Federal Home Loan Bank Seattle

AFFORDABLE HOUSING PROGRAM IMPLEMENTATION PLAN – 2012 AS AMENDED ON NOVEMBER 16, 2012

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 competitive program 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 ("Advisory Council"), approved by the Financial Operations and Affordable Housing Committee ("FOAHC") and ratified by the Board of Directors ("board").

This document was reviewed by the Advisory Council on January 27, 2012, adopted by the FOAHC on February 8, 2012 and ratified by the Board on February 9, 2012 to govern AHP and Home$tart. The Plan will take effect on March 1, 2012.

Amendments to the Plan were reviewed by the Advisory Council on November 12, 2012 and adopted by FOAHC and ratified by the board on November 16, 2012.

The AHP regulation is available on the Federal Housing Finance Agency's (Finance Agency) Website at http://www.fhfa.gov/Default.aspx?Page=102 by choosing the link for "AHP Regulation, 12 CFR Part 1291."

DEFINITIONS

The Seattle Bank will use the definitions set forth under 12 C.F.R. 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.

Project Sponsor – Rental Project. A sponsor of a rental project must have at least a 50% ownership interest in the project 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); or (b) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, camping ground, etc. Additionally, households will be considered to be homeless if they: (a) are fleeing or attempting to flee domestic violence or other dangerous or life threatening conditions; (b) will imminently lose their housing, including housing they own, rent, or live in without paying rent or are sharing with others; or (c) are "doubled-up" temporarily in another household's dwelling unit.

Unit. For transitional and other projects that provide beds instead of units, the number of beds will determine the number of units. For example, if the project provides 20 beds in four rooms, the number of units would be 20.

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 of a political subdivision 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 or deed in lieu of 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; or (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 any foreclosure or deed in lieu of foreclosure or after an FHA-insured first mortgage or deed of trust on the unit is assigned to the Secretary of the U.S. Department of Housing and Urban Development.

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

Overview

Home$tart and Home$tart Plus provide participating members with grants for down payment, closing cost assistance, and/or rehabilitation of existing units to eligible homebuyers, at least one third of which must be eligible first-time homebuyers.

Member Allocation Strategy

Approved members are those that enrolled at least one household between May 1, 2009 and March 31, 2012. On April 1, 2012, each approved member will receive an equal allocation of available H$P funds to use for a four-month period, April 1, 2012 through July 31, 2012, after which any allocated funds not used will be made available on a first-come, first-served basis to all members that have executed a 2012 Home$tart Regulatory Agreement.

Additionally, on April 1, 2012, $1.5 million will be accessible on a first-come, first-served basis to all members that have executed a 2012 Home$tart Regulatory Agreement, including those members that exhaust their guaranteed allocation before July 31, 2012.

Member Participation Requirements

1. H$P applications, enrollments, and disbursement requests will be accepted only from current members of the Seattle Bank.
2. H$P enrollments and disbursements will be accepted only from members that have returned a properly signed H$P Regulatory Agreement to the Seattle Bank.
3. There is a one-time H$P application requirement.
4. Each member is limited to receiving no more than $200,000 in a H$P program year. Additional H$P grants beyond this $200,000 limit may be awarded on a case-by-case basis.

H$P Regulatory Agreement

Regulatory Agreements for participating members must be signed by two individuals authorized by the member's Resolution for Transacting Business with the Federal Home Loan Bank of Seattle. A current and properly signed Regulatory Agreement must be returned to the Seattle Bank before prospective homebuyers may be enrolled or disbursement requests submitted.

Member Incentives

Members providing mortgage financing to a prospective homebuyer 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). These incentives must be offered exclusively to prospective homebuyers enrolled in H$P. Financial assistance to a non-profit for the purpose of providing homebuyer education to the H$P prospective homebuyer is an acceptable member incentive. The rate of interest, points, fees, and any other charges must not exceed a reasonable market rate for a similar loan.

H$P Grant Amount

The Seattle Bank will provide grants up to $5,000 each by contributing $3:$1 the amount of a prospective homebuyer'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 prospective homebuyer's account balance.

Significant Account Balance

The Seattle Bank, at its sole discretion, may deny disbursement of H$P funds to enrolled homebuyers whose account balance shows that they may contribute 20 percent or more toward the purchase of the home. In general, the Seattle Bank may allow disbursement of H$P funds to prospective homebuyers who demonstrate an ability to contribute more than 20 percent of the purchase price if:

1. The prospective homebuyer is paying 30 percent or more of its income toward the mortgage; or,
2. The majority of down payment funds are derived from other subsidies and are necessary to establish affordability.

Time of Enrollment/Date of Qualification

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

Eligible Households

At least one-third of eligible households will be first-time homebuyers. All 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$P Annual Income Calculation Worksheet available on the Seattle Bank's website;
2. Qualify for a mortgage before receiving the H$P subsidy, and
3. 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 NeighborWorks, 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: (1) preparing for the financing, purchase, and maintenance of a home; (2) budgeting and credit; and (3) education about the characteristics of predatory lending.

Co-signers

A prospective homebuyer who is using a co-signer(s) to qualify for a mortgage may not be enrolled or receive disbursement of an H$P grant.

Students

The Seattle Bank will critically analyze prospective homebuyers and/or adult members of the household who are students to ensure that the students do not have a reasonable expectation or knowledge that upon graduation they will have income substantially above the H$P income limit, and the Seattle Bank may, in its sole discretion, deny enrollment and/or disbursement of the H$P grant to these households.

Mortgage Affordability

If a prospective homebuyer is estimated to pay 35 percent or more of his/her monthly income toward monthly principal and interest payments, the member will be required to provide an explanation about why the mortgage is appropriate. At the Seattle Bank's sole discretion, the member's explanation may be accepted or rejected. If the member's explanation is rejected, the disbursement request will be denied.

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 funds 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. The cash back limitation applies to any amount over $250 (e.g., the prospective homebuyer's own earnest money deposit).

Time Limits for Use of H$P Subsidy

Members with enrolled households will have one year to submit a written request for disbursement of H$P subsidy or the commitment of H$P subsidy will be canceled and the funds will be made available to other H$P or AHP participants. Two six-month extensions to this time limit may be approved upon the member's written request and, under special circumstances, the member may be granted additional extensions.

H$P Monitoring Requirements

For each prospective homebuyer, members shall be required to submit: (1) a H$P Enrollment and Certification Form, H$P Annual Income Calculation Worksheet, and a H$P Disbursement Request and Certification Form, all of which are available on the Seattle Bank's website; (2) independent, third-party documentation of a household's income; (3) other supporting documentation such as evidence of the prospective homebuyer's account balance and completion of a homebuyer education class; (4) a final HUD-1 Settlement Statement; and (5) a compliant Owner-occupied Retention Agreement. Twice a year, members will also be required to certify if all their enrolled homebuyers are making reasonable progress toward the purchase of a home. H$P funds allocated to enrolled households who are not progressing will 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$tart grant. These documents, as well as final HUD-1 Settlement Statements and compliant Owner-occupied Retention Agreements will be maintained by the Seattle Bank in accordance with the Seattle Bank's record retention policy

Retention Agreement Requirements

Members shall ensure that a Home$tart-assisted unit is subject to a compliant Owner-occupied Retention Agreement for the duration of the five-year 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 12 C.F.R. 1291.8.

Seattle Bank Discretion

H$P enrollments or disbursements may be denied at any time if it is determined by the Seattle Bank, in its sole discretion, that (1) the prospective homebuyer does not meet the letter or intent of the AHP regulation or Home$tart policies or (2) the member has not maintained compliance with H$P's requirements.

COMPETITIVE PROGRAM / AFFORDABLE HOUSING PROGRAM (AHP)

2012 AHP Funding Round Application Due Date

Due Date

Applications for the 2012 AHP funding round must be received no later than 4:00 p.m. PST on Wednesday, August 1, 2012.

2012 AHP Funding Round Eligibility Guidelines

Member Eligibility Requirements

(1) AHP application requests will be accepted only from current members of the Seattle Bank. (2) Each member (defined as a charter) may request up to $1.5 million in AHP subsidy. Members may be allowed to exceed this $1.5 million 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. (3) A member must underwrite each AHP application that they submit to the Seattle Bank. (4) A member must maintain compliance for projects in their Seattle Bank AHP portfolio as determined at the Seattle Bank's sole discretion.

Sponsor Eligibility Requirements

A sponsor must (1) be qualified and able to perform its responsibilities as committed to in the AHP application and (2) maintain compliance for projects in their Seattle Bank AHP portfolio as determined at the Seattle Bank's sole discretion.

Project Eligibility Guideline

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 the Seattle Bank. 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.

2012 AHP Funding Round 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 12 C.F.R. 1291.5 and Attachment 4.

2012 AHP Scoring Criteria

The Seattle Bank will evaluate and rank each AHP application on the following scoring criteria as more fully described in 12 C.F.R. 1291.5 and Attachment 2. There are 100 possible points.

Maximum Points	2012 AHP Scoring Criteria	
5	Government-owned or other donated or conveyed properties	Variable
5	Nonprofit sponsor or governmental entity	Fixed
9	Housing for the Homeless	Variable
5	Empowerment	Fixed
8	First District Priority: Special Needs	Variable
19	Second District Priority: Preservation of Section 8, LIHTC or USDA 515 Subsidies; or Housing for Farm Workers; or Housing Located on Native Land; or District Distribution	Variable
20	Income Targeting	Variable
6	Effectiveness - AHP subsidy per unit	Variable
23	Community Stability: Mixed-use Housing; the Reduction of Substandard Properties; Funder Support	Variable

Approval of AHP Applications

The FOAHC will approve AHP applications in descending order starting with the highest scoring application until the total AHP subsidy for the particular funding round has been allocated. The FOAHC 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. The FOAHC's approval of AHP applications will be ratified by the Board.

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 a template for Rental Retention Agreements for each of the eight states in the Seattle Bank's district on our Web site at http://www.fhlbsea.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 a template for 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

Overview

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 will be canceled unless an Extension Request is approved. 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 will be canceled and the disbursed portion of the AHP subsidy may be required to be repaid to the Seattle Bank unless an Extension Request is approved. AHP subsidy that is canceled or repaid to the Seattle Bank will be made available to other AHP or H$P recipients.

One Year Time Limit

The member is expected to request a disbursement of the AHP subsidy within one year of application approval. If this time limit is not met, the project sponsor and member must submit a written Extension Request or the AHP subsidy will be canceled. The Seattle Bank may approve extensions totaling up to two years from the date of application approval.

Three Year Time Limit

The member is expected to 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 submit a written Extension Request or the AHP subsidy will be canceled. The Seattle Bank may, in its discretion, approve extensions. If the three-year time limit, as the same may have been extended, is not met, the undisbursed portion of the subsidy will be canceled and the disbursed portion of the AHP subsidy may be required to be repaid to the Seattle Bank.

It is important to note that projects that are not complete within four years of the date that the AHP award was approved will be subject to more frequent and detailed monitoring than otherwise described in this document, the specifics of which will be determined at the Seattle Bank's sole discretion.

Extension Requests

Shall be submitted in writing by the member and sponsor and 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 may 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 round 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 action from the FOAHC 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 12 C.F.R. 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.

AHP DISBURSEMENT REQUIREMENTS

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

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; (2) the project sponsor or member have not maintained compliance for projects in their Seattle Bank AHP portfolio; or (3) the project sponsor or member may not be able to meet the terms and conditions of the AHP Agreement, regulation, or policies.

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 two individuals at the member institution who signed the resolution authorizing employees of that institution to conduct credit transactions with the Seattle Bank as listed on the member's Resolution for Transacting Business with the Federal Home Loan Bank of Seattle, 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 AHP 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 and/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 subsidy is being used for acquisition, an enforceable real estate lien must be in place before disbursement of the AHP subsidy.

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, regulations, and policies.

Owner-occupied Projects

Semi-annual Progress Reports

From the time of application approval until the time of project completion, the member will report semi-annually to the Seattle Bank the progress toward project completion and will identify factors, if

applicable, that may delay or jeopardize the project's development or continued ability to comply with the terms and conditions of the AHP award.

Project Certification

Within one year of the date of project completion, the member and sponsor 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 Review

Within one year of the date of project completion, a Final Audit review must be complete. The project sponsor and member shall provide necessary documentation to substantiate that AHP's initial monitoring requirements were met, which include, at a minimum: 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 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 member will report semi-annually to the Seattle Bank the progress toward project completion and will identify factors, if applicable, that may delay or jeopardize the project's development or continued ability to comply with the terms and conditions of the AHP award.

Project Certification

Within one year of the date of project completion, the member and sponsor must certify to the Seattle Bank that the project 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. Sponsors will continue to provide Project Certifications on an annual basis until the retention period has expired whereby the sponsor will identify factors, if applicable, that may jeopardize the project's continued ability to comply with the terms and conditions of the AHP award.

Tenant Income Verification (TIV)

Within one year of the date of project completion, the project sponsor must provide a rent roll for each project that identifies 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 and household incomes available for review by the member or the Seattle Bank.

Final Audit Review

Within 18 months of the date of project completion, a Final Audit review must be complete. The project sponsor and member shall provide necessary documentation to substantiate that AHP's initial monitoring requirements were met, which include, at a minimum : 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 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 the second year after 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, AHP Agreement, and any subsequent amendments.

During long-term monitoring, 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. As permitted by 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. Applicable compliance issues resulting in a Monitoring Code 6 may include, but are not limited to, owner-occupied household income that was not verified at the time the household was qualified for participation in the program, rental household income that was not verified at move-in, a high vacancy rate, or indications that the project is at risk of not complying with the terms and conditions of the AHP award. The project's monitoring requirements and their frequency will be determined on a case-by-case basis.

AFFORDABLE HOUSING ADVISORY COUNCIL

The Advisory Council will be made up of eight individuals representing the Seattle Bank's district. Advisory Council members serve three-year terms. No individual may serve more than three consecutive three-year terms. Advisory 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 Advisory Council positions will be solicited from the Board, Advisory Council, members and community contacts in the second or third quarter of each year and approved by the Board in the third or fourth quarter.

Advisory Council members will meet once each quarter with representatives from the Board. Advisory 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 Advisory Council will report to the Finance Agency on the Advisory Council's analysis of the low- and moderate-income housing and community development activities of the Seattle Bank. Advisory Council members will not receive a

fee for serving on the Advisory Council. Travel expenses associated with attendance at meetings organized or sponsored by the Seattle Bank or the Finance Agency will be reimbursed.

Advisory 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 Advisory Council will have a chair, vice-chair, and secretary. The chair represents the Advisory Council at national meetings and conducts quarterly meetings. The vice-chair may perform the duties of the chair. The secretary, who may be a Seattle Bank staff member, is responsible for minutes of the meetings.

ATTACHMENT 1
AFFORDABLE HOUSING PROGRAM
POLICY ON CONFLICTS 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, through approval of this Plan, herby adopts the policy set forth below to address conflicts of interest in conjunction with the operations of the Seattle Bank's AHP. This policy applies to employees and directors of the Seattle Bank and to members of the Seattle Bank's 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, adoption, or domestic partnership.

AHP CONFLICTS OF INTEREST POLICY

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 and Compliance Committee. Alleged violations by employees will be handled in accordance with the Seattle Bank's Code of Ethics.

ATTACHMENT 2
FEDERAL HOME LOAN BANK OF SEATTLE
AFFORDABLE HOUSING PROGRAM SCORING CRITERIA – 2012

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 **VARIABLE- Up to 9 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.

A percentage of nine points will be awarded based on the percentage of units in the project that are set aside for homeless households. For example, a project that sets aside 20 percent of the units for homeless households will receive 20 percent of nine points or 1.8 points.

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 8 Points**

8 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.

A percentage of eight points will be awarded based on the percentage of units in the project that are set aside for special needs households. For example, a project that sets aside 20 percent of the units for special needs households will receive 20 percent of eight points or 1.6 points.

SECOND DISTRICT PRIORITY **VARIABLE – Up to19 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 12 CFR 1291.5(c)(8).

- OR -

- 19 Points – District Distribution

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

  17 points – Projects located in Oregon or Montana

  15 points – Projects located in Idaho

  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 – Up to 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

- 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 **VARIABLE – Up to 6 Points**

AHP SUBSIDY PER UNIT:

Less than $9,000	6.00 Points
$9,000- $9,500	5.75 Points
$9,501 - $10,000	5.50 Points
$10,001 - $10,500	5.25 Points
$10,501 - $11,000	5.00 Points
$11,001 - $11,500	4.75 Points
$11,501 - $12,000	4.50 Points
$12,001 - $12,500	4.25 Points
$12,501 - $13,000	4.00 Points
$13,001 - $13,500	3.75 Points
$13,501 – $14,000	3.50 Points
$14,001 - $14,500	3.25 Points
$14,501 - $15,000	3.00 Points
$15,001 - $15,500	2.75 Points
$15,501 - $16,000	2.50 Points
$16,001 - $16,500	2.25 Points
$16,501 - $17,000	2.00 Points
$17,001 - $17,500	1.75 Points
$17,501 - $18,000	1.50 Points
Greater than $18,000	1.25 Points

COMMUNITY STABILITY **VARIABLE – Up to 23 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.
- 8 Points – The Reduction of Substandard Properties by the project's rehabilitation of a substandard property or by the project's demolition of a substandard property and new construction on the same site. A letter from a local jurisdiction is required to verify that the substandard building as defined by that local jurisdiction is being rehabilitated or replaced by this project.
- 10 Points – Funder Support

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

  10 points – 100% of funding sources are approved

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

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

ATTACHMENT 3
FEDERAL HOME LOAN BANK OF SEATTLE
ELIGIBILITY ANALYSIS – 2012

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 – 2012

OK/Error/Not Applicable

_____ Sponsor has an ownership interest or is integrally involved

_____ Sponsor is in compliance with other AHP 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 subsidy 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 is between 1.05 and 1.30

_____ Replacement Reserves are between $200 and $350 per unit/per year

_____ Operating Reserves are between $100 and $300 per unit/per year

_____ Annual rent and expense increase range between 2% and 4%

Project Status (circle one)

Eligible Eligible pending resolution of eligibility criteria 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 12 C.F.R. 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 4 - FEASIBILITY ANALYSIS - 2012

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 much 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 (cannot 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.
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.		

(i) If your project has loans, please list the interest rates, points, fees, and other charges for <u>every</u> 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	1.30		
Replacement Reserves	$200/unit/year	$350/unit/year		
Operating Reserves	$100/unit/year	$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: _____