

**FEDERAL HOME LOAN BANK OF CHICAGO
2009 AFFORDABLE HOUSING PROGRAM IMPLEMENTATION PLAN**

This Implementation Plan (the “Plan”) sets forth certain policies, procedures, guidelines and requirements applicable to the Affordable Housing Program (AHP) of the Federal Home Loan Bank of Chicago (the “Bank”), as required by Part 1291 of the Code of Federal Regulations governing the AHP (12 C.F.R. Part 1291) (“Regulations”). While the Implementation Plan includes pertinent information pertaining to the Bank’s AHP, the plan is not intended to be a comprehensive statement of all of the Bank’s policies and procedures applicable to the AHP. In the event of a conflict between the Plan and the Regulations, the Regulations will govern.

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Exhibits

Exhibit I: Project Feasibility and Cost Guidelines

Exhibit II: Scoring Guidelines

The Bank has not adopted, and does not have a program for revolving loan funds or loan pools. The Bank will not permit the re-use of repaid AHP direct subsidies for the same project.

I. Median Income Standard

Section 1291.3(a) of the Regulations requires the Bank to adopt one or more applicable median income standards. Accordingly, the median income guidelines published annually by the U.S. Department of Housing and Urban Development are adopted as the income standard used by the Bank. Such income guidelines are posted on the Bank's Community Investment website.

II. Requirements for the Bank's Competitive Program

A. Funding Periods and Application Process

1. In 2009 there will be a single funding round. The application deadline will be May 1, 2009.
2. The Bank will accept applications for AHP subsidies under its Competitive Program only from institutions that are members of the Bank at the time the application is submitted to the Bank.
3. Competitive Program applications must contain information sufficient for the Bank to:
 - a. Determine that the proposed AHP project meets the eligibility requirements pursuant to Section II.B below; and
 - b. Evaluate the application pursuant to the scoring guidelines in Exhibit II.

B. Minimum Eligibility Requirements

Projects receiving AHP subsidies pursuant to the Competitive Program must meet the following eligibility requirements:

1. *Owner-occupied or rental housing*

The AHP subsidy must be used exclusively for:

 - a. Owner-occupied housing. The purchase, construction, or rehabilitation of an owner-occupied project by or for very low-income or low- or moderate-income households. A household must have an income meeting the income targeting commitments in the approved AHP application at the time it is qualified by the project sponsor for participation in such project.
 - b. Rental housing. The purchase, construction, or rehabilitation of a rental project, where at least 20 percent of the units in such project are occupied by and affordable for very low-income households. A household must have an income meeting the income targeting commitments in the approved AHP application upon initial occupancy of the rental unit, or for projects involving the purchase or rehabilitation of rental housing that already is occupied, at the time the application for AHP subsidy is submitted to the Bank for approval.

2. *Need for subsidy*

A project's estimated uses of funds must equal its estimated sources of funds, as reflected in such project's development budget. The difference between a project's sources of funds and uses of funds is the maximum amount of AHP subsidy such project may receive.

A project's sources of funds must include:

- a. Cash contributions by the sponsor, any funds from sources other than the sponsor, and estimates of funds the sponsor has obtained, or intends to obtain from other sources but which have not yet been committed to such project.
- b. In the case of homeownership projects where the sponsor extends permanent financing to the homebuyer, the sponsor's cash contribution must include any cash down payment from the buyer, plus the present value of any purchase note the sponsor holds on the unit. The present value of the note must be determined using a market rate of interest to discount the projected cash flows.
- c. Estimates of the market value of in-kind donations, volunteer professional labor and services, and sweat equity committed to the project should not be included as a source of funds.

3. *Project costs*

- a. A project's cash uses are the actual outlay of cash needed to pay for materials, labor, and acquisition or other costs of completing such project. Cash costs do not include in-kind donations, voluntary professional labor or services, or sweat equity. Non-cash costs should not be included as a use of funds.
- b. Taking into consideration the geographic location of a project, development conditions, and other non-financial project characteristics, the Bank will determine whether a project's costs, as reflected in such project's development budget, are reasonable in accordance with the Bank's project cost guidelines.
- c. Cost of property and services provided by a member. In the case of "real estate owned property" sold to a project by a member providing an AHP subsidy to such 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 such property, whichever is appropriate, as reflected in an independent appraisal of such property performed by a state certified appraiser or licensed appraiser, as defined in 12 CFR 564.2(j) and (k) respectively, within six months prior to the date the Bank disburses the AHP subsidy to a project.

4. *Project feasibility*

- a. Developmental feasibility. A project must be likely to be completed and occupied, based on relevant factors, including, but not limited to the development budget, market analysis, project timeline, and the project sponsor's experience in providing the requested assistance to households.
- b. Operational feasibility of rental projects. A rental project must be able to operate in a financially sound manner, and in accordance with the Bank's Project Feasibility and Cost Guidelines, attached hereto as Exhibit I, as projected in the project's operating pro forma.
- c. The Bank will evaluate the operational and financial feasibility of a project and the need for AHP subsidy, as required by the Regulation, using the Project Feasibility and Cost Guidelines, attached hereto as Exhibit I.

5. *Financing costs*

The rate of interest, points, fees, and any other charges for all loans that are made for the project in conjunction with the AHP subsidy must not exceed a reasonable market rate of interest, points, fees and other charges for loans of similar maturity, terms, and risk.

6. *Timing of AHP subsidy use*

At the time of application, the AHP subsidy must be likely to be drawn down by the project or used by such project to procure other financing commitments within 12 months of the date of approval of the application for AHP subsidy.

7. *Counseling costs*

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

8. *Refinancing*

A project may use an AHP subsidy to refinance an existing single-family or multi-family mortgage loan, provided that the refinancing produces equity proceeds, and such equity proceeds up to at least the amount of the AHP subsidy in such project must be used only for the purchase, construction, or rehabilitation of housing units meeting the applicable eligibility requirements of Section II.B of this Plan.

9. *Retention*

- a. Owner-occupied units will be subject to a 5-year retention agreement, as described in Section IV of this Plan.

- b. Rental projects will be subject to a 15-year retention agreement, as described in Section IV of this Plan.

10. Project Sponsor qualifications

Sponsor is defined as a not-for-profit or for-profit organization or public entity that (1) has an ownership interest in a rental project or (2) is integrally involved in an owner-occupied project.

- a. For purposes of the definition of sponsor, “ownership interest” means that (i) the sponsor is the owner of the rental property or (ii) the sponsor has an ownership interest (including any partnership interest) in the entity that is the owner of the rental project.
- b. For purposes of the definition of sponsor, “integrally involved” means the sponsor (i) exercises control over the development or management of an owner-occupied project or (ii) provides homebuyer or homeowner counseling, or (iii) qualifies borrowers and provides or arranges financing for the owners of the owner-occupied units.
- c. A project's sponsor must be qualified and able to perform its responsibilities as committed to in an application for an AHP subsidy.

11. Fair housing

A project, as proposed, must comply with applicable federal and state laws on fair housing and housing accessibility, including, but not limited to, the Fair Housing Act, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and the Architectural Barriers Act of 1969, and the project must demonstrate how such project will be affirmatively marketed.

12. Calculation of AHP subsidy

- a. Where an AHP direct subsidy is provided to a project to write down the interest rate on a loan extended by a member, 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 must be calculated as of the date the application for the AHP subsidy is submitted to the Bank, and subject to adjustment under section 1291.5(g)(4) of the Regulations.
- b. Where 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 the Bank’s cost of funds must be determined as of the earlier of the date of disbursement of the subsidized advance or the date prior to disbursement on which the Bank first manages the funding to support the subsidized advance through its asset/liability management system, or otherwise.

13. District eligibility requirements

Pursuant to section 1291.5(c)(15)(i) of the Regulations, the Bank has adopted the following district eligibility requirements:

- a. The Bank will limit the amount of subsidy a member may receive to a maximum of 25% of the subsidy awarded or the subsidy announced for each application period, whichever is greater.
- b. The Bank will limit the amount of subsidy per project to \$300,000.

14. Prohibited uses of AHP subsidies

A project must not use AHP subsidies to pay for:

- a. Prepayment fees imposed by the Bank on a member for a subsidized advance that is prepaid, unless,
 - i. The project is in financial distress that cannot be remedied through a project modification pursuant to section 1291.5 (f) of the Regulations;
 - ii. The prepayment of the subsidized advance is necessary to retain the project's affordability and income targeting requirements;
 - iii. Subsequent to such prepayment, the project will continue to comply with the terms of the approved AHP application and the requirements of the Regulations for the duration of the original retention period;
 - iv. Any unused AHP subsidy is returned to the Bank and made available for other AHP projects; and
 - v. The amount of AHP subsidy used for the prepayment fee may not exceed the amount of the member's prepayment fee to the Bank.
- b. Cancellation fees and penalties imposed by the Bank on a member for a subsidized advance commitment that is cancelled; or
- c. Processing fees charged by members for providing direct subsidies to a project.

C. Scoring Guidelines

The Bank's scoring system is described in detail in the Scoring Guidelines, attached hereto as Exhibit II.

D. Modification of Approved Competitive Program Applications

1. If, prior to or after final disbursement of funds to a project from all funding sources, there is or will be a change in the project that would change the score that the project application received in the funding period in which it was originally scored and approved, had the changed facts been operative at that time, the Bank, in its discretion, may approve in writing a modification to the terms of the approved application, provided that:
 - a. The project, incorporating any such changes, would meet the eligibility requirements of Section II.B of this Plan;
 - b. The application, as reflective of such changes, continues to score high enough to have been approved in the funding period in which it was originally scored and approved by the Bank; and
 - c. There is good cause for the modification, and the analysis and justification for the modification are documented by the Bank in writing.
2. Modifications involving an increase in AHP subsidy must be approved or disapproved by the Bank's board of directors ("Board of Directors").

E. Procedure for Funding Competitive Program Subsidies

1. The Bank may disburse AHP subsidies only to institutions that are members of the Bank at the time they request a draw-down of the AHP subsidies. If an institution with an approved application for AHP subsidy loses its membership, the Bank may disburse AHP subsidies to a member of the Bank to which the institution has transferred its obligations under the approved application, or the Bank may disburse the subsidies through another Federal Home Loan Bank ("FHLBank") to a member of that FHLBank that has assumed the institution's obligation under the approved application.
2. The Bank will verify that the AHP subsidies for a project approved under the Competitive Program are drawn down by the project or used by the project to procure other financing commitments within 12 months of the date of approval of the application for AHP subsidy funding the project. At its discretion, the Bank may approve an extension of the AHP subsidy award for projects not meeting the 12 month use requirement. The Bank will assess whether satisfactory progress is being made and approve or deny such requests according to its internal Bank policies. Projects that are not approved for extension are subject to the cancellation of the AHP subsidy award. If the Bank cancels an application approval, the AHP subsidy will be made available for other AHP-eligible projects.

3. Prior to its initial disbursement of AHP subsidies for an approved project, and prior to each subsequent disbursement, if the need for AHP subsidy has changed, the Bank will verify that the project meets the eligibility requirements of section 1291.5(c) of the Regulations and all obligations committed to in the approved application. The Bank will also verify that there is an executed subsidy agreement between the Bank, the member and the sponsor pursuant to the requirements of the Regulations.
4. Projects are subject to applicable retention agreements per Section IV of this Plan.
5. The Bank may reduce the amount of AHP subsidy if additional funding has been secured or the project's costs were reduced as a result of a restructuring of the development, or in any other circumstances deemed appropriate by the Bank. If the Bank reduces the amount of an AHP subsidy, the amount of the reduction must be returned to the Bank's AHP fund. If the Bank increases the amount of AHP subsidy approved for a project, the amount of such increase shall be drawn first from any currently uncommitted or repaid AHP subsidies and then from the Bank's required AHP contribution for the next year.
6. In cases where the AHP direct subsidy has been approved to write down, prior to closing, the principal amount or the interest rate on a loan to a project (and an interest rate assumption was made in determining the amount of subsidy needed at the time of approval), the final amount of the AHP subsidy awarded to the project may be changed through a project modification. Further, the Bank is not obligated to commit to more AHP funding than the amount of the original award.

F. Monitoring Requirements for the Competitive Program

Competitive application program projects will be monitored in conformity with the initial monitoring requirements of section 1291.7(a)(1) of the Regulations and the long-term monitoring requirements in section 1291.7(a)(4) of the Regulations. An internal Bank monitoring policy will also provide guidance, including criteria used to determine progress towards use of Competitive AHP subsidies.

1. *Initial Monitoring Policies for Owner Occupied and Rental Projects*
 - a. Progress reports. Prior to project completion, the Bank will require projects to report to the Bank on an annual basis in its first year after award, and semi-annually thereafter, its progress towards project completion. The Bank will review such reports to assess whether satisfactory progress is being made toward completion of a project.
 - b. Project completion for owner occupied projects

- i. Eighteen (18) months after project completion, the Bank will require the applicable member to certify that the AHP subsidies have been used according to the commitments made in the AHP application and the AHP-assisted units are subject to a deed restriction or other legally enforceable retention agreement. Likewise, the Bank will require sponsors to certify that AHP assisted households were eligible households at the time of project participation, the services and activities committed to in the approved AHP application have been provided in connection with a project, and household income verification documentation will be maintained and made available to the Bank for review.
 - ii. Eighteen (18) months after project completion, the Bank will review a project's documentation to determine that (1) the AHP subsidy was used for eligible purposes according to the commitments made in the approved AHP application, (2) household incomes comply with the income targeting commitments made in the AHP application, (3) actual costs were reasonable according to the Bank's Project Feasibility and Cost Guidelines and the AHP subsidy was necessary for the completion of the project as currently structured, (4) each AHP-assisted unit of an owner-occupied project is subject to a retention agreement that meets the requirements of the Regulations, and (5) the services and activities committed to in the approved AHP application have been provided in connection with the project. The Bank will accept the member's certification as described in Section II.F(1)(b)(i) as evidence that the assisted units are subject to the proper retention agreements. The Bank will accept the sponsor's certification as described in Section II.F(1)(b)(ii) as evidence that the services and activities were provided.
 - iii. The Bank will review the project documentation of owner occupied projects regarding household incomes and retention agreements during the disbursement process according to the risk-based sampling plan described in the Bank's internal policies.
- c. Project completion for rental projects
- i. Eighteen (18) months after completion, the Bank will require the applicable member to certify that the AHP subsidies have been used according to the commitments made in the AHP application and the AHP-assisted units are subject to a deed restriction or other legally enforceable retention agreement. Likewise, the Bank will require project owners to certify that the services and activities committed to in the AHP application approved by the Bank, have been provided in connection with the project, and the tenant rents and incomes are in compliance with the rent and income targeting commitments made in the AHP application. Project owners will also certify that the

- documentation regarding project feasibility and development and tenant rents and incomes will be maintained and made available for review by the Bank.
- ii. Eighteen (18) months after project completion, the Bank will review documentation for a project to determine that (1) the subsidy was used for eligible purposes according to the commitments made in the approved AHP application, (2) household income and rents comply with the income targeting and rent commitments made in the AHP application, (3) actual costs were reasonable according to the Bank's feasibility guidelines, (4) subsidies were necessary for the completion of the project as currently structured, (5) the project is subject to AHP retention agreements or mechanisms meeting the Regulations, and (6) the services and activities committed to in the AHP application have been provided in connection with the project. The Bank will accept the member's certification as described in Section II.F(1)(c)(i) as evidence that the assisted units are subject to the proper retention agreements. The Bank will accept the owner's certification as described above as evidence that the services and activities were provided.
 - iii. The Bank will review project documentation regarding household incomes and rents during the long term monitoring of the rental project. Households will be selected using a risk-based sampling plan described in the Bank's internal policies.
- d. The Bank will require project members, sponsors or owners, as applicable, to maintain and make available for review any project documentation required by the Bank to determine a project's compliance with section 1291.7 (a)(1)(i)(C) of the Regulations.
2. *Long-term monitoring policies for completed rental projects*
- a. The Bank elects to rely on the "Low Income Housing Tax Credit Program" monitoring by the applicable state-designated housing credit agency for compliance with the income targeting and rent commitments for rental projects as allowed under section 1291.7 (a)(iii)(2) of the Regulations.
 - b. For completed non-Low Income Housing Tax Credit projects, the Bank will use a reasonable, risk-based sampling plan to select the rental projects and units to be monitored under long term-monitoring, which will commence in the second year after completion of such selected projects, and to review annual owner certifications, back-up documentation, and any other project documentation. The risk-based sampling plan and its basis shall be described in the Bank's internal policies.
 - c. The Bank will require owners of rental properties to certify annually until the end of the 15-year retention period that the household incomes and

rents comply with the income targeting and rent commitments made in the approved AHP application.

- d. The Bank will require members to certify every five (5) years that based on an exterior visual inspection, the rental project appears to be suitable for occupancy.
- e. The Bank will review certifications provided by members and owners during the retention period. The Bank will also review project documentation to verify compliance with rent and income targeting commitments in the approved AHP application. These reviews, as part of long-term monitoring of completed rental projects, will commence in the second year after project completion and will be conducted periodically thereafter. Certain projects may be selected for periodic on-site reviews of documentation for a sample of units for such projects. The selection of projects for review and the sampling of units for such projects will be determined using a reasonable, risk-based plan as described in the Bank's internal policies.

3. *Remedial actions for non-compliance*

- a. Non-compliant projects will have an opportunity to be remedied within a reasonable period of time or through a project modification in compliance with the Regulations. If these remedies do not eliminate the non-compliance, projects that may require repayment will be placed on the watchlist to determine the amount of subsidy to be repaid. Addition and removal of projects to and from the watchlist will be approved by the Bank's Community Investment Officer.
- b. Sponsors and members may be temporarily or formally suspended, or barred from participating in the Bank's Competitive Program, pursuant to the Bank's internal policies. Suspension or barring of sponsors will be approved by the Bank's Community Investment Officer. Member suspensions or barring will be approved by the Bank's Affordable Housing Committee of the Board of Directors. All suspension or barring activity will be reported quarterly to the Bank's Affordable Housing Committee.

III. Requirements for the Bank's Set-Aside Program

A. Establishment of Set-Aside Program

The Bank's Set-aside Program will consist of two funding pools: a general pool (referred to as Downpayment Plus[®] or DPP[®]) and a restricted pool (referred to as Downpayment Plus Advantage[®] or DPP Advantage[®].) In 2009, the Bank will allocate up to 25% of the balance of recaptured funds as of December 31, 2008 to the Set-Aside program. Additional amounts may be committed by the Bank. At least one-third of the Bank's aggregate set-aside allocation will assist first-time homebuyers, as required in section 1291.2(b)(2) of the Regulations.

Members participating in DPP may access set-aside subsidies on behalf of eligible homebuyers or homeowners to whom they are providing first mortgages. Members participating in DPP Advantage may access set-aside subsidies on behalf of non-profit organizations, which provide mortgage financing directly to eligible homebuyers. Of the funds allocated to the Set-aside Program, \$300,000 is allocated to DPP Advantage for 2009.

In October 2008, the Federal Housing Finance Agency ("FHFA") announced an interim final rule amending the Affordable Housing Program regulation to allow Federal Home Loan Banks to use set-aside funds to provide direct subsidies to low- or moderate-income households who qualify for refinancing assistance under the HOPE for Homeowners Program established by the Federal Housing Administration ("Mortgage Refinancing Program"). As a result of this interim final rule, the Bank will expand the eligible uses of the DPP subsidy for 2009 to include the Mortgage Refinancing Program. Unless otherwise noted, eligibility, funding and monitoring requirements set forth below for the Set-aside Program apply to both DPP (including the Mortgage Refinancing Program) and DPP Advantage. In the event that the requirements published in the final rule for the Mortgage Refinancing Program differ from the interim final rule, the final rule will govern program operations. Any requirements in the final rule that differ from those outlined below will be communicated to Program Administrators and published on the Bank's website.

B. Eligible Applicants

The Bank may only accept applications for its Set-aside Program from institutions that are members of the Bank at the time of the member's enrollment with the applicable program administrator. The program administrators are the Illinois League of Financial Institutions and the Wisconsin Partnership for Housing Development (collectively, the "Program Administrators").

C. Minimum Eligibility Requirements

The Bank's Set-Aside Program eligibility requirements include the following:

1. *Member allocation criteria*

The member will apply to the applicable Program Administrator for a reservation of funding for the homebuyer within 90 days prior to closing. Program Administrators will accept reservations after the allocation for the program year has been announced. Reservations will be granted on a first come/first served basis until the member limit has been reached or program funds have been fully reserved, whichever occurs first.

If the 2009 DPP allocation is less than or equal to \$4 million, the 2009 member limit will be \$60,000. If the 2009 DPP allocation is more than \$4 million, the 2009 member limit will be \$80,000. Allocation of DPP funds above the member limit may be considered if funds are available. There is no member limitation for DPP Advantage funds.

2. *Eligible households*

Members must ensure the following requirements are satisfied:

- a. Households must have incomes that do not exceed 80% of median income for the area at the time of enrollment. The member will determine household eligibility and apply to the administrator of the program for a reservation for funding. The reservation date will be considered the "time of enrollment."
- b. Households using DPP subsidy to assist with the purchase of a home must complete a homebuyer education program. The homebuyer education program must include a financial literacy component, and must provide information alerting borrowers to practices characteristic of predatory and sub-prime lending. The program must be provided by an organization experienced in homebuyer or homeowner counseling.
- c. A minimum of 35% of households accessing DPP funds must be first-time homebuyers, pursuant to the first-time homebuyer requirement in section 1291.2(b)(2) of the Regulations. A first-time homebuyer is defined by the Bank as a household meeting any one of the following criteria:
 - i. An unmarried individual or an individual and his or her spouse who has/have not owned a home during the three-year period prior to the date of purchase of a home with AHP assistance.
 - ii. A divorced or legally separated individual who has only owned with a (former) spouse.
 - iii. An unmarried individual or an individual and his or her spouse who has/have 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.

Households using the Mortgage Refinancing Program are not required to meet the first-time homebuyer provision.

- d. Homebuyers accessing DPP must contribute a minimum of \$750 toward the purchase of the home. Households using the Mortgage Refinancing Program are not required to make the \$750 equity contribution.
3. *Maximum grant amount*
Grants to households cannot exceed \$4,000.
 4. *Eligible uses of AHP direct subsidy*
 - a. For AHP direct subsidies used for purchase and/or rehabilitation of owner-occupied units, households must use the subsidy to pay for down payment, closing costs, counseling, or rehabilitation assistance in connection with the household's purchase or rehabilitation of an owner-occupied unit, including a condominium or cooperative housing unit or manufactured housing, to be used as the household's primary residence.
 - b. A loan is eligible under the Mortgage Refinancing Program if it is secured by a first mortgage on an owner-occupied unit that is the primary residence of the household, and the loan is refinanced under the HOPE for Homeowners Program by a FHLBC member that is an FHA-approved lender for the purpose of refinancing an eligible loan with an FHA-insured loan. For AHP direct subsidies under the Mortgage Refinancing Program, the DPP funds may be used to:
 - i. Reduce outstanding principal balance of the loan below the maximum loan-to-value ratio required under the HOPE for Homeowners Program in order to make the refinance loan affordable to the household by enabling the household to meet the HOPE for Homeowners Program's debt-to-income standards for a low-or moderate-income household; and/or
 - ii. Pay FHA-approved loan closing costs.
 5. *Retention Agreement*
 - a. An owner-occupied unit purchased or rehabilitated using an AHP direct subsidy will be subject to a 5-year retention agreement per section IV of this Plan.
 - b. The Retention Agreement requirement does not apply to the Mortgage Refinancing Program.

6. *Financial or other concessions*

- a. Members accessing DPP set-aside funds for purchase or rehabilitation must:
 - i. Fund or originate the mortgage. The mortgage may be funded or originated by a wholly owned subsidiary of the member or wholly owned subsidiary of the member's parent company.
 - ii. Provide financial or other incentives in connection with the related first mortgage financing. Payment to a Program Administrator of enrollment fees and/or processing fees cannot be passed on to the borrower and as such can be considered as incentives meeting this requirement.
- b. Members accessing DPP Advantage funds are not required to provide financial concessions.
- c. Members utilizing the Mortgage Refinancing Program are not required to provide the above-referenced financial concessions.

7. *Financing costs*

The rate of interest, points, fees and any other charges for loans made to households using the DPP subsidy for purchase or rehabilitation must not exceed a reasonable market rate of interest, points, fees and other charges for loans of similar maturity, terms and risk.

Financing costs for households receiving DPP subsidy under the Mortgage Refinancing Program must satisfy FHA program requirements.

8. *Counseling costs*

Set-aside funds may be used to pay for counseling costs provided by someone other than the member only where the costs are incurred in connection with counseling of homebuyers who actually purchase an AHP-assisted unit and the cost has not been covered by another funding source, including the member. Counseling costs reimbursed by the set-aside funds may not exceed \$600 per household. If the member charges a fee for providing homebuyer or homeowner counseling, the set-aside subsidy will be reduced accordingly.

9. *Cash back to household*

A member may provide cash back to a household at closing on the mortgage loan in an amount not exceeding \$250. The member must use any set-aside subsidy exceeding such amount that is beyond what is needed at closing for closing costs and the approved mortgage amount as a credit to reduce the principal of the mortgage loan or as a credit toward the household's monthly payments on the mortgage loan. For homeowners receiving a DPP subsidy under the Mortgage Refinance Program, members should verify that any cash back to homeowners at closing complies with requirements for the FHA

HOPE for Homeowners program.

D. Procedure for Funding Set-Aside Subsidies

1. *Reservation of set-aside subsidies*

The member will determine household eligibility and will apply to the applicable Program Administrator for a reservation of funding for the homebuyer. Program Administrators will accept reservations after the allocation for the program year has been announced to the Bank's members. Funds will be available on a first-come, first served basis, until the member limit has been reached or the program funds have been fully reserved, whichever occurs first.

2. *Progress towards use of set-aside subsidies*

The Bank requires its set-aside funds to be drawn down and used by members by the end of the first quarter of the year following the allocation year. If a member's reservation exceeds the 90-day period, the Program Administrator may allow, at its discretion, an extension of the reservation. Likewise, if necessary, the Bank may allow an extension of the funds to be drawn down and used by members. If an extension is not granted, the reservation will be cancelled and funds will be returned to the Downpayment Plus general pool of funds.

3. *Disbursement of Set-Aside Subsidies*

- a. At closing, the member will disburse its own funds and submit loan documentation and verification of eligibility to the Program Administrator. After review, the Program Administrator will submit the documentation to the Bank for reimbursement to the member. The Bank will:
 - i. Verify that the requesting institution is a member at time of disbursement;
 - ii. Verify there is an executed subsidy agreement between the Bank and the member pursuant to the Regulations; and
 - iii. Review each loan for certification of eligibility pursuant to the Regulations prior to member reimbursement.
- b. The member will be required to assume the liability for any
 - i. Subsidies made to an ineligible household, or
 - ii. Subsidies used for an ineligible purpose.

E. Monitoring Requirements for Set-Aside Program

1. The Bank will require the member to certify prior to each disbursement for each set-aside transaction that:
 - a. The set-aside subsidy was provided to a household meeting all applicable eligibility requirements of section 1291.6(c) of the Regulations and the

Bank's Set-aside Program policies; and

- b. All other applicable eligibility requirements in section 1291.6 of the Regulations and the Bank's Set-aside Program policies are met.
2. The Bank will require the member to maintain for the Bank's review any documentation necessary for the Bank to determine whether assisted households meet all applicable eligibility requirements of section 1291.6(c) of the Regulations and the Bank's Set-aside Program policies, including that the AHP-assisted units are subject to the retention agreements.
3. The Bank will review certifications provided by the member for each set-aside transaction prior to disbursement of the set-aside subsidy.
4. The Bank will establish and use a reasonable sampling plan to select households to be monitored, and to review the back-up documentation and any other documentation received by the Bank.

III. Retention Agreement Requirements

A. Retention Agreements

The Bank will require retention agreements for its Competitive and Set-Aside Programs pursuant to section 1291.9(a)(7) and (a)(8) of the Regulations. Members will be required to record the retention agreement.

Retention agreements will not be required for DPP funds provided under the Mortgage Refinancing Program.

1. Rental projects must be subject to a deed restriction or other legally enforceable retention agreement requiring that:
 - a. The rental units, or applicable portion thereof, must remain occupied by and affordable to households with incomes at or below the levels committed to be served in the AHP application for the duration of the retention period;
 - b. The Bank or its designee is to be given notice of any sale or refinancing of the project that occurs prior to the end of the retention period;
 - c. In the case of a sale or refinancing of the project prior to the end of the retention period, an amount equal to the full amount of the direct subsidy must be repaid to the Bank, unless the project continues to be subject to a deed restriction or other legally enforceable retention agreement incorporating the income-eligibility and affordability restrictions committed to in the AHP application for the duration of the retention period; and

- d. The income-eligibility and affordability restrictions applicable to the project terminate after any foreclosure.
2. Owner-occupied projects must be subject to a deed restriction or other legally enforceable retention agreement requiring that:
 - a. The Bank or its designee is to be given notice of any sale or refinancing of the unit prior to the end of the retention period;
 - b. In the case of a sale prior to end of the retention period, a pro-rata share of the direct subsidy, reduced for every full month the seller owned the unit, will be repaid to the Bank, from any net gain realized upon the sale after deduction for sales expenses, unless the purchaser is a low or moderate-income household;
 - c. In the case of refinancing prior to the end of the retention period, a pro rata share of the direct subsidy will be repaid to the Bank, from any net gain realized upon the refinancing, unless the unit continues to be subject to a deed restriction or other legally enforceable retention agreement.
 - d. The obligation to repay AHP subsidy to the Bank will terminate after any foreclosure.
3. For rental projects, the date of project completion as reported by the sponsor or the date of the last AHP subsidy disbursement, whichever is later, will be considered the inception of the 15-year retention period.
4. For owner-occupied projects using the AHP subsidy for rehabilitation only, the execution date of the retention documents will be considered the inception of the 5-year retention period.

V. Community Investment Advisory Council.

The Community Investment Advisory Council (the “Council”) is comprised of individuals representing a diverse range of organizations in Illinois and Wisconsin, the states in which the Bank conducts business (known as the “7th District”). Nominations for open Council positions are solicited from the Board of Directors, Bank members, Council members and community contacts in September and approved by the Board of Directors prior to year-end. Council membership is open to persons from organizations that are actively involved in providing or promoting low and moderate-income housing and community lending in the 7th District. Council members are appointed by the Bank’s Board of Directors to serve terms of 3 years. The Council selects a chairperson and vice chairperson, after considering recommendations from the Affordable Housing Committee of the Board of Directors. The Council chairperson will be appointed for a two-year term as chairperson and the vice chairperson will be appointed to a one-year term as vice-chairperson. The Council chairperson will serve the remainder of an additional three-year term following his or her term as chairperson. A staff member of

the Bank will serve as secretary and will record the minutes of the Council's meetings. The chairperson or vice chairperson will represent the Council at national meetings and conduct the quarterly meetings.

Council members will meet four times annually with the Affordable Housing Committee of the Board of Directors. Council members will advise the Board of Directors on ways the Bank can better carry out its housing finance and community lending mission, and will provide to the Federal Housing Finance Agency annually a report that summarizes the low and moderate-income housing and community lending activities of the Bank.

Council members receive a stipend and are reimbursed for travel, lodging and meal expenses for each quarterly meeting they attend.

Prior to adoption, the Council must have an opportunity to review the Bank's Plan, and any subsequent amendments thereto, and provide its recommendations to the Board of Directors.

Approved this ____ day of December, 2008

BOARD OF DIRECTORS

Its Corporate Secretary

Exhibit I – Project Feasibility and Cost Guidelines Guidelines for the Competitive Program

The Bank has established guidelines for determining project feasibility and the need for the requested AHP subsidy pursuant to section 1291.5(c)(4) of the Regulations. These guidelines serve as a benchmark for evaluating projects and may be used as a basis for adjusting or rejecting requests for a subsidy in the application, modification, and pre-and post-disbursement stages of a project. Exceptions to these guidelines will be considered by the Bank on a case-by-case basis based on an evaluation of information and supporting data justifying the need for such exception. Bank staff will report their recommendations to the Bank’s Community Investment Advisory Council and Affordable Housing Committee of the Board of Directors.

Development	Criterion	Guideline
Budget for Rental Properties	Cost per unit	Up to \$175,000 for in-district projects. Bank staff will consult with the applicable Federal Home Loan Bank for out-of-district projects.
	Developer fee (as a % of development cost, excluding developer and consultant fees). Market value of donated or discounted land, labor, and materials will not factor into development cost for purposes of this calculation.	Maximum fee of 12% of development costs for projects with 25 or more units. Maximum fee of 15% of development costs for projects with 24 or less units. For rental projects where hard costs of rehabilitation / construction are between 5% and 25% of total development costs, there is a mandatory deferral of developer fees exceeding 7.5%. For rental projects consisting of acquisition-only or acquisition and rehabilitation, where the hard costs of rehabilitation are 0% to 5% of total project costs, the maximum allowable developer fee is 7.5%.
	Tax credit sales price for Low Income Housing Tax credits	Minimum subject to market conditions.
	Maximum capitalized reserves	9 months of (operating expenses plus debt service plus replacement reserves).

Operating	Criterion	Guideline
Budget for Rental Properties	Debt Coverage Ratio	1.15 – 1.35x For projects with no debt, operating expenses plus replacement reserves should be at least 90% of net rents.
	Operating Cost/Unit (net of real estate taxes)	\$2,500 - \$5,000
	Replacement Reserves/Unit	\$250 - \$350 for new construction \$300 - \$400 for existing properties
	Vacancy Rate	5% - 10% (upon stabilization)

Operating Budget for Rental Properties	Criterion	Guideline
	Management Fee	\$30-\$45 per unit per month
	Spread on financing from any source	Up to 3% or 300 basis points
	Hard cost contingency	Minimum of 5% of hard costs for new construction and 8% of hard costs for rehab projects
	Income & expense trending	Minimum of 2% for income and 3% for expenses Maximum of 3% for income and 4% for expenses

Guidelines for Owner-Occupied Properties	Criterion	Guideline
	Cost per unit	Up to \$175,000 for in-district projects. Bank staff will consult with applicable Federal Home Loan Bank for out-of-district projects.
	Developer Fee (as a % of development cost, excluding developer and consultant fees). Market value of donated or discounted land, labor, and materials will not factor into development cost for purposes of this calculation.	Up to 12% of development cost, excluding developer and consultant fees for new construction of owner-occupied units. For owner-occupied projects consisting of rehabilitation-only, maximum developer fee is limited to 12% of hard rehabilitation costs. For acquisition-only of owner-occupied projects, there will be no developer fee allowed.
	Counseling costs subsidized by AHP subsidy	May not exceed \$600 per household.
	Spread on financing from any source	Up to 3% or 300 basis points

Additionally, the Bank may limit or deny funds for projects submitted to more than one Federal Home Loan District if such projects are the same or substantially similar.

EXHIBIT II

Scoring Guidelines

Projects meeting all eligibility requirements will be reviewed and scored based on nine scoring criteria that equal a maximum of 100 points. Each of the nine scoring criteria has been assigned a maximum point value, and is designated as either a fixed point or variable point scoring item. Fixed point criteria (i.e., pass/fail) are those that cannot be satisfied in varying degrees (“Fixed”). Applications meeting a fixed point criterion will receive the maximum number of points allocated to that category. Variable point criteria are those where there are varying degrees by which an application can satisfy the criteria (“Variable”).

The applications receiving the highest overall scores will be recommended to the Affordable Housing Committee of the Bank’s Board of Directors for award approval. Such Committee will approve applications sufficient to exhaust the AHP funds available for the applicable round. If more than one application has the same score, applications requesting the lowest subsidy per unit will be given preference. In the case of applications with the same score that also request the same subsidy per unit, projects with the lowest total development cost per unit will be given preference.

1. Donated / Discounted Government or Other Properties (5 points - Variable)

Projects that can document the financing of housing using a significant proportion, defined as a minimum of 20% of the total land or units, of (1) land or units donated or conveyed to the project by the Federal government or any agency or instrumentality thereof, or (2) land or units donated or conveyed by any other party, for an amount that is at least 20% below the fair market value (“FMV”) of the units or land conveyed. FMV must be supported by a third-party appraisal completed within 18 months of the earlier of the conveyance date or the AHP application date.

Applicants must indicate what is being donated or sold to the project at a discount, and include addresses if multiple land parcels or buildings are involved.

Evidence of donation or conveyance must be included as an attachment to the application to receive credit for donated properties. For properties conveyed at a discount to FMV, evidence of conveyance cost must be provided, along with an appraisal completed within 18 months of the earlier of the conveyance date or the AHP application date to receive credit. Points will be awarded for properties conveyed up to 3 years prior to the application deadline. The discount is calculated by subtracting the actual cost of all land or units in the project, including any carrying costs reflected on Exhibit V-Sources and Uses Statement, from the FMV of all the land or units in the project, and dividing the result by the FMV.

Rehabilitation-only projects that do not involve the acquisition of land or buildings are not eligible to receive points in this category.

Points will be awarded as follows:

5 points	If property or units are fully donated by a non-affiliated third party.
4 points	If conveyed by a non-affiliated third party and discount is between 80-99.99% of FMV per appraisal.
3 points	If conveyed by a non-affiliated third party and discount is between 60-79.99% of FMV per appraisal.
2 points	If conveyed by a non-affiliated third party and discount is between 40-59.99% of FMV per appraisal.
1 point	If at least 20% of (1) the land or units are donated or conveyed by the federal government; or (2) land or units donated or conveyed by a third party are discounted between 20-39.99% of FMV per appraisal. A maximum of 1 point will be awarded for the conveyance of land or units with a discount of at least 20% by a subsidiary or affiliate of the ownership entity, or other entity with an ownership interest in the project.

2. Project Sponsorship (5 points - Variable)

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 that:

- has any ownership interest in a rental project; or
- is integrally involved in an owner-occupied project, by exercising control over the development or management of the project, by providing homebuyer/homeowner counseling, or by qualifying borrowers and providing or arranging financing for the owners of the housing.

Demonstrated sponsor capability and past track record will also be taken into consideration. Attach evidence of sponsor capacity as Exhibit XIV for sponsors and co-sponsors.

Rental Projects	
1 point	Criteria 1: Sponsor must have non-profit status (or be a state or political subdivision of a state, a state housing agency, a local housing authority, Native American Tribe, an Alaskan Native Village, or the government entity for Native American Home Lands) and ownership interest in the project.
1 point	Criteria 2: If Criteria 1 is met and if ownership interest by non-profit sponsor exceeds 50% of the managing member or general partner.
1 point	Criteria 3: If Criteria 1 and 2 are both met and the non-profit sponsor plays an integral role in the project by directly exercising operational control over the development or property management of the project or by directly providing supportive services to residents of the project.
1-2 points	Criteria 4: If Criteria 1, 2 and 3 are all met and non-profit sponsor has related experience in the completion or operation of at least 2 projects of similar size and scope, applicants will receive 1 point. If Criteria 1, 2 and 3 are all met and non-profit sponsor has related experience in the completion or operation of at least 3 projects of similar size and scope, applicants will receive 2 points.

Owner-Occupied Projects	
1 point	Criteria 1: Sponsor must have non-profit status (or be a state or political subdivision of a state, a state housing agency, a local housing authority, Native American Tribe, an Alaskan Native Village, or the government entity for Native American Home Lands) and the sponsor plays an integral role in the project, by managing the construction or rehabilitation of the property, by providing homebuyer/homeowner counseling, or by qualifying borrowers and arranging financing for the owners of the housing units.
Up to 2 points	Criteria 2: If Criteria 1 is met and if non-profit sponsor plays more than one integral role, as defined in the preceding cell above, in the project. One point will be awarded for each additional role.
Up to 2 points	Criteria 3: If Criteria 1 is met and non-profit sponsor plays an integral role, as defined above, in the successful completion and administration of at least 2 projects of similar size and scope, applicants will receive 1 point. If Criteria 1 is met and the non-profit sponsor has played an integral role, as defined above, in the successful completion and administration of more than 3 projects of similar size and scope, applicant will receive 2 points.

3. Targeting (20 points - Variable)

The Bank will consider the extent to which the project creates housing for very low, low or moderate income households. For purposes of this scoring criterion, applications for owner-occupied and rental projects will be scored separately.

Owner-Occupied Projects

Points will be awarded to projects that finance the purchase, construction and/or rehabilitation of owner-occupied homes for low and moderate income households in that priority order. For owner-occupied projects, incomes cannot exceed 80% of the Area Median Income (“AMI”) and units must be retained as affordable for a minimum of 5 years.

Owner-occupied projects will be awarded points on a declining scale. Those with the greatest percentage of households with low incomes (60% of AMI or less) and moderate incomes (61%-80% of AMI), in that order, will receive the most points. A weighted average is calculated with the greater weight given to low income households. The following formula is used to determine the score:

$$20 \left[\frac{B}{A} \right] + 12 \left[\frac{C}{A} \right] = \text{SCORE}$$

Where: A = Total Number of Units

B = Number of Units <= 60% of AMI

C = Number of Units 61% - 80% of AMI

Rental Projects

Points will be awarded to projects that finance the purchase, construction, and/or rehabilitation of rental housing, of which at least 20% of the units in the project will be occupied by, and affordable to, very low income households with incomes at or below 50% of AMI. For rental projects, units must be retained as affordable for a minimum of 15 years.

- a. Rental projects where 60% or more of the total units will be occupied by, and affordable to, very-low income households (at or below 50% of AMI) will receive 20 points.
- b. Rental projects that do not meet the 60% very low income criteria will be awarded points on a declining scale based on the percentage of units in a project that are reserved for very-low income households and on the percentage of remaining units reserved for moderate income households. Rental projects will be scored using the following formula:

$$25 \left[\frac{B - (.20(A))}{.80(A)} \right] + 16 \left[\frac{C}{.80(A)} \right] + 8 \left[\frac{D}{.80(A)} \right] + 0 [E] = \text{VALUE}$$

Where: A = Total Number of Units

B = Number of Units <= 50% of AMI

C = Number of Units 51% - 60% of AMI

D = Number of Units 61% - 80% of AMI

E = Number of Units >80% of AMI

In addition to indicating the number of units in the project committed to each income group, please indicate the number of Family, SRO (single room occupancy units) and Group Bed Units. Group Bed Units are defined as two or more independent households residing in a unit where each separate household is considered a unit for AHP purposes. This is generally seen in group homes or similar projects.

4. Promotion of Empowerment (5 points - Variable)

Up to 5 points are available for projects that empower residents by providing housing in combination with empowerment program(s) as identified in the application.

Sponsors must provide a service plan (Exhibit XV-A) to receive points. The sponsor must explain how each service will economically empower and benefit the residents and indicate the plan to deliver services, if services will not be available on site. Such service plan(s) should indicate how sponsor will track, monitor, and demonstrate that the empowerment services listed are provided.

In addition to Exhibit XV-A, to receive points for sponsor-provided activities or services, the application must include a brochure or annual report detailing the services to be provided to the tenants or homebuyers. If these materials are not available, an expanded service plan including detailed descriptions of services the sponsor will directly provide to the residents will be acceptable. Applicants must also

indicate the source of funding for each of the activities the sponsor will provide. These attachments should be included under tab XV-A of the application.

To receive points for services provided by organizations other than the sponsor, a Commitment to Provide Services (pre-printed form included with the application) should be completed by each service provider, and included as Exhibit XV-B. Exhibit XV-A must also be completed. If there is insufficient room on the exhibit to provide a complete description of services, the service provider should provide documentation on all services to be offered to the project on their letterhead in addition to completing and signing Exhibit XV-A.

Points will not be awarded for commitments dated more than one year prior to the AHP application date.

Applications will be scored in the following manner, based on information contained in the Commitments to Provide Services and sponsor-provided documentation.

Rental Projects	
<i>Rental projects will be eligible to receive empowerment points for employment services, job training programs, training/education and case management if (a) identified services are provided on-site or (b) there is a budgeted position for a case manager or service coordinator that makes referrals for identified services.</i>	
1 point	Employment services and/or job training programs to assist residents with procuring employment. These services must include at least one of the following: welfare to work programs, on- or off-site job opportunities, or job search assistance including career counseling.
1 point	Training/Education services to residents that include one of the following: adult accredited education programs, vocational training, youth education programs*, saving and budgeting education, or computer classes. *Youth programs qualify, only if they serve as a substitute for childcare.
1 point	Comprehensive case management services, mental and behavioral health services, substance abuse prevention and treatment programs, or residential support services. Services provided must promote economic betterment by supporting residents' ability to find or sustain employment or be self-sufficient.
1 point	Resident involvement in decision-making affecting the creation or operation of the project via resident council or resident participation on the board.
1 point	Donated/discounted child care services.

Owner-Occupied Projects	
1 point	<p>A maximum of one point will be awarded for either of the following:</p> <ul style="list-style-type: none"> • For projects involving purchase: Pre-purchase homebuyer counseling if counseling is mandatory for all AHP-assisted homebuyers. • For projects involving rehabilitation with no purchase: Post-purchase homeowner counseling, with included home maintenance topics, if counseling is mandatory for all AHP-assisted homeowners.
Up to 2 points	<p>A maximum of two points will be awarded for financial literacy training which includes the following topics, if mandatory for all AHP-assisted homebuyers/homeowners.</p> <ul style="list-style-type: none"> • One point will be awarded for course content which includes budgeting and credit topics. • One point will be awarded if the curriculum includes both a predatory lending component and foreclosure prevention.
1 point	<p>A maximum of one point will be awarded for either of the following:</p> <ul style="list-style-type: none"> • Sponsor-provided opportunities that increase economic empowerment, such as employment and vocational training, if properly documented. • Sweat equity if mandatory for all homebuyers/homeowners. Applicants must submit a program description that clearly notes sweat equity to receive points.
1 point	<p>One-on-one homebuyer or homeowner counseling, if mandatory for all homebuyers/homeowners.</p>

5. Housing for Homeless Households (5 points - Fixed)

Projects that (i) create rental housing, excluding overnight shelters, reserving at least 20% of the units for homeless households, (ii) create transitional housing for homeless households permitting a minimum of six months occupancy, or (iii) create permanent owner-occupied housing reserving at least 20 percent of the units for homeless households, are eligible to receive 5 points, if referral source(s) and source of funding for specialized services (if provided) are identified, and an acceptable supportive service plan for homeless residents has been provided. Units designated as “reserved” must be used only for homeless households throughout the retention period. If qualified homeless households are not available, the unit(s) must remain vacant until a homeless household is found to occupy the unit.

A homeless household is defined as:

A household made up of one or more individuals, other than individuals imprisoned or otherwise detained pursuant to state or federal law, who:

1. lack a fixed, regular, and adequate nighttime residence; or
2. have a primary nighttime residence that is:
 - a. a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill); or

- b. an institution that provides a temporary residence for individuals intended to be institutionalized; or
- c. a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

6. District Priority 1 (22 points - Variable)

a. Member Financial Participation (5 points-Variable)

This scoring criterion measures the extent to which a member participates **financially** in a project, excluding pass-through of the AHP subsidy. Attach a Commitment of Member Financial Involvement as *Exhibit XVII* to receive points in this category.

Rental Projects	
4 points	If member applicant provides long-term financing to the project (i.e., permanent financing, letter of credit for credit enhancement or tax credit or other equity), which constitutes at least 10% of total project costs. Points will also be awarded to consortium projects providing long-term financing to the project if member participation constitutes at least 10% of total project costs. To receive points, the minimum loan term must be 15 years.
1 point	If member is providing <i>only</i> intermediate or short-term financing to the project (i.e., construction loan, bridge loan, letters of credit for credit enhancement) or permanent financing which constitutes less than 10% of total project costs.
1 point	If member provides both short-term <i>and</i> long-term financing.

Owner-Occupied Projects	
5 points	If member applicant(s) will definitely provide financing (with a minimum loan term of 5 years) to at least 50% of all qualified homebuyers/homeowners.
2 points	If member applicant(s) will provide only short-term financing to the project (i.e., construction loan or bridge loan), or will definitely provide financing with a minimum 5 year loan term to at least 20% of homebuyers/homeowners.
1 point	If member applicant(s) will provide financing with a minimum 5 year loan term to 10% - 19.99% of homebuyers/homeowners.

b. Special Needs Housing (5 points - Fixed)

The financing of housing where at least 20% of the units are reserved for occupancy by households with special needs will receive 5 points.

Units designated as “special needs housing” may only be used for the identified population(s), and no other. If qualified tenants in the target population are not available, the units must remain vacant until an eligible household is found to occupy the housing unit. Special needs housing includes housing for:

- the elderly
- mentally or physically disabled persons
- persons recovering from physical, alcohol, or drug abuse
- persons with HIV/AIDS

Referral source(s) and source of funding for specialized services (if provided) must be identified.

c. First-Time Homebuyer (5 points - Fixed)

Projects that provide financing of housing for first-time homebuyers will receive 5 points. 80% of the units must be reserved for, and sold to, first-time homebuyers to qualify for credit. A first-time homebuyer is defined as a household meeting any one of the following criteria:

- An unmarried individual or an individual and his or her spouse, who has/have not owned a home during the three-year period immediately prior to the date of purchase of a home with the AHP subsidy.
- A divorced or legally separated individual who has only owned a home with a (former) spouse.
- An unmarried individual or an individual and his or her spouse who has/have only owned a home 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.

d. Rural Housing (5 points-Variable)

Points will be awarded on a pro rata basis, based on the percentage of units that satisfies the criterion.

The Bank’s definition of a rural area will be consistent with the Rural Housing Service, U.S. Department of Agriculture definition per 7 C.F.R. 3550.10. To determine if a particular location is designated as rural per 7 CFR 3550.10, please refer to <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>. Depending on the project type, click on “single Family” or “multifamily” and enter the property address.

If the property location is considered rural, but located in a county with ineligible areas, please submit a USDA map of that county as Exhibit XVIII, locating the

8. AHP Subsidy per Unit (19 points - Variable)

The Bank will consider how effectively the project uses AHP subsidy dollars. Scoring is based on the extent to which the project proposes to use the least amount of AHP subsidy per AHP targeted unit (units <= 80% of AMI), i.e.:

$$\frac{\text{AHP Subsidy}}{\# \text{ of units } \leq 80\% \text{ AMI}} = \$ \text{ Subsidy per Unit}$$

\$ Subsidy per Unit	
\$4 000 or less	19
\$4.001 - \$4.500	18
\$4.501 - \$5.000	17
\$5.001 - \$5.500	16
\$5.501 - \$6.000	15
\$6.001 - \$6.500	14
\$6.501 - \$7.000	13
\$7.001 - \$7.500	12
\$7.501 - \$8.000	11
\$8.001 - \$8.500	10
\$8.501 - \$9.000	9
\$9.001 - \$9.500	8
\$9.501 - \$10.000	7
\$10.001 - \$10.500	6
\$10.501 - \$11.000	5
\$11.001 - \$11.500	4
\$11.501 - \$12.000	3
\$12.001 - \$12.500	2
\$12.501 - \$13.000	1
More than \$13,000	0

In the case of an application for a project financed by a subsidized advance, the total amount of AHP subsidy used by the project shall be estimated based on the Bank's cost of funds as of the date on which all applications are due for the funding period in which the application is submitted.

9. Community Stability (14 points - Variable)

A maximum of 14 points will be awarded as follows:

Base points - Select one of the following:

6 points	Adaptive re-use or major rehabilitation of vacant or abandoned buildings. Hard rehab costs must average \geq \$40,000/unit.
5 points	Projects with a rehab component, where hard rehab costs average \geq \$25,000 per unit.
4 points	Projects involving new construction.
3 points	Projects with a rehab component, where hard rehab costs average between \$10,000 and \$25,000 per unit.
2 points	Projects with a rehab component, where hard rehab costs average \leq \$10,000 per unit; or projects involving acquisition-only.

Bonus points – Select all that apply:

2 points	Projects involving the acquisition or rehabilitation of foreclosed or REO properties. A minimum of 50% of total units in the project must meet the criteria to receive credit. Note that in the case of member applicant REO properties, regulations state that an appraisal will be required dated within 6 months prior to the date the FHLBC disburses AHP subsidy to the project.
2 points	Targeted Areas: <ul style="list-style-type: none"> • HUD Qualified Census Tracts; or • Super/fund/Brownfield; or • Federal Disaster Areas, if properties are eligible for FEMA assistance All units must meet criteria to receive credit.
2 points	Owner-occupied projects consisting of rehab-only, if located in a concentrated area, defined as follows: <ul style="list-style-type: none"> • At least 50% of the total units are located in a single, identified census tract, or • For projects located in multiple jurisdictions, such as statewide or multi-county projects, points will be awarded if at least 25% of the total units are located in a single identified census tract.
Up to 2 points	Projects involving the preservation of existing affordable housing units with land use covenants that will expire within the next 3 years are eligible to receive 1 point, if documented. Projects with land use covenants <u>and</u> rent/operating subsidies expiring within the next 3 years are eligible to receive 2 points, if documented.
1point	Demonstrated support for the project by a local government (other than as a project sponsor) in the form of property tax deferment or abatement or infrastructure improvements.
1 point	Households participating in Employer-Assisted Housing programs, if properly documented. A minimum of 50% of AHP-assisted households must receive employer assistance to receive credit. Executed agreement or Memorandum of Understanding from the employer(s) indicating the amount of financial assistance to the employees must be provided as Exhibit XXIII.

Applicants must indicate whether displacement will occur, and whether or not there is a resettlement plan. Any project that displaces residents must provide a plan for relocation of those to be displaced as Exhibit XVI.