

AHP Next Steps 2021



Agenda

1. AHP Nuts and Bolts
2. Award Notification, AHP Agreement, and QC
3. Timing
4. Retention- Affordability and Documentation
5. Disbursement of AHP Funds
6. Monitoring
7. Takeaways and Q&A

Bonus: Resources and Reminders

Congratulations 2020 Awardees!

- 29 approved initiatives across New England, Florida, Ohio and Pennsylvania
- 1,197 affordable, for-sale homes and rental apartments
- Over \$53.2 million in grants, loans, and interest-rate subsidies awarded
- 84 applications received

AHP Nuts and Bolts



AHP Nuts and Bolts

- AHP Award Notification and AHP Agreement
- Fraud Reporting
- Typical Timeline (12/18/36 months)
 - Disbursement
 - Modifications
 - AHP Monitoring and Reporting
- AHP Mortgages & Notes
- Contact Us

AHP Award Notification

- Award Notifications emailed 12/18/2020
- FYI: The notification may also contain **Award Conditions**, as applicable.
- Award conditions help ensure regulatory compliance and the success of your initiative.
- **No counter-signature/email acceptance required.**
- **Draft AHP Program Agreement & Next Steps Guide included**

AHP Program Agreement

Must be executed by **12/10/2021**.

- Parties to the Agreement include:
 - **Member(s), Sponsor and/or Owner, Co-Sponsors, FHLBank Boston**
- **Member: Authorized Officer according to the User Entitlements on file with the FHLBank Boston**
 - Unsure who can sign? Check with your CIM (that's us!)
- Sets the terms and conditions governing approval, funding, AHP regulatory compliance, and may differ depending on type of project (rental, homeownership).
- The **Qualifying Characteristics** is part of the AHP Agreement and identifies all scoring commitments made in the AHP Application.
- Standard AHP Agreement. No changes permitted.

Qualifying Characteristics (AHP Scoring Summary)

- These summarize the AHP Scoring Categories of your award.
- **These are binding AHP regulatory obligations which must be fulfilled and documented.**
- A change in one of the scoring categories at any time could necessitate a project modification.
- **Project modifications require a re-scoring of your project and could affect your funding and ongoing eligibility.**
- Any proposed change to one of these scoring categories must be discussed with your Community Investment Manager first.
- Most common area for errors and missteps (Closeout reporting).

Your AHP Initiative

- Remember your approved application.
- AHP funding cannot be used for predevelopment, nonresidential space, capitalized or other reserves, operating costs, or supportive services.
- Tell us if there are any changes esp. parties to the agreement, use of AHP funds, QC, locations, timing.
- Changes may have regulatory or scoring implications, which we want to help you navigate.
- Communication is key.

Fraud Reporting

- Fraud Reporting Requirements
 - Provide prompt written notice to the Bank
 - Includes suspected fraudulent activities, material misstatements, misrepresentations, or omissions
 - Provide additional information as requested
 - See language in AHP Agreement, Mortgage and Note templates
- Members, Sponsors, and/or Project Owners each agree to comply with these requirements when signing the AHP Agreement, Mortgage, and Note

Typical Timeline (12/18/36 months)

- Execute AHP Agreement
- Semiannual Progress Reporting (until project completion)
- Submit disbursement request
- AHP funds disbursed
- Construction completed (rental)/homes sold (ownership)
- AHP Closeout Monitoring Review
- Long-term monitoring (rental only)

Timing Matters/Award Expiration

- Development timeline dates from application are important.
- AHP expects full site control, zoning and all funding committed within 12 months from award (12/11/2021!)
- Failure to develop on time will result in deobligation and/or recapture of any disbursed AHP funding.
- AHP Regulatory Standard: Some or all AHP funding drawn or used to procure other funding within 12 months from award.
- We will consider an additional 6 months at our sole discretion
 - Case-by-case exception basis
 - Only if sufficient evidence confirms progress toward funding and project completion.

AHP Affordability & Mortgages

- Affordability - 5 years Homeownership/15 years Rental
- **Standardized AHP Retention Documents on FHLBank Boston Website (notes & mortgages)**
- Use our current templates from our website; these are under review for 2021. Expect to be published in the immediate future.
- Parties to these documents follow the flow of AHP funds.
- **Changes must be reviewed and approved by FHLBank Boston prior to execution and recording.**

AHP Affordability & Mortgages

Direct Subsidy:

- AHP Mortgage and Note templates for both homeownership and rental initiatives
- Collateral assignment of mortgage if applicable

Subsidized Advances:

- Member's Note, Mortgage plus AHP Subsidized Advance Rider
- Match funding – interest rate to project, term, amortization match to member's FHLBank borrowing

Disbursement of AHP Funds

- Online process, confirms AHP eligibility, feasibility, need for subsidy, scoring.
- **We rely on the sponsor for the information/documentation.**
- Member review of the disbursement.
- FHLBank Boston reserves **15 business days** to process once all materials are received; **includes three Bank review steps:**
 - Recommendation,
 - Manager Approval, &
 - Compliance Review.

Disbursement of AHP Funds

- **Member is responsible for the AHP funds, both Direct Subsidy and Subsidized Advances.**
- AHP funds are deposited in Member's Ideal Way Account.
- **Members must disburse the funds to the project/project account within 90 days.**
- Members document the disbursement to the sponsor.

Disbursement of AHP Funds

Timing

- All funding is committed; site control established; zoning in place.
- Rental - generally at start of, or during construction or acquisition
- Homeownership – after homebuyers identified and income-qualified; other project-specific considerations

Documents

- AHP Agreement executed
- AHP Award Conditions satisfied (if any)
- Reporting is current; no issues affecting the project or AHP regulatory compliance
- Retention documents; Sources & Uses, Rental Operating Proforma, other documentation

AHP Subsidized Advance – Key Points

- **The AHP Subsidized Advance must match the term and amortization of the loan to the project (2 loans).**
- Individual loans or combined loans may not exceed the standard market rate for interest, points, fees or spreads for similar loans.
- Interest rate is not guaranteed. However, the rate, principal and term may be adjusted, if warranted.
- Members continue to earn the appropriate spread negotiated with their customer. AHP Subsidy is used to lower the overall borrowing cost to the project.
- No partial prepayments allowed. AHP Subsidized Advance includes FHLB Boston's standard prepayment fee requirements.

AHP Subsidized Advances Considerations for 2021

- We are unable to guarantee any interest rate unless member and sponsor agree to a **binding forward rate commitment** with mandatory take-down.
 - Your project does bear some potential interest-rate risk.
 - We have reserved a fixed dollar amount of AHP interest rate subsidy to reduce the borrowing cost to the member.
- **Forward rate commitments can be complicated in terms of lien priority, loan documents, execution, and timing. Talk with us first!**

What is a Forward Rate Commitment?

- **A binding, future disbursement of the AHP Subsidized Advance**
- **Transaction sets the rate and terms**
- Follows our AHP Disbursement process and documentation requirements
- Discuss with your CIM in advance to trouble shoot match funding, loan documents and AHP retention requirements

What is a Forward Rate Commitment?

Pros:

- Sets the interest rate, term & amortization
- Debt service costs are known
- Helps get through the CLC; meets Investor's needs

Cons:

- Mandatory future borrowing
- Timing risk – may be construction delays; not ready to execute permanent funding
- Max Forward is 24 months

AHP Subsidized Advance - Disbursement

- **Time Sensitive:** Once HCI approved, FHLBank Boston Money Desk waits for your treasury staff to call.
- FHLBank Boston uses allocated AHP Subsidy to pay down the fixed-interest rate charged to the member, below CDA Extra cost of funds.
- Same online disbursement request process as Direct Subsidy
- Same documentation and AHP retention requirements required
- **AHP Subsidized Advance Rider must be executed and recorded with the member's mortgage**

Disbursement: Common Issues

- **AHP Agreement:** missing or incomplete, wrong signatories
- **AHP Retention:**
 - Unexecuted, incomplete AHP Mortgages and Notes
 - Documents with unapproved changes
 - Variances in names of parties
 - Please do not execute or attach the AHP Subsidized Advance Rider to the AHP Mortgage for the Direct Subsidy
 - Addresses?
- **Incomplete/unclear disbursement documentation or other reporting**

AHP Monitoring Overview

- Online, similar to AHP Application process
- Report information initiated by Sponsor, reviewed and submitted by member
- Failure to develop on time may result in deobligation and/or recapture of any disbursed AHP funding
- Fulfill all obligations of the AHP Regulation and the AHP Application including the Qualifying Characteristics, reporting forms and deadlines
- See the AHP Implementation Plan for details

AHP Reporting

- Semiannual Progress Report (SAPR)
- AHP Closeout Monitoring Review
- Modifications
- Long-Term Monitoring (rental only)
 - Annual Compliance Certifications (ACC)
 - Periodic Monitoring Reports (ACCPMR)
 - Income Calculation Guidelines

Sponsor/Property Manager's Role in AHP Monitoring and Reporting

- Ensures eligibility of all residents/homebuyers
- Income calculations done in accordance with AHP Income Calculation Guidelines for all residents/homebuyers
- Maintains initial occupancy files with required documentation for all residents, including initial third-party income verifications
- Completes AHP rent roll and updates this rent roll for future reporting
- Obtains release of information documentation and has access to all AHP resident documentation held by a third-party/property manager

Member's Role in AHP Monitoring and Reporting

- Members have an active role monitoring the sponsor's progress, and making certain certifications when various reports are completed.
 - Both member and FHLBank Boston rely on the sponsor for the information and documentation.
 - Sponsors calculate income and maintain households' documentation.
- It is the member's business decision how much to rely on the sponsors, their certifications, and documentation when you do your due diligence for reporting.
- **AHP compliance is a shared responsibility among sponsor, member, and FHLBank Boston.**

Semiannual Progress Reporting

- Online, June & December
- Through project completion (certificate of occupancy, sale of homes)
- Update on initiative's progress
- Identify and explain any challenges, delays e.g. COVID-19
- Update on project TDC, sources, uses, operating data or sales prices
- **This information helps us help you through the AHP.**

Modifications – Changes for 2021

- Modifications: AHP Scoring category changes
- What is changing and why?
- **Good cause?**
- Confirm eligibility, feasibility, need for subsidy, & scoring
- **Noncompliance? Cure first.**
- Online
- Discuss with your CIM first

AHP Closeout Monitoring

- Ensures satisfactory regulatory compliance
- Due within 16 months from CO (rental) or 12 months from CO (homeownership)
- Online; electronically submitted and reviewed by both sponsor and member
 - FHLBank Boston will send reminders
 - FHLBank Boston will create the online reporting form once we have the CO's
 - FYI: Sponsors to complete within 30-45 days of receipt
 - Members electronically review, sign, submit

AHP Rating System (Ratings of 1-4)

1: Full compliance with AHP Regulation, HCI policies and procedures

2: Overall compliance but demonstrates a risk factor

- Site visit/other monitoring required

3: Special ongoing monitoring (merger, refinancing, other) or other deficiency

4: Watch List

- Delayed completion, regulatory noncompliance, risk of default
- Will require additional monitoring, workout/cure

Media Relations/Community Impact

- We would like to help you with any press releases and/or ground-breaking or ribbon-cutting events.
- Please follow up with your Community Investment Manager at FHLBank Boston.
- Construction signs? Please list the member and FHLBank Boston.

Wrapping Up



Key Takeaways

- AHP Agreement: signed by an authorized borrower for the member
- Funding Disbursement: call your CIM first
- AHP Mortgages, Notes, AHP Subsidized Advance Rider: Check the Bank's website for current documents
- AHP Reporting and Monitoring: our shared responsibility
- Be familiar with your Qualifying Characteristics
- HCI staff are is here to help

Housing & Community Investment Staff

Kathleen Amonte, Senior Community Investment Manager,
617-425-9413, kathleen.amonte@fhlbboston.com
Connecticut, Rhode Island, and Southeastern Massachusetts, including
Barnstable, Bristol, Dukes, Nantucket, Norfolk, and Plymouth counties

Tobi Goldberg, Senior Community Investment Manager,
617-292-9653, tobi.goldberg@fhlbboston.com
Maine and Essex, Middlesex and Suffolk Counties in Massachusetts

Michael Pingpank, Senior Community Investment Manager,
617-425-9564, michael.pingpank@fhlbboston.com
New Hampshire, Vermont, and Central and Western Massachusetts, including
Berkshire, Franklin, Hampden, Hampshire, and Worcester counties; as well as
initiatives outside of New England

Theo Noell, AHP and Outreach Manager,
617-292-9668, theodore.noell@fhlbboston.com

Housing & Community Investment Staff

Livia Bourque, HCI Operations Manager, 617-292-9607

**Kaitlyn Mulhern, Homeownership Set-Aside Programs Manager,
617-292-9606**

Kevin Ryan, HCI Analyst, 617-292-9646

Ivette Morillo, HCI Analyst, 617-425-9582

**Paulette Vass, Community Development Advance Manager,
617-292-9792**

Kenneth Willis, Senior Vice President/Director, 617-292-9631

Q & A



Resources and Reminders



AHP Resources

- AHP Implementation Plan
- AHP Regulation: 12 CFR 1291
- 2020 AHP Next Steps Guide
- www.fhlbboston.com – Updated, more accessible
- All AHP transactions: <https://housing.fhlbboston.com/>

Rental Initiatives: What are Eligible, Affordable Rents?

- Regulatory definition (12 CFR 1291.1)
- Maximum rent is equal to 30 percent of the gross monthly income for the HUD targeted income level
- Based on household size calculated at 1.5 persons per bedroom or 1.0 persons per SRO
- Tenant payment for rent (not the total rent if subsidized)
- AHP has no utility allowance standards; we defer to you and other funders
- Definition includes exemption for Section 8 rents (or other comparable subsidy), at the time of initial occupancy and provided that the household/unit continues to receive assistance

Homeownership: Income Eligibility and Housing Payments

- Income eligibility based on household meeting the HUD income limit for the targeted income group
- Income eligibility and calculation is based on household size calculated at 1.5 persons per bedroom
- We are consistent with other funders and expect to see that AHP-assisted homebuyers have affordable housing payments (front end ratio)
- Generally this is 30 percent of income similar to rental standards, but the AHP Regulation is more specific regarding rental initiatives

AHP Income Calculation Guidelines

- Income eligibility for households determined at move-in (rental) and initial program eligibility (homeownership)
- Used in conjunction with HUD Income Limits
- Annual, prospective, total household income
- Follows HUD/Section 8 methodology
- AHP Rental Income Calculation Guidelines
- AHP Homeownership Income Calculation Guidelines

AHP Income Calculation Guidelines

- **Must use a coversheet/intake form to show all household members' sources of income and how you are calculating income**
- Certificate of Zero-income (for adult household members with no income)
- Guidelines, coversheet, certificate on our website:
<https://www.fhlbboston.com/fhlbank-boston/ahp-eligibility-scoring#/>

Remember: Sponsor's Role is:

- **Applicant/Developer**
- **Borrower/Owner**
- **Initiator** of information for member
- **Financial responsibility** for AHP subsidy
- Compliance with AHP Agreement and qualifying Characteristics
- **Reporting**
- **Project management**
- Long-term monitoring (if applicable)

Remember: Member's role is:

- **Active applicant**
- Underwriting/Analysis
- **Financial responsibility for subsidy**
- **Agent for FHLBank**
 - Disbursement gatekeeper
 - No arbitrage
 - Secure AHP subsidy to project/property
- **Lender/Investor**
- **Reporter/Compliance**
 - Reporting
 - Help ensure compliance
 - Fraud notification
 - Watch List
 - Recapture (unlikely)
 - Maintain records

AHP Closeout Monitoring - Data and Documentation

- **Upload project and feasibility data and documentation, including**
 - Final sources and uses budget and rental operating proforma (rental)
 - Final sources and uses budget, closing disclosures
 - Use of AHP funds (e.g. LIHTC cost certification; invoices, construction req's)
 - Income/lease documentation
 - Documentation confirming the Qualifying Characteristics
 - Member disbursement of AHP funding to sponsor
 - 8609s (LIHTCs)
 - Other documentation pertinent to your initiative
 - Photos

Additional Resources

- HUD: <https://portal.hud.gov/hudportal/HUD>
- Online fair housing resources
- Nationally recognized housing development and management training resources including:
 - Housing finance,
 - Asset/property management, and
 - occupancy training, etc.
 - Several listed in our AHP Next Steps Guide.

Thank You!

If you need any assistance, please contact us!