

AFFORDABLE HOUSING PROGRAM IMPLEMENTATION PLAN – 2009

As amended November 18, 2009

ADOPTION OF THE AHP IMPLEMENTATION PLAN

The Affordable Housing Program (AHP) Implementation Plan (Plan) outlines the sections of the AHP regulation (12 C.F.R. 1291) where the Seattle Bank is required to implement policy governing the AHP and its homeownership set-aside program, which is called Home\$tart.

The Plan may be amended from time to time. Amendments will be reviewed by the Affordable Housing Advisory Council (“Council”), approved by the Financial Operations and Affordable Housing Committee (“Committee”) and ratified by the Board of Directors (“Board”).

This document was reviewed by the Council on November 13, 2008, adopted by the Committee, and ratified by the Board on November 14, 2008 to implement the Affordable Housing Program (AHP) and Home\$tart Programs at the Seattle Bank.

An amendment to the Home\$tart allocation strategy was reviewed by the Council on March 4, 2009, adopted by the Committee, and ratified by the Board on March 25, 2009.

Amendments to the definitions and AHP and Home\$tart sections were reviewed by the Council, adopted by the Committee, and ratified by the Board on May 12, 2009. This amended Plan will take effect on May 12, 2009.

An amendment to the Affordable Housing Advisory Council nomination schedule was reviewed by the council on November 17, 2009, and adopted and ratified by the Committee and Board respectively on November 18, 2009.

DEFINITIONS

The Seattle Bank will use the definitions set forth under section 1291.1 of the AHP regulation. Additional definitions are listed below:

Median Income Guidelines - The Seattle Bank will use the applicable HUD median income guidelines for each county, MSA and PMSA, adjusted for family size. HUD’s national income guidelines or NAHASDA guidelines may be used for projects located in a Native American Service Area or Hawaiian Home Lands housing area. In special circumstances in which management deems some flexibility is appropriate to meet member and community needs, other median income standards set forth under section 1291.1 may be used.

Project Sponsor – Rental Project. A sponsor of rental project must have at least a 50% ownership interest in the project for the duration of the retention period unless the project is being financed in part by low-income housing tax credits, historic tax credits, or new market tax credits, in which case the sponsor must have an ownership interest that satisfies the requirements of those programs. This definition applies to lead project sponsors.

Project Sponsor – Owner-occupied Project. A sponsor of an owner-occupied project must be integrally involved in the project’s development by exercising control over the planning, development or management of the project - or - by qualifying borrowers and providing or arranging financing for the owners of the units. This definition applies to lead project sponsors.

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

Unit - For transitional and other projects that count the number of beds as units, the number of beds occupied by unrelated individuals will determine the number of units. For example, if 12 beds were provided for three families with four people each, the number of units would be three. If 12 beds were provided for 12 unrelated individuals, the number of units would be 12.

Significant proportion (Donated or conveyed government-owned or other properties) - 100% of the land and/or 100% of the units are donated or conveyed for an amount that is at least 50% less than the fair market value of the land or units.

Rural - To be considered rural, a project must meet one of the following criteria: (1) it is located outside of a Metropolitan Statistical Area (MSA) where the population is 25,000 or less; or (2) it is located in an area designated by USDA Rural Housing Services as rural.

First-time Homebuyer - An individual or an individual and his or her spouse or domestic partner who have not owned a home during the three-year period prior to the purchase of a home with AHP or Home\$tart assistance, except that: (1) any individual who is a displaced homemaker may not be excluded because that individual, while a homemaker, owned a home with his or her spouse or domestic partner; and (2) any individual who is a single parent may not be excluded because that individual owned a home with his or her spouse or domestic partner.

Project Completion - A rental project is complete when the AHP subsidy is fully disbursed and construction or rehabilitation of the project is complete as evidenced by a habitability document such as a Certificate of Occupancy or Notice of Completion. An owner-occupied project is complete when the AHP subsidy is fully disbursed; construction or rehabilitation of the project is complete; and all mortgage loans are closed or all units are occupied.

Sampling Plan – During AHP long-term monitoring, a sample of units will be required to provide third-party documentation of household income beginning with the most recent tenants and continuing with existing tenants if needed to fill the sample size. The project sponsor is required to provide the third-party income documentation that was used to determine household income eligibility at the time of move in.

Rental Retention Agreement - The member shall ensure that a rental project is subject to a deed restriction or other legally enforceable retention mechanism or agreement that requires: (1) the project's 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 approved AHP application for the duration of the retention period; (2) the Seattle Bank will be notified in the case of sale or refinancing of the project prior to the end of the retention period; (3) in the case of sale or refinancing of the project prior to the end of the retention period, the full amount of the AHP subsidy shall be repaid to the Seattle Bank unless: (a) the project continues to be subject to a compliant Rental Retention Agreement incorporating the income-eligibility and affordability restrictions committed to in the approved AHP application for the duration of the retention period – or – (b) if approved by the Seattle Bank, in its sole 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 compliant Rental Retention Agreement incorporating the income-eligibility and

affordability restrictions committed to in the approved AHP application for the remainder of the retention period; and (4) the income eligibility and affordability restrictions applicable to the project shall terminate after any foreclosure.

Owner-occupied Retention Agreement - The member shall ensure that an AHP-subsidized owner-occupied unit is subject to a deed restriction or other legally enforceable retention agreement or mechanism requiring that: (1) the Seattle Bank is to be given notice of any sale or refinancing of the unit occurring prior to the end of the retention period; (2) in the case of a sale or refinancing of the unit prior to the end of the retention period, an amount equal to a pro rata share of the AHP subsidy that financed the purchase, construction, or acquisition of the unit, reduced for every year the seller owned the unit, shall be repaid to the Seattle Bank from any net gain realized upon the sale or refinancing, unless: (a) the unit is sold to a household with an income at or below 80% of area median income, (b) following the refinancing, the unit continues to be subject to a compliant Owner-occupied Retention Agreement, or (c) the unit was assisted with a permanent mortgage loan funded by an AHP-subsidized advance; and (3) the obligation to repay the AHP subsidy to the Seattle Bank shall terminate after foreclosure.

Retention Period - The retention period for rental projects is 15 years. The retention period for an owner-occupied unit is five years.

PARTICIPATION REQUIREMENTS

Homeownership Set-Aside Program / Home\$tart Program and Home\$tart Plus

Each year, the Board will decide whether to offer a homeownership set-aside program for grants for down payment, closing cost assistance, and/or rehabilitation of existing units for first-time homebuyers. In 2009, the Seattle Bank will offer the Home\$tart Program (“H\$P”) and it will be funded with \$1 million of the AHP.

There is a one-time H\$P application requirement for members. Each H\$P program year, approved members must return a properly signed H\$P Regulatory Agreement to the Seattle Bank before any enrollments or disbursements will be approved.

H\$P applications, enrollments, and disbursement requests will be accepted only from current members of the Seattle Bank.

General requirements for members and households participating in the 2009 H\$P year are listed below. Additional requirements for members and households participating in H\$P are listed in the H\$P policies and procedures.

The 2009 Home\$tart (H\$P) Allocation Strategy

Participating members will be those that enrolled at least one H\$P eligible household in the previous program year (April 1, 2008 to April 30, 2009).

On May 1, 2009, each participating member will be awarded a \$10,000 guaranteed allocation to use for a four-month period, May 1, 2009 through August 31, 2009 after which any unused guaranteed allocation will be made available on a first-come, first-serve basis to any member with an approved H\$P application and properly signed 2009 H\$P Regulatory Agreement.

Participating members may exceed their \$10,000 guaranteed allocation before August 31, 2009 and enroll additional H\$P eligible households as funds are available on a first-come, first-serve basis.

All other members may enroll eligible households as H\$P funds become available on a first-come, first-serve basis once they have an approved H\$P application and a properly signed 2009 H\$P Regulatory Agreement on file.

Each member is limited to receiving no more than a \$200,000 H\$P allocation in a program year. Additional H\$P funds beyond this \$200,000 limit may be awarded on a case-by-case basis.

H\$P Grant Amount - The Seattle Bank will provide grants up to \$5,000 each by contributing 3:1 the amount of a household's account balance.

Home\$tart Plus is a program to assist eligible households receiving public housing assistance, including assistance provided by tribally designated housing authorities. Under this program the Seattle Bank will provide grants up to \$10,000 each by contributing 2:1 the amount of a household's account balance.

H\$P funds may also be available for special initiatives to support homeownership, in which case the Seattle Bank will provide grants up to \$15,000 to eligible households. Account statements from the eligible household may or may not be required for special initiatives. Households participating in special initiatives must have incomes at or below 80% of area median income and meet other applicable requirements of the H\$P.

Date of Qualification – Household income will be determined on the date that the member qualifies the household for participation in the program.

Eligible Households - For 2009 H\$Ps, except special initiatives, eligible households will: (1) have incomes at or below 80% of the area median income, adjusted for family size as determined on the date of qualification using the H\$P Annual Income Calculation Worksheet; (2) be first-time homebuyers; (3) qualify for a mortgage before receiving the H\$P subsidy, and (4) complete comprehensive homebuyer education and financial literacy that meets or exceeds the following criteria:

Homebuyer Education and Financial Literacy - The organization or the homebuyer educator must be certified in homebuyer education training by the Neighborhood Reinvestment Corporation (NRC), or the organization or educator must provide a minimum of eight hours of training, of which at least one

hour must be face-to-face, one-on-one counseling. The curriculum must include training on the following topics:

- Preparing for the financing, purchase, and maintenance of a home
- Budgeting and credit
- Education about the characteristics of predatory lending

Member Incentives - Members providing mortgage financing to a participating household must provide financial or other incentives in connection with such mortgage financing, such as, but not limited to, a free credit report, free flood certificate, lower or special interest rate, cash, or a free checking or saving account (if the member does not already provide these services). Financial assistance to a non-profit that is providing homebuyer education to the H\$P recipient is also acceptable. The rate of interest, points, fees, and any other charges must not exceed a reasonable market rate for a similar loan.

Cash Back – A member may provide cash back to a participating household at closing on the mortgage loan in an amount not exceeding \$250, and a member shall use any H\$P subsidy exceeding such amount that is beyond what is needed at closing for closing costs and the approved mortgage amounts 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.

Time Limits for Use of H\$P Subsidy - Members with enrolled households will have one year to make a written request for disbursement of H\$P subsidy or the commitment of H\$P subsidy may be canceled. Up to two six-month extensions may be approved upon request. If H\$P subsidy is not drawn down and used by eligible households within this period of time, the Seattle Bank may recapture the funds and make them available for other H\$P or AHP participants. The member may be granted additional extensions under special circumstances.

H\$P Monitoring Requirements – For each homebuyer, members shall be required to submit: (1) a H\$P Enrollment and Certification Form, H\$P Annual Income Calculation Worksheet, and a H\$P Disbursement Request and Certification Form; (2) independent, third-party documentation of a household's income; (3) other supporting documentation such as evidence of the household's account balance and completion of a homebuyer education class; (4) a HUD-1 Settlement Statement; and (5) a copy of a compliant Owner-occupied Retention Agreement. Twice a year, members will also be required to certify if all their enrolled homebuyers are making reasonable progress toward the purchase of a home. H\$P allocated to homebuyers who are not progressing may be withdrawn and made available for other H\$P or AHP recipients.

The Seattle Bank will review member certifications, documentation regarding household income, account balance, and completion of a homebuyer education class prior to disbursement of the Home\$start grant. These documents, as well as HUD-1 Settlement Statements and copies of compliant Owner-occupied Retention Agreements will be maintained by the Seattle Bank.

Retention Agreement Requirements – Members shall ensure that a Home\$start-assisted unit is subject to a compliant Owner-occupied Retention Agreement for the duration of the retention period. Unless otherwise approved by the Seattle Bank, in its sole discretion, the Owner-occupied Retention Agreement must be recorded. The Seattle Bank provides template Owner-occupied Retention Agreements for Guam and each of the eight states in the Seattle Bank's district on our Web site at <http://www.fhlbsea.com/CommunityInvestment/CommunityInvestmentFormsAndManuals/>

Remedial Actions for Noncompliance - The Seattle Bank will adopt the procedures outlined in section 1291.8.

Seattle Bank Discretion - H\$P enrollments or disbursements may be denied at any time if it is determined by the Seattle Bank, in its sole discretion, that the household does not meet the letter or intent of the AHP regulation or Home\$tart policies.

Competitive Program / Affordable Housing Program (AHP)

AHP Application Due Date

Applications for AHP subsidy must be received no later than 4:00 p.m. PST on August 1, 2009. If the 1st falls on a weekend or holiday, the application deadline will be 4:00 p.m. PST on the following business day.

AHP Eligibility Guidelines

AHP applications and disbursement requests will be accepted only from current members of the Seattle Bank.

Each year, the Seattle Bank will determine the maximum amount that any member (defined as a charter) may submit in AHP applications in each funding cycle. The amount of the member cap in 2009 will be \$1.5 million. Members may be allowed to exceed this cap if doing so is the result of the member's agreement to sponsor an AHP application originally submitted by an institution that has since been acquired or placed in receivership.

Members must underwrite each AHP application that they submit to the Seattle Bank.

Owner-occupied projects may not request AHP subsidy in an amount greater than \$30,000 per unit except for projects located in Hawaii and Alaska where the AHP subsidy request for owner-occupied projects may not exceed \$50,000 per unit. The per unit cap does not apply to rental projects.

The Seattle Bank will evaluate competitive AHP applications using eligibility guidelines, which will include a certification of the applicant's compliance with AHP time limit and retention requirements, market demand, feasibility, other AHP projects in good standing, applicable fair housing laws, etc. This review will be based on what is presented in the application, although it will be permissible for applicants to provide clarification if requested by Seattle Bank staff. Applications may or may not be eligible for AHP subsidy pending resolution of these criteria. The use of the eligibility guidelines is more fully described in Attachment 3.

AHP Feasibility Guidelines

The Seattle Bank will thoroughly evaluate competitive AHP applications using a set of feasibility guidelines. These guidelines will be used as a benchmark for determining the feasibility of projects and may be used as the basis for rejecting an application or changing the amount of AHP subsidy requested. These guidelines will include a review of sources and uses of development funds, project cost per unit, and operational feasibility including sources of operational subsidy. The use of the feasibility guidelines is more fully described in section 1291.5 and Attachment 4.

AHP Scoring Criteria

The Seattle Bank will evaluate and rank each AHP application on the following scoring criteria as more fully described in section 1291.5 and Attachment 2. There are 100 possible points.

<u>Maximum Points</u>	<u>AHP Scoring Criteria</u>	
5	Government-owned or other donated or conveyed properties	Variable
5	Nonprofit sponsor or governmental entity	Fixed
5	Housing for the Homeless	Fixed
5	Empowerment	Fixed
19	First District Priority	Variable
	<ul style="list-style-type: none"> • First-time Homebuyers (12 points) • Special Needs (7 points) 	
19	Second District Priority	Variable
	Preservation of Section 8, LIHTC or USDA 515 subsidies; or housing for farm workers; or housing located on Native land; or District Distribution	
20	Income Targeting	Variable
5	Effectiveness - AHP subsidy per unit	Variable
17	Community Stability	Variable

Applications in which at least 50 percent of the total units in the project are lease-to-purchase will be considered homeownership when allocating points for the First District Priority. For the variable criteria, the application(s) that best achieves each criterion will receive the maximum point score available for that criterion with the remaining applications scored on a declining scale.

Approval of AHP Applications

The Committee will approve AHP applications in descending order starting with the highest scoring application until the total AHP subsidy for the particular funding cycle has been allocated. The Committee will also approve at least the next four highest scoring applications as alternates and, before the next AHP application due date, the Seattle Bank may fund such alternates if any previously committed AHP subsidies become available.

In the event that competitive and/or alternate applications receive the same score, applications will be ranked in order of those that requested the least amount of AHP subsidy. In the event that competitive and/or alternate applications receive the same score and request the same amount of AHP subsidy, the application that proposes to develop the greatest number of units will be ranked more competitive than the application that proposes to develop fewer units.

AHP MONITORING AND COMPLIANCE

Retention Agreement and Retention Period

Rental Projects

Members must ensure that an AHP-subsidized rental project is subject to a compliant Rental Retention Agreement for the duration of the 15-year retention period, which commences on the date of project completion.

The Rental Retention Agreement must be recorded, unless otherwise approved by the Seattle Bank in its sole discretion. The Seattle Bank provides template Rental Retention Agreements for each of the eight states in the Seattle Bank's district on our Web site at <http://www.fhlfsea.com/CommunityInvestment/CommunityInvestmentFormsAndManuals/>

Owner-occupied Projects

Members must ensure that an AHP-subsidized owner-occupied unit is subject to a compliant Owner-occupied Retention Agreement for the duration of the five year retention period.

The Owner-occupied Retention Agreement must be recorded, unless otherwise approved by the Seattle Bank in its sole discretion. The Seattle Bank provides template Owner-occupied Retention Agreements for Guam and each of the eight states in the Seattle Bank's district on our Web site at <http://www.fhlbsea.com/CommunityInvestment/CommunityInvestmentFormsAndManuals/>

Date Retention Period Commences for Owner-occupied Projects. If the AHP subsidy is being used for the construction or acquisition/closing cost assistance of an owner-occupied unit, the retention period will be five years commencing on the date of the permanent loan closing.

If the AHP subsidy is being used for rehabilitation of an owner-occupied unit, the retention period will be five years commencing on the date the rehabilitation activities are complete.

For owner-occupied projects involving new construction of units whose purchasers receive Section 502 mortgage loans for the acquisition of the land and construction of the unit on that land, the AHP retention period commences on the date of closing on the Section 502 mortgage loan, and not on the date of completion of construction.

Time Limits for Using AHP Subsidy

AHP projects should begin construction, rehabilitation, or acquisition according to the terms and conditions of the AHP award within one year of application approval or the AHP subsidy may be canceled. AHP projects should reach project completion in accordance with the terms and conditions of the AHP award within three years of application approval or the undisbursed portion of the AHP subsidy may be canceled and the disbursed portion of the AHP subsidy may be required to be repaid to the Seattle Bank.

One Year Time Limit - AHP requires that the member request a disbursement of the subsidy within one year of application approval. If this time limit is not met, the project sponsor and member must apply in writing for an extension. The Seattle Bank may approve extensions totaling up to two years from the date of application approval. If the time limit is not met, the AHP subsidy may be canceled.

Three Year Time Limit - AHP requires that the member request disbursement of the entire AHP subsidy within three years of application approval. If this time limit is not met, the sponsor and member must apply in writing for an extension or the AHP subsidy may be canceled. The Seattle Bank may approve extensions up to a period of five years from the date of application approval. If the time limit is not met, the undisbursed portion of the subsidy may be canceled and the disbursed portion of the AHP subsidy may be required to be repaid to the Seattle Bank.

Extension requests shall include information about the project's status such as the nature of the delay prompting the need for the extension, the proposed remedy for the delay, what steps have been taken to advance the remedy, etc.

AHP Project Modifications

The Seattle Bank will review all written requests for project modifications that would change the score that a project received and will approve such requests providing that the project, as modified, would continue to be eligible for the AHP subsidy, would have scored highly enough to have been approved in the funding period in which it was originally scored and approved by the Seattle Bank, and there is good cause for the modification, such as a change in market conditions, project attributes, etc.

All modifications involving an increase in the AHP subsidy require approval from the Committee and ratification by the Board.

Remedial Actions for Non-Compliance

In the event that the Seattle Bank determines that an AHP project is not in compliance with the AHP regulations or the commitments made in the approved application and is unlikely to return to compliance with said regulations or commitments within a reasonable period of time, the Seattle Bank will take action consistent with section 1291.8 of the regulations, which may include full recapture of the AHP subsidy.

Additionally, the project sponsor and/or member may be restricted from submitting additional AHP applications and/or receiving disbursement of AHP subsidy for an unrelated project in their Seattle Bank AHP portfolio until the non-compliance is cured.

Procedures for Verifying Compliance Upon Disbursement of AHP Subsidy

AHP disbursement requests may be denied at any time if it is determined by the Seattle Bank, in its sole discretion, that: (1) the project may not meet the commitments made in the approved AHP application or may not meet the letter or intent of the AHP regulation or policies; or (2) the project sponsor or member have not maintained an appropriate level of compliance for projects in their Seattle Bank AHP portfolio.

Prior to each disbursement of AHP subsidy, the Seattle Bank will review a variety of items including but not limited to those listed below. Additional and unique disbursement conditions may apply to a project.

AHP Regulatory Agreement - A properly signed AHP Regulatory Agreement (AHP Agreement) must be on file with the Seattle Bank before an AHP disbursement request will be considered. The AHP Agreement must be signed by an individual at the member financial institution who signed the resolution authorizing employees of that institution to conduct credit transactions with the Seattle Bank as listed on the member's *Transaction Authorization for Funding - Community Investment Programs*, by a person of authority with the project sponsor organization, and by an officer of the Seattle Bank. If the AHP application was approved with multiple members or project sponsors, all parties must sign the Agreement.

Retention Agreement –As soon as possible, a compliant Rental or Owner-occupied Retention Agreement must be in place for the duration of the retention period.

Feasibility Analysis - A feasibility analysis including but not limited to a review of sources and uses of funds, project costs, operational feasibility, and continued need for AHP subsidy will be conducted unless one has been performed within 90 days from the date of the disbursement request and there have been no material changes to the project.

75% of Funding Sources Approved – 75% of the dollar amount of the project's total sources of funds must be approved before the AHP subsidy will be disbursed. If the AHP subsidy is being disbursed

for down payment or closing cost assistance on an individual owner-occupied unit(s), the purchaser(s) benefitting from the disbursement request must be approved for a mortgage loan.

Site Control - Site control must be secured either by site ownership or by an executed lease, in which case the term of the lease must be equal to or greater than the AHP retention period. If the AHP is being used for acquisition, an enforceable real estate lien must be in place before disbursement of the AHP subsidy.

Project Sponsor and Member Capacity – The project sponsor and member must be able to meet the terms and conditions of the AHP Agreement, regulations, and policies, and must be in good standing with the projects in their Seattle Bank AHP portfolio as determined by the sole discretion of the Seattle Bank.

Project Compliance – The project must meet the terms and conditions of the approved AHP application, AHP Agreement, regulations, and policies.

AHP Initial Monitoring Requirements

Site Visits - Any time after AHP application approval, the Seattle Bank, at its sole discretion, may perform a physical site inspection(s) to verify, among other things, that satisfactory progress is being made toward project completion in accordance with the terms and conditions of the AHP Agreement, regulation, and policies.

Owner-occupied Projects

Semi-annual Progress Reports – From the time of application approval until the time of project completion, the project sponsor will report semi-annually to the member and the member will report semi-annually to the Seattle Bank the progress toward project completion.

Annual Project Certification - Within one year of the date of project completion, the member will review project documentation and certify to the Seattle Bank that the AHP subsidies have been used according to the terms and conditions of the approved AHP application and AHP Agreement and that the AHP-subsidized units are subject to a compliant Owner-occupied Retention Agreement for the duration of the retention period.

Final Audit – Within one year of the date of project completion, the project sponsor and member shall provide necessary documentation such that the Seattle Bank can complete a Final Audit, which will include: an analysis of the project's compliance with the terms and conditions of the approved AHP application and AHP Agreement in order to determine that all set-aside commitments were met and the AHP subsidy was necessary for the completion of the project and used for eligible purposes; household incomes comply with the income targeting commitments of the approved AHP application and AHP Agreement; the project's actual costs were reasonable in accordance with the Seattle Bank's feasibility guidelines; that the AHP-subsidized units are subject to a compliant Owner-occupied Retention Agreement(s) for the duration of the retention period; and the services and activities committed to in the approved AHP application and AHP Agreement have been provided in connection with the project.

Rental Projects

Semi-annual Progress Reports – From the time of application approval until the time of project completion, the project sponsor will report semi-annually to the member and the member will report semi-annually to the Seattle Bank the progress toward project completion.

Annual Project Certification – Within one year of the date of project completion, the member must certify to the Seattle Bank that the project is habitable, meets the income targeting commitments stated in the approved AHP application and AHP Agreement, the rents charged for the income-targeted units do not exceed the levels committed to, and the project is subject to a compliant Rental Retention Agreement(s) for the duration of the retention period.

Tenant Income Verification (TIV) - Within one year of the date of project completion, the project sponsor must provide a rent roll for each unit in the project that includes the amount of household income for each unit. Third-party documentation of household income such as a paystub(s), W-2(s) or other documentation will be required for a sample of units. The project sponsor must maintain complete documentation on all unit rents, household incomes, and project habitability available for review by the member or the Seattle Bank.

Final Audit – Within two years of the date of project completion, the project sponsor and member shall provide necessary documentation such that the Seattle Bank can complete a Final Audit, which will include: an analysis of the project's compliance with the terms and conditions of the approved AHP application and AHP Agreement in order to determine that all set-asides commitments were met and the AHP subsidy was necessary for the completion of the project and used for eligible purposes; the household incomes and rents comply with the income targeting and rent commitments made in the approved AHP application and AHP Agreement; the project's actual costs were reasonable in accordance with the Seattle Bank's feasibility guidelines; the project is subject to a compliant Rental Retention Agreement(s) for the duration of the retention period; and the services and activities committed in the approved AHP application and AHP Agreement have been provided in connection with the project.

AHP Long-term Monitoring Requirements for Completed Projects

Owner-occupied Projects

None

Rental Projects

Long-term monitoring begins on the date of project completion and continues until the end of the 15-year retention period to ensure that the household incomes and rents comply with the income targeting and rent commitments of the approved AHP application and AHP Agreement.

Beginning in the second year after project completion, the member must certify at least every three years that they acknowledge and understand their continuing obligations as outlined in the AHP Agreement for the duration of the 15-year retention period for all projects in their Seattle Bank AHP portfolio.

Rental projects will be assigned one of the following Monitoring Codes defined below:

1. Monitoring Code 1 includes all projects that have been allocated federal low income housing tax credits. In accordance with 1291.7, the Seattle Bank will rely solely on the monitoring of the state designated housing credit agency administering the tax credits. No documentation from the agency will be required.

2. Monitoring Code 2. Projects not qualifying as #1 that received up to \$50,000 in AHP subsidy
 - No outstanding compliance issues
 - Annual certification from the project sponsor for 15 years
 - Seattle Bank shall review the certifications
3. Monitoring Code 3. Projects not qualifying as #1 or #2 that received up to \$250,000 in AHP subsidy.
 - No outstanding compliance issues
 - Annual certification from the project sponsor for 15 years
 - Once every six years, the Seattle Bank shall review the certifications and will request and review a tenant income verification (TIV) and third-party household income documentation according to the Seattle Bank's sampling plan.
4. Monitoring Code 4. Projects not qualifying as #1, #2, or #3 that received up to \$500,000 in AHP subsidy.
 - No outstanding compliance issues
 - Annual certification from sponsor for 15 years
 - Once every four years, the Seattle Bank shall review the certifications and will request and review tenant income verification (TIV) and third-party household income documentation according to the Seattle Bank's sampling plan.
5. Monitoring Code 5. Projects not qualifying as #1, #2, #3, or #4 that received more than \$500,000 in AHP subsidy.
 - No outstanding compliance issues
 - Annual certification from sponsor for 15 years
 - Every two years, the Seattle Bank shall review the certifications and will request and review tenant income verification (TIV) and third-party household income documentation according to the Seattle Bank's sampling plan.
6. Monitoring Code 6. Projects with compliance issues.

This code is assigned to projects with compliance issues as determined at the sole discretion of the Seattle Bank regardless of the amount of AHP subsidy received. The project's monitoring requirements and their frequency will be determined on a case-by-case basis.

AFFORDABLE HOUSING ADVISORY COUNCIL

The Council will be made up of eight individuals representing the Seattle Bank's district. Council members serve three-year terms. No individual may serve more than three consecutive three-year terms. Council members may be appointed to serve for terms of one or two years solely for the purpose of reconfiguring the staggering of three-year terms.

Nominations for open council positions will be solicited from the Board, Council, members and community contacts in the third quarter of each year and approved by the Board in in the fourth quarter.

Council members will meet once each quarter with representatives from the Board. Council members will advise the Board on ways the Seattle Bank can best carry out its housing finance and community investment mission. By May 1 of each year, the Council will report to the Federal Housing Finance Agency on the Council's analysis of the low- and moderate-income housing and community development activities of the Seattle Bank. Council members will not receive a fee for serving on the Council. Travel expenses associated with attendance at meetings sponsored by the Seattle Bank or the Federal Housing Finance Agency will be reimbursed.

Council membership is open to persons from community and nonprofit organizations actively involved in providing or promoting community development and affordable housing in the Seattle Bank's district, including persons from local government entities, states, and housing authorities. Persons from community and nonprofit organizations actively involved in providing or promoting community lending in the district are also eligible.

The Council will have a chair, vice-chair, and secretary. Every year, the Council selects a chair-elect, a vice-chair elect and a secretary. The chair-elect will be eligible to become the chair in the following year. The chair represents the Council at national meetings and conducts quarterly meetings. The secretary, who may be a Seattle Bank staff member, is responsible for minutes of the meetings.

ATTACHMENT 1

AFFORDABLE HOUSING PROGRAM POLICY ON CONFLICT OF INTEREST

In accordance with the requirements of 12 C.F.R. Section 1291.10 the Board of Directors of the Federal Home Loan Bank of Seattle has adopted the following policy and has amended the Seattle Bank's Code of Conduct and Bank Rules regarding conflicts of interest in conjunction with the operations of the Seattle Bank's Affordable Housing Program (AHP). This policy shall apply to employees and directors of the Seattle Bank and to members of the Seattle Bank's Affordable Housing Advisory Council as well as to family members of the foregoing individuals. For purposes of this policy, "family member" shall mean an individual related to a person by blood, marriage or adoption.

With respect to a project that is the subject of a pending or approved AHP application or modification thereof, no Seattle Bank employee or director shall participate in or attempt to influence decisions by the Seattle Bank regarding the evaluation, approval, funding, monitoring or any remedial process for such project if the employee, director or their family member(s) has a financial interest in, or is a director, officer or employee of an organization involved in the project.

With respect to a project that is the subject of a pending or approved AHP application or modification thereof, no Advisory Council member shall participate in or attempt to influence decisions by the Seattle Bank regarding the approval for such project if the Advisory Council member or such person's family member(s) has a financial interest in, or is a director, officer, or employee of an organization involved in the project.

Violations of this policy will result in appropriate remedial action. Alleged violations by directors or Advisory Council members will be reviewed by the Seattle Bank's Audit Committee; and alleged violations by employees will be handled in accordance with the Seattle Bank's Code of Conduct and Bank Rules.

ATTACHMENT 2
FEDERAL HOME LOAN BANK OF SEATTLE
AFFORDABLE HOUSING PROGRAM SCORING CRITERIA – 2009
Amended May 12, 2009

ELIGIBLE PROJECTS

Projects must be owner-occupied or rental housing. Projects must be eligible as outlined in the Project Eligibility guidelines and in section 1291.5 of the AHP regulation. Projects must also be feasible as outlined in the project feasibility guidelines, which includes analyzing the need for the AHP subsidy.

Please note that for those criteria where setting aside a percentage of units is required to achieve points, the percentage set aside is calculated on the basis of total units in the project, including non-AHP units.

CATEGORY

POINTS

**USE OF DONATED OR CONVEYED GOVERNMENT-OWNED
OR OTHER PROPERTIES**

VARIABLE – Up to 5 Points

The creation of housing where a significant proportion of the land or units are donated or conveyed by:

5 Points - Any party, including the Federal Government, or any agency or instrumentality thereof, for an amount that is at least 50 percent less than the fair market value of the land or units.

- OR -

2 Points - The Federal government, or any agency or instrumentality thereof, for any other value or price.

Long-term leases of 30 years or more qualify as donated property under the conditions described above.

**SPONSORSHIP BY A NOT-FOR-PROFIT ORGANIZATION
OR GOVERNMENT ENTITY**

FIXED - 5 Points

Project sponsorship by a nonprofit 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.

HOUSING FOR THE HOMELESS

FIXED - 5 Points

The creation of rental housing, excluding overnight shelters, reserving at least 20 percent of the units for homeless households; 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 of the units for homeless households.

PROMOTION OF EMPOWERMENT

FIXED - 5 Points

5 Points – Rental: The sponsor provides directly or through a third-party agreement activities that promote empowerment and include at least one of the following: career counseling, employment training, business development, accredited adult education programs, savings/investment education, first-time homebuyer education, homeownership education, early childhood education, parenting classes, basic life skills, case management, self-help housing, on-site health care services such as screenings or vaccinations, or on-site health care case management (providing general health information or education does not qualify).

- OR -

5 Points – Owner-occupied: The project entails self-help requirements and/or provides directly or through a third-party agreement homebuyer education.

FIRST DISTRICT PRIORITY

VARIABLE – Up to 19 Points

12 Points – First-time Homebuyers: The financing of housing where at least 50 percent of the units are occupied by first-time homebuyers.

7 Points - Special needs: The financing of housing where at least 20 percent of the units are reserved for occupancy by households with special needs, specifically: the elderly, mentally or physically disabled, persons recovering from physical or substance abuse, persons with HIV/AIDS.

SECOND DISTRICT PRIORITY

VARIABLE – Up to 19 Points

19 Points – Preservation: Preservation of housing that has Section 8, Low Income Housing Tax Credits, and/or USDA 515 subsidies that will expire in the next three years. If the sponsor is using the AHP subsidy to refinance the property for preservation, then the refinancing must comply with the requirements of section 951.5(b)(6) of the regulation.

- OR -

19 Points – District Distribution

19 points – Projects located in Wyoming, Hawaii, Guam, American Samoa, or the Northern Mariana Islands

17 points – Projects located in Oregon, Utah, or Montana

15 points – Projects located in Idaho or Alaska

13 points – Projects located in Washington

- OR -

19 Points - Native Housing: The creation of rental or owner-occupied housing on properties located in Native American Service Areas or Hawaiian Home Lands housing areas. A Native American Service Area is defined as an Indian reservation or other Indian area within which a Native American tribe or tribally designated housing entity (as designated for purposes of the Native American Housing Assistance and Self-Determination Act) operates affordable housing programs. A Hawaiian Home Lands housing area is an area of Hawaiian Home Lands in which the Department of Hawaiian Home Lands is authorized to provide assistance for affordable housing under the Native American Housing Assistance and Self-Determination Act.

- OR -

19 Points - Farm workers: At least 50 percent of the units are reserved for seasonal and/or migrant farm workers. General agricultural labor does not qualify.

TARGETING

VARIABLE - 20 Points

All AHP-subsidized units must be at 80 percent of the area median income or below.

Rental Housing

An application for a rental housing project shall be awarded the maximum number of points available under this scoring category if 60% or more of the units in the project are reserved for occupancy for households with incomes at or below 50% of the median income for the area. Applications for projects with less than 60% of the units reserved for occupancy by households with incomes at or below 50% of the median income for the area shall be awarded points on a declining scale based on the percentage of units reserved for households at or below 50% of the median income for the area and on the percentage of the remaining units reserved for households with incomes at or below 80% of the median income for the area. A weighted average will be used to make this determination.

Rental projects must reserve at least 20 percent of the units in the entire project (including units reserved for households above 80 percent of area median income) for households at 50 percent of the area median income or below. For projects involving the purchase or rehabilitation of rental housing that is already occupied, the households must have incomes meeting the income targeting commitments in the application at the time it is submitted to the Seattle Bank.

If 60% or more of the units are at or below 50% AMI	20 Points
Weighted Average Income	
51% to 55% AMI	19 Points
56% to 60% AMI	18 Points
61% to 65% AMI	17 Points
66% to 70% AMI	16 Points
71% to 75% AMI	15 Points
76% to 80% AMI	14 Points
81% AMI and above	13 Points

Owner-occupied Housing

All units at or below 80% AMI may be eligible for AHP subsidy

20% or more of the units reserved for 60% AMI or below	20 Points
10% or more of the units reserved for 60% AMI or below	18 Points
Less than 10% of the units reserved for 60% AMI or below	16 Points

EFFECTIVENESS

AHP SUBSIDY PER UNIT

VARIABLE – Up to 5 Points

Less than \$9,000	5 Points
\$ 9,000 - \$12,000	4 Points
\$12,001 - \$15,000	3 Points
\$15,001 - \$18,000	2 Points
Greater than \$18,000	1 Point

COMMUNITY STABILITY

VARIABLE – Up to 17 Points

5 Points – Mixed-use Housing – The creation of housing in which at least 5 percent of the total square footage of the project is designated for a non-housing income producing tenant.

5 Points – The Reduction of Substandard Properties by the project's demolition of and new construction or rehabilitation of a substandard building on the same site. - A letter from a local jurisdiction is required to verify that substandard housing as defined by that local jurisdiction is being replaced by this project.

7 Points – Funder Support

Include the AHP requested amount as approved for the purpose of this calculation.

7 points – 100% of funding sources are approved

5 points – 75% to 99% of funding sources are approved

3 points – 50% to 74% of funding sources are approved

ATTACHMENT 3

FEDERAL HOME LOAN BANK OF SEATTLE ELIGIBILITY ANALYSIS – 2009

Eligibility analysis will be determined for competitive AHP applications. Among other things, eligibility analysis will include a review of the market demand, development expertise of the sponsor, past AHP performance of the sponsor, project sources and uses, and project costs. Upon completion of this review, application status will be determined as eligible, eligible pending resolution of eligibility criteria, or ineligible.

Project Name: _____ **Project #** _____

Staff: _____

AHP Eligibility and Feasibility Checklist – 2009

OK/Error/Not Applicable

- _____ Sponsor has an ownership interest or is integrally involved
- _____ Sponsor is in compliance with other AHP or CFP projects
- _____ Sponsor is qualified
- _____ AHP will be used as a direct grant or to subsidize a loan (won't be used in a RLF)
- _____ AHP not used for prepayment, cancellation and/or processing fees
- _____ Counseling costs only for AHP units and if no other funding source
- _____ AHP grant will be drawn down within 12 months of approval
- _____ Project includes fair housing and affirmative marketing plan
- _____ Named, third party source demonstrates need for housing (sponsor's waiting list ok)
- _____ At least 20% of units in a rental project for households with incomes at or below 50%
- _____ Rental retention for 15 years / Owner-occupied retention for five years
- _____ Sources equal Uses
- _____ Sources and Uses includes committed, uncommitted, and received funds
- _____ If commercial space on Uses, sufficient funds on Sources to cover all expenses
- _____ If capitalized operating reserves, source of funds other than AHP identified
- _____ Site acquisition is market rate or below
- _____ Interest rate of loans and their points, fees, and charges are market rate or below
- _____ Value of LIHTCs are market rate
- _____ Project's total development costs are within FHA mortgage limits for the area – OR -
- _____ Project's square foot costs don't exceed \$200 per square foot or \$450 in AK and HI
- _____ Developer fee does not exceed 10% or 15% for tax credit projects
- _____ Off-site management fee does not exceed 10% of gross income or 15% of gross income for projects with monitoring fees (i.e. tax credit projects)
- _____ Key Expenses are between \$2,500 and \$5,000 per unit/per year or between \$4,000 and \$8,000 per unit/per year in Alaska
- _____ Vacancy rate is between 3% and 7% of gross rental income
- _____ DCR between is 1.05 and 1.25
- _____ Replacement Reserves are between \$150 and \$350 per unit/per year
- _____ Operating Reserves are between \$100 and \$300 per unit/per year
- _____ Annual rent and expense increase are between 2% and 4%

Project Status (circle one)

- 1. Eligible
- 2. Eligible pending resolution of eligibility criteria

3. Ineligible
Comments: _____

ATTACHMENT 4

FEDERAL HOME LOAN BANK OF SEATTLE FINANCIAL FEASIBILITY ANALYSIS

Financial feasibility will determine the operational feasibility of the project and need for the AHP subsidy for competitive projects as outlined in section 1291.5 of the AHP regulation.

Each project is unique. For example some projects have debt and others are not able to support debt in order to serve very low-income households. Therefore, these standards will not be used to automatically disqualify projects that fall outside the guidelines. The Seattle Bank will use them as measures of "reasonability." Any exceptions to the guidelines will be noted on Attachment H or in separate documents.

Attachment H - FEASIBILITY ANALYSIS - 2009

Some items may not be applicable for homeownership projects. The criteria listed below represent the Federal Home Loan Bank of Seattle's standards for the financial feasibility of a project. If your project falls outside the minimum or maximum criteria listed on this form, you **MUST** provide an explanation of why your project requires higher or lower standards. **Projects with elements that fall outside the criteria and do not include an explanation may not be considered for funding.**

(1) SOURCES AND USES OF FUNDS STATEMENT

	Yes/No/N/A	Comments
(a) Do total permanent sources of funds equal total uses of funds?		
(b) Does the Sources Statement include estimates of funds proposed, approved, and received?		
(c) Are there at least as many sources as there are uses for commercial space?		
(d) Please list the sources of funds that are being used for the commercial uses.		
(e) Is the developer fee greater than 10% of total development costs or 15% if the project includes tax credit financing?		
(f) If your project has capitalized operating reserves, identify the source of funds that will fund it (can not be AHP).		Source: _____
(g) What is the per unit development cost? Use the FHA mortgage limits to benchmark per unit development costs and specify if the project has an elevator.		Per unit cost of this project: \$ _____ FHA mortgage limit: \$ _____ Is there an elevator in the project? _____
Is the per unit development cost higher than the FHA mortgage limit? If yes, please explain. An explanation may be enhanced by elaborating on the project's geographic considerations, development conditions, beneficiary characteristics and/or project characteristics.		Explanation: _____ _____ _____ _____
(h) Does your project have Low Income Housing Tax Credits? If yes, please state: anticipated sales price: \$ _____ estimated project basis: \$ _____		Attach a summary of your tax credit calculation that details how the eligible basis and equity were determined. Show your work and clearly state the estimated sales price.

- (i) If your project has loans, please list the interest rates, points, fees, and other charges for every loan that is listed on the Sources Statement.

Lender name			
Amount of loan			
Interest rate			
Term			
Points			
Fees			
Other charges			
Annual debt service			

(2) OPERATIONAL FEASIBILITY

	Minimum Benchmark	Maximum Benchmark	This Project (current)	Comments
Off-site management fee. Do not include social services.	None	10% of gross income – 15% of gross income for projects with monitoring fees (i.e. tax credit projects)		
Key Expenses must include <u>only</u> : insurance, electric and gas, water and sewer, garbage and recycling, on-site management, maintenance and repairs.	\$2,500/unit/year Alaska: \$4,000/unit/year	\$5,000/unit/year Alaska: \$8,000/unit/year		
Vacancy Allowance	3% of gross rental income	7% of gross rental income		
Debt Coverage Ratio	1.05	1.25		
Replacement Reserves	\$150	\$350/unit/year		
Operating Reserves	\$100	\$300/unit/year		
Annual rent and expense increases	2%	4%		

For Federal Home Loan Bank of Seattle use only	Yes/No	Comments
Op. statements for 15 years? Separate housing and non-housing pro-formas? Housing can stand alone?		
Op. statements include taxes, insurance, utilities, management and maintenance expenses?		
Cash flows can support additional debt and balloon payments?		
Plan if social service funding or Sect 8 is no longer available?		

SIGNED: _____

DATE: _____