purchase a home that will be their primary residence. In addition, the homebuyer(s) must meet any one of the following criteria:

(1) Have had no ownership in a residence during the prior three-year period ending on the date of purchase of the property;
(2) Have only owned a residence not permanently affixed to a permanent foundation in accordance with applicable Regulations;

(3) Has only owned a property that was not in compliance with State, local or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure; or
(4) Is a household displaced as a result of a Federally Declared Disaster (as designated by FEMA) within 24 months of the reservation date (See Exhibit E).

Front Ratio: The sum of the monthly principal, interest (including subordinate mortgages), property taxes, property insurance, other housing-related fees (e.g., homeowners' association fees, flood insurance, private mortgage insurance, etc.) divided by the household's monthly income.

Funding Period: A time period, as determined by FHLBank, during which FHLBank accepts AHP General Fund applications for subsidy.

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

General Requirements: An allowance for the contractor's on-site overhead expenses, typically including items such as building permits, fencing around the site, temporary storage for materials, construction supervision, the job trailer, and temporary utilities.

Government Entity: A state or 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.

Guarantor: Individual(s) included on the promissory note and liable for repayment of debt for real estate but is not listed on the deed and/or mortgage/deed of trust for the property. If non-occupying guarantor income is used to qualify the household for the loan, the household is not eligible for AHP or TurnKey grant programs. "Guarantor" and "Co-signer" are commonly used interchangeably.

Hard Construction Costs: The costs of making improvements to the property, including new construction or rehabilitation.

Hard Construction Cost Contingency: Funds budgeted for unforeseen hard construction costs.

HCD Programs: Includes FHLBank's AHP, CICA (including CHP and CDP), and Homeownership Set-aside Program (HSP).

High-Cost Area: High-cost Areas are counties in which 115 percent of the local median home value exceeds the baseline conforming loan limit, as established annually by the Finance Agency.

High Opportunity Area: A Census tract where the median income is equal to or exceeds the median income for the county or Metropolitan Statistical Area in which the Census tract is located as demonstrated via the Federal Financial Institutions Examination Council (FFIEC) Geocoding System FRB Census Geocoder (ffiec.gov).

HOME Funds: Funds provided via HUD's Home Investment Partnerships (HOME) Program to States and local government entities used by communities in partnership with local nonprofit groups to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or home ownership or provide rental assistance to low-income people.

Home Mortgage: A mortgage upon real estate, in fee simple, or on a leasehold (1) under a lease for not less than 99 years which is renewable or (2) under a lease having a period of not less than 50 years to run from the date the mortgage was executed, upon which is located, or which comprises or includes, one or more homes or other dwelling units and shall include, in addition to first mortgages, such classes of first liens as are commonly given to secure advances on real estate.

Homebuyer/Homeownership Education: Recipients must complete a homebuyer education program, within the current or previous calendar year of the purchase closing date or rehabilitation completion date (for Owner-occupied Rehabilitation projects), provided by, or based on one provided by, an approved organization listed on the AHP and TurnKey websites .

Homeless Household: Based on the McKinney-Vento Homeless Assistance Act as amended by S. 896 The Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009:

(1) an individual or family who lacks a fixed, regular, and adequate nighttime residence;

(2) an individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground;

(3) an individual or family living in a supervised publicly or privately-operated shelter designated to provide temporary living arrangements (including hotels and motels paid for by Federal, State, or local government programs for low-income individuals or by charitable organizations, congregate shelters, and transitional housing);

(4) an individual who resided in a shelter or place not meant for human habitation and who is exiting an institution where they temporarily resided;

(5) an individual or family who:

  (a) will imminently lose their housing, including housing they own, rent, or lie in without paying rent, are sharing with others, and rooms in hotels or motels not paid for by Federal, State, or local government programs for low-income individuals or by charitable organizations,

    (i) a court order resulting from an eviction action that notifies the individual or family that they must leave within 14 days;

    (ii) the individual or family having a primary nighttime residence that is a room in a hotel or motel and where they lack the resources necessary to reside there for more than 14 days; or

    (iii) credible evidence indicating that the owner or renter of the housing will not allow the individual or family to stay for more than 14 days, and any oral statement from an individual or family seeking homeless assistance that is found to be credible shall be considered credible evidence for purposes of this clause;

  (b) has no subsequent residence identified; and

  (c) lacks the resources or support networks needed to obtain permanent housing; and

(6) homeless families with children defined as homeless under other Federal statutes who:

  (a) have experienced a long-term period without living independently in permanent housing,

  (b) have experienced persistent instability as measured by frequent moves over such period, and

  (c) can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse, the presence of a child or youth with a disability, or multiple barriers to employment.

(7) any individual or family who is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions in the individual's or family's current housing situation, including where the health and safety of children are jeopardized, and who have no other residence and lack the resources or support networks to obtain other permanent housing.

Household: Includes all the individuals who currently, or will, occupy the house or residence.

Household's Investment: Amounts paid by the household and documented (in the Closing Disclosure or other settlement statement, if applicable, or elsewhere) to FHLBank:

(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, but not including any initial escrow payment at closing or prepaid costs);

(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.

HUD: U.S. Department of Housing and Urban Development.

Identity of Interest: Any party related by family, business or personal interest to a member, project sponsor, project owner, or other party directly involved in an AHP project. For AHP purposes, the developer, tax credit syndicator, consultant, property manager and contractor are all considered related parties.

Large Unit: A unit with three or more bedrooms.

Lender Fees: Fees charged by lender in association with the loan.

Loan to Value (LTV) Ratio: The ratio of first mortgage loan amount divided by the purchase price of the property.

Low Cost Development per Unit: The extent to which a project's total development costs per unit are kept to the lowest amount possible as reflected in the applicable feasibility workbook.

Low Income Housing Tax Credit (LIHTC): A federal income tax credit program created under the Tax Reform Act of 1986 that gives incentives for the utilization of private equity in the development of affordable housing. The credits are commonly called Section 42 credits.

Low- or Moderate- Income Household: A household that has an income of 80 percent (80%) or less of the AMI, with the income limit adjusted for household size in accordance with the methodology of the applicable median income standard, unless such median income standard has no household size adjustment methodology.

Low or Moderate- Income Neighborhood: A neighborhood in which 51 percent (51%) or more of the households have incomes at or below 80 percent (80%) of the median income for the area.

Manufactured Housing: A structure, transportable in one or more sections, which is built on a permanent frame and is designed to be used as a dwelling when connected to the required utilities.

Market Rate Interest: 30-Year Fixed-rate Mortgage rate published by Freddie Mac in its Compilation of Weekly Survey Data on the first week of each calendar quarter.

Market Rate Unit: Market Rate Units are rental units with tenants over the AHP income guidelines and/or rental units with rents that exceed the AHP affordable rent guideline.

Market Value (MV): Generally: 1) the property value established by the city or county assessor's office; or 2) the market value as established by an independent appraisal of the property performed by a state certified or licensed appraiser.

Member: An institution that has been approved for membership in FHLBank and has purchased capital stock in FHLBank.

Member Financial Participation: Financial participation by any FHLBank System member (excludes the pass through of AHP direct subsidy) in the project by providing financial support including construction loans, bridge loans and permanent financing or other means of liquidity set forth in Exhibit C.

Mental and Behavioral Health Services: Mental Health refers to how an individual's psychological state affects their well-being. Behavioral Health deals with how actions affect an individual's well-being.

Metropolitan Statistical Area (MSA): In the United States, a metropolitan statistical area refers to a geographical region with a relatively high population density at its core and close economic ties throughout the area.

Minor Child: A person who is either: 1) under the age of 18; or 2) 18 or older and is not engaging in substantial gainful activity due to a physical or mental condition that very seriously limits their activities and the condition has lasted, or is expected to last, at least one year.

Multi-family Building: A structure with five or more dwelling units.

Native American Household Member: A household with a least one member that is enrolled in a federally recognized Native American Tribe or has a Certificate of Degree of Indian Blood (CDIB) card.

Native American Housing Assistance and Self Determination Act (NAHASDA): Enacted in 1996 to accomplish affordable housing for low-income Native Americans with two essential goals: 1) to open the door to private lending; and 2) to merge Federal Indian housing programs into a single, flexible block grant which tribes can use according to their needs. This program is administered by HUD.

Native American Housing Income Limits (NAHASDA Income Limits): The income limits published annually by HUD's Office of Native American Programs for the purpose of determining eligibility for assistance under programs funded by block grants under NAHASDA.

Net earnings of FHLBank: The net earnings for a calendar year, before declaring or paying any dividend under section 16 of the Act (12 U.S.C. 1436). For purposes of this definition, "dividend" includes any dividends on capital stock subject to a redemption request even if under GAAP those dividends are treated as an "interest expense."

Net Proceeds: 1) In the case of a sale, transfer, or assignment of title or deed: the sales price of the home minus reasonable and customary costs paid by the household in connection with the transaction (including real estate broker's 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, 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 but not including any initial escrow payment at closing or prepaid costs) and the principal amount of the refinanced mortgage.

Non-residential Space: Generally referring to a building, space within a building, or property used for business, other commercial purposes, or for supportive services.

Not-for-Profit Organization: A corporation or association that conducts business for the benefit of the general public without shareholders and without a profit motive, and has federal tax-exempt status as determined by the Internal Revenue Service.

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

Owner-occupied Project: For purposes of the General Fund application program, one or more owner-occupied units in a single-family or multifamily building, including condominiums, cooperative housing, and manufactured housing.

Owner-occupied Rehabilitation: Rehabilitation of units owned and occupied by low-income residents.

Owner-occupied Unit: A dwelling unit occupied by the owner of the unit. Housing with two to four dwelling units consisting of one owner-occupied unit and one or more rental units is considered a single owner-occupied unit.

Ownership Interest: For the purposes of the General Fund application program, a rental project sponsor is determined to have an ownership interest in the project if it meets one of the following criteria:

(1) Entities not receiving points under the non-profit scoring criterion must meet one of the following criteria:
   (a) Project Sponsor must own at least 10 percent (10%) of the ownership entity, or
   (b) Project Sponsor must have at least 10 percent (10%) interest in the general partner (GP) or the limited partner (LP) or the managing partner(s) of the owner, or

(2) Entities receiving points under the non-profit scoring criterion must meet the ownership requirements listed in the scoring exhibit.

Preservation of Federally Assisted Housing: Acquisition or rehabilitation of federally-subsidized rental units that would otherwise be lost as affordable housing stock and/or converted to market-rate units or are Public Housing Authority (PHA), or, nationally recognized Tribal or Tribally Designated Housing Entity (TDHE), an Alaskan Native Village, or the government entity for Native Hawaiian Home Lands owned units. Tribal, TDHE, Alaskan Native Village, the government entity for Native Hawaiian Home Lands and PHA units meet the definition of Preservation of Federally Assisted Housing with no other requirements.

The following types of projects meet the definition of Preservation of Federally Assisted Housing if the federally-subsidized units are within two years of the expiration of the federal subsidization or at risk of losing federal funding as of the current General Fund application deadline, including, but not limited to:

- A Low-Income Housing Tax Credit (LIHTC) project as evidenced by expiration of the project's initial compliance period;
- The termination of, or opt out of, a project-based Section 8 contract;
- Conversion to Rental Assistance Demonstration within the current or previous calendar year;

- The termination of a U.S. Department of Agriculture Rural Development (RD) 514 or 515 loan or end of term for a 516 grant;
- The termination of HUD 202 or 811 rental assistance.

Procure: To obtain or acquire; secure. For example, the use of AHP subsidy award to obtain the approval for another source of funds.

Project Completion Date: For owner-occupied projects, the date of the last disbursement of AHP funds or date that unused AHP funds are de-obligated, whichever occurs last. If a project is de-obligated more than 48 months after project award date, the project completion date shall be 48 months after project award date. For rental projects, the date of the certificate of occupancy issued by the local jurisdiction for new construction. For rental projects not involving new construction or in areas that do not issue such certificates, project completion shall be determined by FHLBank by using the first date units in the rental project are occupied, confirmation from the contractor that all construction is complete, or receipt of such other documentation determined acceptable by FHLBank.

Project Owner: A private person or entity, including a cooperative, an agency of the federal government, or a public housing agency, having the legal right to lease or sublease dwelling units.

Project Sponsor (owner-occupied): An organization or public entity that is integrally involved in the project by: 1) managing the construction or rehabilitation of the property; 2) providing empowerment services directly as defined in the Implementation Plan; or 3) qualifying borrowers and providing or arranging financing for owners of the units.

Project Sponsor (rental projects): An organization or public entity that has an ownership interest (including any partnership interest) in the project. Prior to disbursement of funds, Project Sponsor must have an ownership interest in the buildings and underlying land or have an interest in a lease with a term greater than or equal to the retention period.

Proxy: An alternative, based on FHFA guidance, to determine the likelihood the purchaser's/transferee's/assignee's or owner's (Purchaser) individual income level in the case of the sale, transfer, or assignment of an owner-occupied unit that received AHP/HSP subsidy to assist with down payment and closing costs is at or below 80 percent (80%) of the area median income. In the absence of Purchaser's actual income documentation, the Purchaser's income is determined to be at or below 80 percent (80%) of the area median income if the sales price is at or below the HUD HOME and HTF homeownership value for existing housing.

Punitive List: Internal FHLBank list in which a project member, sponsor, owner, and/or individuals may be placed for noncompliance with monitoring, reporting, viability, and regulatory requirements of the AHP, FHLBank's AHP Implementation Plan, and FHLBank's policies and procedure. Entries on the Punitive List are risk rated 1 through 6 based on the likelihood the project will not achieve compliance and whether funds disbursed to the project are likely to be recovered.

Qualified Census Tract (QCT): To be designated a QCT a Census tract must have at least 50 percent (50%) of households with incomes below 60 percent (60%) of the Area Median Gross Income (AMGI) or have a poverty rate of 25 percent (25%) or more. QCT designations are validated using the HUD website Qualified Census Tract Table Generator | HUD USER.

Recaptured Funds: Disbursed funds that have been returned to FHLBank for non-compliance or, that are not the result of a sale or refinancing of an owner-occupied unit or project prior to the end of the retention period.

Rehabilitation (owner-occupied rehabilitation)/Repair and (owner-occupied purchase): To restore those parts of a dwelling in substandard condition, damaged, broken, or not working correctly, back to good condition or working order to address habitability issues, code deficiencies, or underwriting requirements. FHLBank's subsidy for rehabilitation should be used to accomplish the objective of maintaining affordable housing, defined as housing that is targeted to the low-and-moderate income markets. Repairs or improvements inconsistent with the objective of maintaining affordable housing are not eligible as a rehabilitation cost.

> **Eligible Rehabilitation/Repair Costs:** AHP subsidy may be used to pay for rehabilitation including, but not limited to: accessibility, roof, electrical, plumbing, sewer, mechanical, foundation or other structural, windows, doors, floor coverings, wall repair, paint, or hazardous material remediation.

Ineligible Rehabilitation/Repair Costs: AHP subsidy cannot be used to pay for rehabilitation (unless specified above) including, but not limited to: construction/repairs of an outbuilding, yard work, cleaning expenses (for inside or outside), payments directly to the household for repair labor, luxury items (i.e., landscaping, hot tubs, swimming pools).

Relocation Plan: A plan to provide housing accommodations to rental housing residents who will be temporarily or permanently removed from their residences. The plan must include the following standards that will minimize the effects of relocating such persons: (1) Provide relocation advisory services to displaced residents; (2) Provide adequate written notice to the households that provides reasonable time for the household to relocate prior to requiring possession; (3) Reimburse displaced households for moving expenses; and (4) Provide payments for the added cost of comparable replacement housing and Include costs associated with the displacement plan in the project Total Development Budget.

Rental Assistance Demonstration (RAD): A voluntary program of the Department of Housing and Urban Development (HUD). RAD seeks to preserve housing by providing Public Housing Agencies (PHAs) with access to more stable funding to make needed improvements to properties.

Rental Project: 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.

Repaid Funds: Disbursed funds for owner-occupied units that have been returned to FHLBank due to the sale or refinancing of the unit or project prior to the end of the retention period.

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

Residence: Any property that contains at least one housing unit.

Residential Services: Provided by trained staff members who are responsible for meeting the various needs of residents including individuals with chronic illnesses, disabilities, or cognitive impairments that prevent them from living independently. These staff members may include nurses, caregivers, therapists, and social workers. Residential Services ensure that residents receive appropriate medical treatment, assistance with daily tasks such as bathing and dressing, as well as access to recreational activities and social interactions.

Retention Period: Owner-occupied projects that include the purchase of existing and newly constructed homes shall have agreements ensuring retention for five (5) years (60 months) from a) the date of the closing as evidenced by the closing document. For rental projects, the retention period is 15 years from the date of project completion. *Owner-occupied Rehabilitation projects are not subject to a retention period.*

Rural: FHLBank utilizes United States Department of Agriculture (USDA) Economic Research Service (ERS) Rural-Urban Continuum Codes (RUCC) 4 through 9 to designate a county as rural as demonstrated via the USDA ERS - Rural-Urban Continuum Codes webpage. RUCC distinguishes U.S. metropolitan (metro) counties by the population size of their metro area, and nonmetropolitan counties by their degree of urbanization and adjacency to a metro area. Each county and Census-designated county-equivalent in the U.S., including those in outlying territories, is assigned one of the RUCC codes.

Safe Haven: A form of supportive housing or shelter that serves hard-to-reach homeless persons with severe mental illness with the expectation the residents will transition to permanent or semi-permanent housing.

Scattered-site Project: A project consisting of multiple residential buildings located on non-contiguous parcels.

Second Home: A residence the households intends to occupy for part of the year in addition to a primary residence.

Section 8: A HUD voucher program whereby individuals or families are granted subsidized funding from the federal government to own or rent a home. This program has also been expanded to include help for mortgage payment assistance for first time homebuyers.

Shelter: A facility with overnight sleeping accommodations, the primary purpose of which is to provide temporary shelter for the homeless in general or for specific populations of the homeless.

Significant Proportion: With regard to donated or conveyed property, means at least 20 percent (20%) of units in a project.

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

Single Room Occupancy (SRO): A residential property that includes multiple single room dwelling units. Each unit is designed for occupancy by a single individual. The unit need not, but may, contain food preparation or sanitary facilities, or both. For determining affordability, an SRO would differ from a one-bedroom unit in that a one-bedroom unit must be for a single household that has the bedroom separate from the unit's food preparation and sanitary facilities.

Special Needs: Households consisting of one or more residents who are elderly (55 years or older), persons with disabilities, persons recovering from physical, alcohol or drug abuse, persons recovering from mental/emotional abuse, or persons with HIV/AIDS.

Subsidized Advance: An advance to a member at an interest rate below FHLBank's cost of funds by use of a subsidy.

Subsidy: Monetary assistance granted by FHLBank in support of affordable housing in communities served by FHLBank. The AHP subsidy may take one of two forms: 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 FHLBank's cost of funds.

Subsidy Per Unit (SPU): The total subsidy requested divided by the total number of AHP-assisted units.

Supportive Service Housing: Facilities that devote a significant proportion of its units to individuals or families who require and receive support services subsidized by revenue sources separate from housing rent.

Sweat Equity: An individual's contribution to the acquisition, construction, or rehabilitation of a home in the form of labor, as opposed to financial equity.

Targeting (Income): The extent to which a project provides housing for very low-, low-, or moderate- income households.

Tenant Counseling (rental projects only): Counseling provided to tenants to help them understand their rights and responsibilities under state and local laws and ordinances. Examples of curriculum include the nature of leases and rental agreements, landlord repair and maintenance responsibilities, landlord/tenant rights, termination of rental agreements, and security deposits and dispute resolution.

TIF Loan: Tax increment financing dedicates tax increments within a certain defined district to finance the debt that is issued to pay for the project. TIF was designed to channel funding toward improvements in distressed, underdeveloped, or underutilized parts of a jurisdiction where development might otherwise not occur. TIF creates funding for public or private projects by borrowing against the future increase in these property-tax revenues.

Total Development Cost:

Rental – The costs of development for both residential and non-residential uses of funds as shown on the development budget within the AHP feasibility workbook.

Owner-occupied – The costs associated with: (1) the closing of a home purchase including the cost of the home; or (2) the rehabilitation of a home; as shown on the uses of funds budget within the AHP feasibility workbook.

Tribally Designated Housing Entity (TDHE): An entity designated by a federally-recognized Native American Tribe to administer its housing programs utilizing HUD funding.

USDA Income Limits: The income limits for a county developed by the USDA and published annually to determine eligibility of applicants for USDA's assisted housing programs.

Very low-income household (VLI): A household that has an income at or below 50 percent (50%) of the applicable AMI, with the income limit adjusted for household size in accordance with the methodology of the applicable median income standard, unless such median income standard has no household size adjustment methodology.

Veteran: A person who served in the active military, naval, air, or space service, and who was discharged or released therefrom under conditions other than dishonorable or bad conduct.