



AFFORDABLE HOUSING PROGRAM 2025 IMPLEMENTATION PLAN

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I. INTRODUCTION

A. General

The Federal Home Loan Bank of Pittsburgh (FHLBank) has developed this affordable Housing Program 2025 Implementation Plan (Plan) as required by 12 C.F.R. § 1291.13 (b) of the Federal Housing Finance Agency Regulations (Regulation). The Plan was adopted by FHLBank's Board of Directors at a meeting held on February 14, 2025. This Plan will be in effect for the administration of the Affordable Housing Program (AHP) for calendar year 2025.

FHLBank is committed to diversity and inclusion at every level and in all of its business activities. To accomplish this, FHLBank promotes the inclusion and utilization of minorities, women, individuals with disabilities and minority-, women- and disabled-owned businesses, including its AHP.

Fair Lending Policy Statement

The Bank is committed to conducting its business in accordance with the Fair Lending Laws. The Bank's goal is to prevent unlawful discrimination and support sustainable housing opportunities.

B. Definitions

1. The definitions set forth in section 1291.1 of the Regulation will apply to FHLBank's AHP and this Plan.
2. Additional definitions are included in Attachment A.

C. Median Family Income

FHLBank will use the median family income standard as published annually by the U.S. Department of Housing and Urban Development (HUD) to qualify households for AHP and First Front Door (FFD), a homeownership set-aside. FHLBank has not adopted any other standard to determine income.

1. Income eligibility for recipient households shall be based on the greater of the median income standard for the area, as published by HUD, adjusted for family size, or the state-wide median income, adjusted for family size.
2. Projects may use HUD's median family income standard for the county, Primary Metropolitan Statistical Area (PMSA) or the Metropolitan Statistical Area (MSA). AHP- and FFD-eligible units provide housing for households earning 80% or less of the



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median family income for the area. As noted above, projects may also use the state-wide median family income standard, as published by HUD.

D. Income Guidelines

FHLBank requires all project sponsors and members to follow FHLBank's income guidelines to verify household income and subsequently determine the eligibility of households to participate in any program. Income guidelines can be found on FHLBank's website: <https://www.fhlb-pgh.com/ResourceCategory-AHP-Guides-and-Webinars>

Household income is based on income at time of review and projected over a 12-month period.

For AHP General Fund:

1. Owner-occupied projects – a household must have an income meeting the income targeting commitments in the approved AHP application. Income is determined at the time the household is qualified by the project sponsor organization for participation in the program.
2. Rental projects that are not occupied at the time of AHP application – a household must have an income meeting the income targeting commitments in the approved AHP application upon initial occupancy ("move in" income) of the rental unit.
3. Rental projects that are occupied at the time of AHP application – a household must have an income meeting the income targeting commitments in the approved AHP application at the time of such submission of the application.
 - a. In the event that the project has a relocation plan (as such term is used in the Regulations), FHLBank's Relocation Form must be completed and, therefore, a household may have an income meeting the income targeting commitments upon initial occupancy of the rental unit after completion of the purchase or rehabilitation.

For First Front Door (FFD):

4. Income is determined at the time the household is qualified for participation in the program.

E. Available Funds

Pursuant to 1291.10, FHLBank will contribute each year the required annual contribution, which is based on FHLBank's required contribution from the prior year's net earnings.

FHLBank will make available 80% of the required annual contribution for the AHP General Fund and 20% for its set-aside program, FFD. Any additional AHP funds



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returned to FHLBank due to recaptures, repayments or deobligations may be made available to the FFD, another set-aside program or the General Fund. FHLBank does not approve or consider alternate projects in the General Fund.

Determination of allocation of recaptured, repaid or deobligated funds shall be made consistent with the AHP Regulation and FHLBank's policies and procedures.

Additional funds not committed at the end of the calendar year shall be carried over into the following calendar year.

Any additional FFD funds returned to FHLBank due to recaptures, repayments or deobligations may be made available in the current calendar year for FFD, another set-aside program or the General Fund. FHLBank management has the discretion to use the deobligations (fall-out) that is expected to occur during the FFD funding round to add to the FFD amount available. Determination of awards of recaptured, repaid or deobligated funds shall be made consistent with the AHP Regulation and FHLBank's policies and procedures. Additional funds not committed at the end of the calendar year shall be carried over into the following calendar year.

FHLBank has not established a Targeted Fund.

FHLBank is not accelerating AHP funds into the current year.

II. GENERAL FUND APPLICATION PROGRAM

A. Funding Rounds

1. In 2025, FHLBank will conduct one General Fund funding round.
2. The General Fund funding round for 2025 will be as follows: Round Closes: Thursday, August 7, 2025

Approval by FHLBank's Board of Directors: December 11, 2025
3. Application assistance is available to potential project sponsors and includes a review, but not a pre-approval, of the potential project's consistency with FHLBank's threshold, scoring and feasibility guidelines as well as AHP system guidance. Application assistance may be obtained in FHLBank-offered workshops, webinars or individual requests for project review. Any request for individual review must be received by the date as established by FHLBank and published on FHLBank's website: <https://www.fhlb-pgh.com/ResourceCategory-Appling- for-AHP-Funding>.

B. District Thresholds

FHLBank shall establish the following additional eligibility criteria and limits



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for access to AHP subsidies:

1. There is a \$1,500,000 subsidy limit per project. AHP subsidy may be a grant and/or used to write down the interest rate on a loan from FHLBank. Sponsors may submit more than one AHP application per General Fund funding round. Each project sponsor's grant request, however, must be for distinctly different projects, as determined by FHLBank. Applications from the same project sponsor may be characterized as different projects if they are for different: project types (owner-occupied versus rental or lease purchase), construction types (new construction, acquisition and/or rehabilitation), housing-style types (townhomes, single-family homes, multi-family, etc.) or populations, or if they use different funding sources and/or are in different geographies. All applications from the same project sponsor that do not meet FHLBank's aforementioned parameters will be subject to the \$1,500,000 subsidy limit per project for applications determined to be the same project.
2. There is a \$150,000 AHP subsidy per unit limit.
3. To participate in the General Fund funding round, a financial institution must be a member of FHLBank at the time an application is submitted to FHLBank.
4. General Fund applicants will be required to certify that the project sponsor has not engaged in, and is not engaging in, covered misconduct as defined in Federal Housing Finance Agency's (FHFA's) Suspended Counterparty Program regulation.

C. Optional Eligibility Guidelines

No other optional eligibility limits or thresholds apply.

D. Best Practices

Smoke-Free Policy

FHLBank urges all new and existing multi-family properties to implement smoke-free policies. Industry best practices are moving towards policies that prohibit the use of tobacco products in all units, common areas and outdoor areas within 25 feet of the buildings in the development. These policies have been proven to support good health and reduce maintenance costs for multi-family housing units. No-cost assistance is available in creating and implementing smoke free policies and in accessing tobacco dependence treatment programs. For additional information, call 1-800-QUIT-NOW.

E. Eligible and Prohibited Projects and Uses of AHP Subsidy

General Fund subsidy must be used exclusively for:

1. Owner-occupied housing – The purchase, construction, or rehabilitation of an owner-occupied project for very low-income or low- or moderate-income households, where the housing is to be used as the household's primary residence. Units that are

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manufactured and transported to a specific location may be considered as an eligible property if the home is permanently affixed to a site. Mobile homes, such as campers and those established as transportation vehicles, are not eligible to benefit from AHP subsidy.

2. Rental housing – The purchase, construction, or rehabilitation of a rental project where at least 20% of the units in the project are occupied by and affordable for very low-income households.

AHP subsidy may not be used for:

1. Items as described in 1291.24(b), including:
 - a. Prepayment and/or processing fees charged by FHLBank on a member for a subsidized advance that is prepaid, unless:
 - i. The project is in financial distress that cannot be remedied through a project modification pursuant to 1291.29;
 - ii. The prepayment of the subsidized advance is necessary to retain the project's affordability and income targeting commitments;
 - iii. Subsequent to such prepayment, the project will continue to comply with the terms of the approved AHP application and the requirements of this part for the duration of the original retention period;
 - iv. Any unused AHP subsidy is returned to FHLBank and made available for other AHP projects or households; and
 - v. The amount of AHP subsidy used for the prepayment fee may not exceed the amount of the member's prepayment fee to FHLBank.
 - b. Cancellation fees and penalties imposed by FHLBank on a member for a subsidized advance commitment that is cancelled
 - c. Processing fees charged by a member for providing direct subsidies to a project
 - d. Reserves and certain expenses – capitalized reserves, periodic deposits to reserve accounts, operating expenses or supportive services expenses
 - e. Any items that fall outside of FHLBank's feasibility guidelines, expenses not tied directly to the specific AHP project, and/or any other costs deemed excessive or ineligible at FHLBank's sole discretion. Review FHLBank's AHP disbursement guides located on FHLBank's website at <https://www.fhlb-pgh.com/ResourceCategory-AHP-Guides-and-Webinars> for more information.

F. Scoring Guidelines

FHLBank's General Fund scoring guidelines are included in Attachment C.

G. Feasibility Guidelines

FHLBank will evaluate General Fund applications using the feasibility guidelines in Attachment B. The guidelines will be used as a benchmark for evaluating projects during application funding rounds and for post-application feasibility analysis. They may also be used as the basis for rejecting an application or changing the amount of AHP subsidy

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requested. These guidelines include a review of sources and uses of funds, project costs, operational feasibility and need for subsidy. FHLBank will consider appropriate exceptions to these feasibility guidelines on a case-by-case basis, substantiated by information and documentation justifying the need for such an exception. Projects must also comply with all applicable requirements set forth in the Regulations.

H. Member Creditworthiness and Transfers

1. FHLBank accepts and approves applications for AHP subsidy only from members of FHLBank, as specified in section 1291.21(a) of the Regulation, that are in good standing. Likewise, disbursements of AHP subsidy may only be made to members considered to be in good standing. For the purpose of AHP and any set-asides as contained in this Plan, a member is in good standing if, as determined by FHLBank, the member is creditworthy as determined by one of the Senior Credit Officers, has fulfilled all necessary requirements for membership in FHLBank, including the purchase of all required capital stock in FHLBank and is not in default with regard to any obligations or commitments under any programs including, without limitation, AHP.
2. If the member has transferred its AHP-related obligations to another member of FHLBank (or a member from another FHLBank district), FHLBank shall disburse the subsidies to the substitute member.

I. Project Modifications

FHLBank will process project modifications in accordance with the requirements of Section 1291.29 of the Regulation and FHLBank's project modification procedures. No modifications will be made to a project's specifications, as set forth in the approved AHP application, without the prior written approval from FHLBank. In the event that the member or project sponsor identifies a modification, a written request must be made to FHLBank as outlined in FHLBank's modification form.

J. Increases in AHP Subsidies

1. Approved AHP projects may be considered for an increase in subsidy through a modification, regardless of whether or not AHP funds have been drawn.

Complete or incomplete projects with an AHP award may, under certain circumstances, request an increase in AHP subsidy which should be made through the modification process. The decision to increase AHP funds to previously awarded projects is at the sole discretion of FHLBank and must be approved by FHLBank's Board of Directors. The Board will take into consideration the extent to which the project has met the "good cause" thresholds and the amount of funds available in the AHP General Fund pool. Project sponsors requesting a modification to increase AHP subsidy must demonstrate "good cause" for the modification, which includes the following:

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- i. The project must demonstrate that it has explored alternatives to the modification, including changes to the project size and scope, and has exhausted all options to secure the required funding from other sources.
 - ii. The project must demonstrate that additional AHP funds will fully fund the existing gap in the project's sources of funds to complete the project.
 - iii. The modified project must score competitively in the funding round in which it was approved and still meet all feasibility guidelines.
 - iv. The total amount of AHP subsidy from the original award plus the increase through the modification cannot exceed the lesser of (1) the maximum per project subsidy in the funding round in which it was originally approved or (2) the maximum subsidy in the current Plan.
 - v. For completed projects, the project must demonstrate that the units are currently uninhabitable or the conditions of the property pose a significant threat to the safety of the residents.
2. Approved AHP projects that have not yet drawn down AHP funds may request an increased subsidy amount through reapplication.

An incomplete project that has not yet drawn its committed AHP subsidy, but still requires additional funding, may reapply for a greater subsidy amount in the next General Fund funding round. The subsidy applied for in the next General Fund funding round cannot exceed the maximum subsidy amount in that round. If the application receives an award in a subsequent funding round, the project's previous award will be canceled.

Completed projects are not permitted to submit a new AHP application if the application is still within its AHP retention period.

K. Noncompliance and Subsidy Recovery

As permitted under the Regulations, the project sponsor and/or owner shall repay to FHLBank the amount of the subsidy, plus interest, as determined by FHLBank consistent with the Regulations and FHLBank's AHP Policies and Procedures, that is not used in compliance with the terms of the application or the requirements of the AHP Regulations. Provided, however, the project sponsor and/or owner shall have no obligation to repay the AHP subsidy if: (i) after the project sponsor and/or owner receives notice from FHLBank of such noncompliance, it cures such noncompliance within a reasonable time, as determined by FHLBank in its sole discretion; or (ii) the circumstances of such noncompliance are eliminated through an approved modification after FHLBank has determined the project has complied with the modification requirements in Section 1291.29 of the Regulations.

L. Reuse of AHP Subsidies



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If the project for which AHP subsidies were awarded does not proceed, those subsidies cannot be reused by the project sponsor for another project. Additionally, re-use of repaid AHP direct subsidy in the same project, is not permitted.

M. Revolving Loan Funds and Funding Loan Pools

AHP funds cannot be used for revolving loan funds or funding loan pools.

N. Project Completion, Eligibility and Progress Expectations

Project completion and eligibility requirements for the purposes of application review prior to application approval are as follows:

Eligibility Requirements

- Some or all of the AHP subsidy must be likely to be drawn down by the project or used by the project to procure other financing commitments within 12 months of the date of approval of the application for AHP subsidy funding the project.
- The rehabilitation or construction of the project must not be complete before the Board approval date. Completion is defined as the time at which rehabilitation or construction of the units is 100% complete and a certificate of occupancy or an architect's certificate of substantial completion has been issued. This definition applies only to the application review process.

An incomplete project that has not yet drawn on its committed AHP subsidy may reapply in a subsequent funding round. If the application receives an award in a subsequent funding round, the project's previous award will be cancelled.

FHLBank will make a determination if a project meets the requirements listed above during the application review period. If FHLBank determines a project does not meet these requirements, the project will be determined to be ineligible for AHP funds.

Progress Expectations

After an AHP award, projects will be required to meet the Minimum Progress Expectations list below:

<u>From AHP Approval Date</u>	<u>Minimum Progress Expectations</u>
12 months	Initial draw down* of AHP subsidy is complete; or the project has procured permanent funding commitments in addition to the commitments in place at AHP application. The procured additional commitments cannot include a deferred developer fee or sponsor equity unless these sources fill the entire funding gap for the project.



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<u>From AHP Approval Date</u>	<u>Minimum Progress Expectations</u>
18 months	Initial draw down* of AHP subsidy is complete; or 100% commitment of permanent funding to complete the project, i.e., no funding gap
24 months	Initial draw down* of AHP subsidy complete
36 months	Construction or rehabilitation complete and 100% of AHP subsidy drawn down
48 months	Project deemed complete (see Attachment A – Definitions for Project Completion Determination)

*Review AHP Disbursement Guide for thresholds and requirements for draw request

FHLBank will use the Semi-Annual Progress Reports (refer to Attachment D–Monitoring), commitment extension requests and/or information provided to FHLBank at any time to evaluate a project's progress. Projects may receive an AHP commitment extension(s) on a case-by-case basis at FHLBank's discretion or the AHP commitment may be cancelled if the project has not met the Minimum Progress Expectations.

For projects not meeting the Minimum Progress Expectations, FHLBank may grant AHP commitment extensions if FHLBank deems there is sufficient and acceptable evidence:

- 1.) Documenting reasons for not meeting the Minimum Progress Expectations thresholds, and
- 2.) Demonstrating the likelihood of the project making progress to bring it into compliance with the Minimum Project Expectations.

AHP commitment extensions will be tied to project milestones and will not exceed 12 months. FHLBank may include conditions in commitment extensions based on milestones in the project's development schedule such as, but not limited to, commitments from other funders. If the conditions are not satisfied by the project, FHLBank may shorten the commitment expiration date or cancel the AHP commitment.

FHLBank's Community Investment Department (CID) management will report to FHLBank's Board of Directors, as part of FHLBank's Watch List, all projects that are not funded 24 months after Board approval and projects that are incomplete 48 months after Board approval. CID management includes the Senior Director of Community Investment and/or the Chief Operating Officer.

O. Disbursement of AHP General Fund Application Funds

1. For each disbursement draw, project sponsors must provide a certification prescribed by FHLBank that the project sponsor has not engaged in, and is not engaging in, covered misconduct as defined by FHFA's Suspended Counter Party Program regulation.

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2. Conditions required by FHLBank at application approval or any other time must be met prior to disbursement of AHP funds, in addition to obligations contained in the applicable AHP Implementation Plan, the Regulations, and any terms, conditions, covenants, or obligations contained in any and all agreements between the project sponsor, owner and/or FHLBank related to the project.
3. For an initial funding disbursement, prior to release of AHP funds, FHLBank will conduct a thorough review and undertake a financial analysis to verify that the projects/programs comply with the eligibility and feasibility guidelines of this Plan and that such projects/programs are entirely consistent with the content of the approved applications. Members and project sponsors are also required to certify the information they submit is accurate when the Sponsor and member approves the disbursement request in AHP Online.
4. For subsequent draws of AHP funds, members and project sponsors are also required to certify the information they submit is accurate when the project sponsor and member approves the disbursement request in the AHP Online System. FHLBank conducts a review that includes an analysis of project progress to date and reviews any changes to the project since the previous AHP funding disbursement to verify that the project is still in compliance with the eligibility and feasibility guidelines of this Plan and that they are still consistent with the content of the approved application.
5. In cases where FHLBank approves a direct subsidy to write down the interest rate on a loan from FHLBank, prior to closing the principal amount or interest rate on a loan, FHLBank shall verify any increases or decreases in the amount of subsidy required to maintain the debt service for the loan that may have occurred between the time of approval and the time the lender commits to the interest rate to finance the project. If the subsidy required decreases during such period due to a decrease in market interest rate, FHLBank shall reduce the subsidy amount accordingly. If the subsidy required increases during such period due to rises in the market rate, FHLBank may, at its discretion, increase the subsidy amount accordingly.
6. Refer to the AHP Disbursement Guide located on FHLBank's website for minimum draw provisions on disbursements based on project type and for additional information on the draw process to request AHP funding: <https://www.fhlb-pgh.com/ResourceCategory-AHP-Guides-and-Webinars>

III. SET-ASIDE PROGRAM

Each year, FHLBank's Board of Directors decides whether to offer a homeownership set-aside program for the following year. In 2025, FHLBank's Board of Directors has opted to continue the FFD program. FHLBank will contribute 20% of the AHP allocation to FFD. To participate in a set-aside program, a financial institution must be a member of FHLBank at the time an application is submitted.



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First Front Door

The standards for FFD are as follows:

- The total amount available for FFD includes: 1) 20% of the annual statutory AHP allocation, which is based on FHLBank's required contribution from the prior year's net earnings, 2) FFD or AHP funds returned to FHLBank due to recaptures, repayments or deobligations and 3) Bank management has the discretion to use the deobligations (fall-out) that is expected to occur during the FFD funding round to add to the FFD amount available.
- Funds will be available on a first-come, first-served basis, until the program is closed by FHLBank
- FHLBank management will provide funding round close date to members prior to the round closing. In order to determine round closing, FHLBank management will use current and expected activity to determine the date by which the available funds will be exhausted.
- The member limit for FFD is 10% of the FFD total amount available for the program year. Program utilization will be monitored, and if funds remain five weeks past the round opening date, the member limit will be lifted and funds can be allocated to any member until all funds are exhausted.
- Home buyers must be a First-Time Homebuyer.
- The home buyer's income must be at or below 80% of the median family income as defined in section I(C) of this Plan at the time the home buyer's reservation is submitted to FHLBank.
- Eligible properties are single-family, owner-occupied units that are intended as the primary residence of the homebuyer at the time of program eligibility. For more information on eligible properties, please review the FFD Product Manual.
 - Home buyers must obtain mortgage financing from the participating member.
 - Eligible uses of the FFD grant as outlined in the FFD Product Manual on FHLBank's website at <https://www.fhlb-pgh.com/ResourceCategory-FFD-Program-Information> include:
 - Closing costs
 - Settlement costs for items connected with the loan
 - Down payment assistance or principal reduction on an eligible property
 - Homeownership counseling fees
 - The FFD grant is a maximum of \$15,000. Eligible homebuyers must contribute a minimum of

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\$1,500 to receive the maximum of the \$15,000 FFD grant.

- Homebuyers must complete at least four hours of pre-homeownership counseling, including counseling on predatory lending. The counseling must be completed not longer than 18 months prior to registration approval date. For the complete requirements for pre-homeownership counseling, including eligible entities providing the counseling, refer to the FFD Product Manual found on FHLBank's website at <https://www.fhlb-pgh.com/ResourceCategory-FFD-Program-Information>.
- Members must contribute some measurable financial concession to the affordability of the home. These may include, but are not limited to:
 - Waived or reduced fees
 - Waived or reduced points
 - Reduced interest rate (below the standard, conventional market rate mortgage)
 - Reduction or elimination of other items that lower the participant's financial outlay
- The interest rate, points, fees and any other charges by the member or any other lender must not exceed a reasonable market rate for a loan of similar maturity terms and risk.
- A member may provide cash back to a household at closing on the mortgage loan in an amount not exceeding \$250. A member shall use any FFD subsidy exceeding such amount that is beyond what is needed at closing for closing costs and the approved mortgage amount as a credit to reduce the principal of the mortgage loan or as a credit toward the household's monthly payments on the mortgage loan.
- FFD requires a five-year retention period and is subject to FHLBank's Real Estate Retention agreement set forth in 12 C.F.R. § 1291.15(a)(7).
- The FFD reservation period is 180 days from the registration approval date issued by FHLBank. A disbursement request should be submitted within the 180-day period or the grant may be forfeited. Extensions of up to an additional 90 days may be granted at FHLBank's sole discretion.
- Ineligible uses of the FFD grant include:
 - Repairs to a property
 - Used in any manner which results in homebuyer receiving cash back at closing/settlement in excess of \$250
 - Expenses that violate the FFD rules and regulations

IV. MONITORING

FHLBank's procedures for carrying out monitoring obligations for the AHP General Fund and



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homeownership set-aside programs are included in this Plan as Attachment D.

V. SUSPENSION AND DEBARMENT

The Board of Directors may suspend or debar a FHLBank member, project sponsor, project owner or other party from participation in AHP if such party shows a pattern of noncompliance, or engages in a single instance of significant noncompliance, with the terms of an approved application for an AHP subsidy or the requirements of the AHP regulation.

“Suspension” – means an action taken by FHLBank that, for a temporary period of time, conditionally excludes or disqualifies a Bank member, project sponsor, owner or other party from participating in AHP or set-aside programs or from receiving disbursements of funds. A suspension applies to all programs funded by AHP. A suspension may be imposed or lifted by the Senior Director of Community Investment and will be reported to the Board of Directors.

FHLBank may suspend a Bank member, project sponsor, owner or other party from participation in AHP or set-asides for any of the following reasons:

- Failure to comply with one or more applicable program and/or regulatory requirements
- Failure to provide requested documents in a timely manner
- Consistent lack of progress towards completion of existing projects that result in numerous deobligations and/or extension requests
- Consistent pattern of noncompliance with approved or modified application commitments that result in numerous modification requests or cure periods; or any other performance or compliance issues, including those specified as reasons for debarment noted below, that FHLBank believes warrants a suspension

“Debarment” – means an action taken by FHLBank that unconditionally excludes or disqualifies an FHLBank member, project sponsor, owner or other party from participating in any AHP or set aside programs or from receiving disbursements of funds. A debarment applies to all programs funded by AHP. A debarment must be approved by the Board of Directors.

FHLBank may debar an FHLBank member, project sponsor, owner or other party from participation in AHP for any one or more of the following reasons:

- A demonstrated pattern of noncompliance or a single instance of flagrant noncompliance with a regulation or the terms of an application for subsidy
- A required repayment of AHP or other subsidy due to noncompliance where the party refuses to make such repayment
- Commitment of fraud, mismanagement of properties or other negligent actions



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- Any other issues that FHLBank believes warrants debarment
 - Reinstatement of debarred parties is at the sole discretion of the Board of Directors.

VI. RETENTION AGREEMENT REQUIREMENTS AND SUBSIDY REPAYMENTS

Retention Agreement Requirements

For the General Fund and homeownership set-aside programs, FHLBank will adhere to the retention agreement requirements enumerated within 12 C.F.R § 1291.15.

Projects that involve rehabilitation of currently owner-occupied housing are not subject to a retention requirement. Additionally, owner-occupied rehabilitation units supported by AHP that currently have a retention agreement are no longer subject to repayment.

Rental, lease-purchase and owner-occupied for-sale projects are still required to comply with retention requirements. Rental and lease-purchase projects are subject to a 15- year retention from the date the project is deemed complete by FHLBank Pittsburgh.

Owner-occupied for-sale projects are subject to retention of five years from the date of the homebuyer's closing.

Review the AHP Disbursement guide for the AHP General Fund on FHLBank's website for additional Retention Agreement requirements: <https://www.fhlb-pgh.com/ResourceCategory-AHP-Guides-and-Webinars>

Subsidy Repayment Requirements – Owner-Occupied

If during the five years following the AHP/FFD homebuyer closing date for AHP/FFD units that involve owner occupied for-sale, the property is sold, the title is transferred, the mortgage is refinanced and the retention agreement cannot be maintained, foreclosure or deed in lieu of foreclosure occurs, or any scenario where the AHP/FFD assisted unit no longer has a legally enforceable retention agreement securing the funds, FHLBank must be notified of such occurrence and the unit may be subject to a repayment calculation as determined by FHLBank.

Repayment Calculation of Subsidy

FHLBank must be informed in all circumstances as noted in the above section. Once informed, FHLBank will follow the regulatory repayment calculation, which may result in a required repayment of subsidy. The following are part of the process:



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- Subsidy repayments are not required if the repayment amount would be less than \$2,500 or as otherwise prescribed in the Regulations.¹

Subsidy Repayment Requirements – Rental and Lease-Purchase Projects

See section K: Noncompliance and Subsidy Recovery.

VII. PLAN APPROVAL

FHLBank's Board of Directors retains sole authority for approving and amending this Plan.

FHLBank's Affordable Housing Advisory Council (Advisory Council) shall provide its recommendations to the Board of Directors prior to the adoption of FHLBank's Plan, and any subsequent amendments thereto.

FHLBank will submit its approved AHP Plan, and any approved amendments, to the FHFA within 30 days after the date of their adoption by FHLBank's Board of Directors.

FHLBank's Plan, and any subsequent amendments, shall be made available to members of the public on FHLBank's website at <https://www.fhlb-pgh.com/resourcecategory-AHP-program-information> within 30 days after the date of their adoption by FHLBank's Board of Directors.

FHLBank shall provide such reports and documentation concerning AHP as the FHFA may request from time to time.

VIII. INCORPORATION OF AHP REGULATIONS AND OTHER RELATED DOCUMENTS

The programs described above are subject to the AHP Regulation and manuals for such programs, all of which are incorporated into this Plan by reference. The program manuals describe additional guidelines for the programs, including, but not limited to: member and household requirements, application and award dates and detailed funding information, and are available at FHLBank's website at <https://www.fhlb-pgh.com/>.

Participants in AHP and FFD are responsible for reviewing the Regulation and manuals for regulatory and operational compliance purposes.

¹ Consistent with regulatory guidance of the FHFA, for purposes of 12 C.F.R § 1291.15(a)(7)(ii)(B), FHLBank has adopted the U.S. Department of Housing and Urban Development's HOME Investment Partnership Program and Housing Trust Fund (HTF) homeownership value limits as the proxy to be used to determine if a subsequent purchaser is low- or moderate-income (LMI). Such proxy may be used for such purpose unless documentation demonstrating such household's actual income is available.



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ATTACHMENT A

Definitions

Affordable - (1) The rent charged to a household for a unit that is to be reserved for occupancy by a household with an income at or below 80% of the median income for the area, does not exceed 30% of the income of a household of the maximum income and size expected, under the commitment made in the AHP application, to occupy the unit (assuming occupancy of 1.5 persons per bedroom or 1.0 persons per unit without a separate bedroom); or (2) The rent charged to a household, for rental units subsidized with Section 8 assistance under 42 U.S.C. 1437f or subsidized under another assistance program where the rents are charged in the same way as under the Section 8 program, if the rent complied with this definition at the time of the household's initial occupancy and the household continues to be assisted through the Section 8 or another assistance program, respectively.

AHP – The Affordable Housing Program required to be established by the FHLBanks pursuant to 12 U.S.C. 1430(j) and 1291.

AHP Project – A single-family or multi-family housing project for owner-occupied or rental housing that has been awarded or has received AHP subsidy under FHLBank's General Fund and any Targeted Funds.

AHP Units – Units committed to occupancy by households at or below 80% of area median income (AMI).

Builder's Overhead – Expenses necessary to the operation of a construction business. Such expenses must be related to the project.

Cost of Funds – For purposes of a subsidized advance, the estimated cost of issuing FHLBank System consolidated obligations with maturities comparable to that of the subsidized advance.

Debt Coverage Ratio (DCR) – The ratio of a project's annual net operating income divided by the total annual debt service (principal plus interest).

De-Obligated Funds – Undisbursed funds that were committed to a project, household, or member and are being returned to the AHP fund.

Developer's Fee - Compensation to the developer for staff time, risk and work involved in the development of the project, including developer's expenses, overhead, profit and consulting fees or other fees and costs, which may include, among other things, work completed by staff in-house for sake of development of the project.

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

Disbursement – A payment of program funds to the member for use by the AHP project or set-aside.



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District – The geographical area in which FHLBank offers services to meet affordable housing needs; includes Delaware, Pennsylvania and West Virginia.

Eligible Household – A household that meets the income limits and other requirements specified by FHLBank for its General Fund and any Targeted Funds and Homeownership Set-Aside Programs, provided that:

1. In the case of owner-occupied housing, the household's income may not exceed 80% of the median income for the area; and
2. In the case of rental housing, the household's income in at least 20% of the units may not exceed 50% of the median income for the area.

Eligible Project – A project eligible to receive AHP subsidy pursuant to the requirements of 1291.

Extremely Low-Income Household – A household that has an income at or below 30% of the median family income for the area, as determined annually by HUD with the income limit adjusted for household size.

First-Time Homebuyer – A person who has not owned an eligible property used as their primary residence in the last three years. If purchasing jointly with other individuals, at least one person has not owned an eligible property used as a primary residence in the last three years; or any person that has owned an eligible property jointly with another individual and is now independently purchasing an eligible property; if an investment property is owned, the person is not living there and has not owned an eligible property, used as a primary residence in the last three years

Funding Round – A time period, as determined by FHLBank, during which FHLBank accepts AHP applications for subsidy under its General Fund and any Targeted Funds.

General Fund – A program that each FHLBank is required to establish and under which FHLBank approves (i.e., awards) applications for AHP subsidy through a competitive application scoring process and disburses the subsidy, pursuant to the requirements of 1291.

General Requirements – Cost of items that do not apply directly to construction, the cost of which are customarily spread out over the entire project. The costs of the general contractor include, but are not limited to: attendance at development meetings; submittal of construction schedules, shop drawings and progress reports; supplying of temporary facilities, controls and utilities; handling of material and equipment, including transportation and storage of materials; and development close-out requirements, including clean up, final inspection and punch list.

Hard Construction Costs – The expenses directly related to the structure and onsite land improvements to a property, including new construction or rehabilitation.

Hard Debt - A loan with a required payment on a predictable schedule.

Homeownership Set-Aside Program – A program established by FHLBank, in its discretion, under which FHLBank approves (i.e., awards) applications for AHP direct subsidy through a noncompetitive process developed by FHLBank and disburses the subsidy, pursuant to the



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requirements of 1291.

Household's Investment – The following, to the extent paid by the household and documented (in the Closing Disclosure or other settlement statement, if applicable, or elsewhere) to FHLBank or its designee:

- (1) Reasonable and customary costs paid by the household in connection with the purchase of the unit (including real estate broker's commission, attorney's fees and title search fees);
- (2) Any down payment paid in connection with the household's purchase of the unit;
- (3) The cost of any capital improvements made after the household's purchase of the unit until the time of the subsequent sale, transfer, assignment of title or deed, or refinancing; and
- (4) The amount of principal on any mortgage senior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation repaid by the household.

Lead Sponsor – The Lead Sponsor is responsible for the AHP subsidy for the entire AHP compliance period: five years for projects involving for-sale owner-occupied projects -and 15 years for rental projects from the time of completion as defined by FHLBank.

Lease-Purchase – One of more dwelling units for occupancy by households that are not currently owner-occupied, but tenants, through a lease-purchase agreement or contract work towards ownership of the unit. Lease-purchase projects will be scored as rental projects and will be required to meet all rental feasibility guidelines.

LIHTC or Low-Income Housing Tax Credit – Low Income Housing Tax Credits as such term/such program is described in/under Section 42 of the Internal Revenue Code (26 U.S.C. 42).

Low- or Moderate-Income Household – A household that has an income of 80% or less of the median family income for the area, as determined annually by HUD with the income limit adjusted for household size

Management Fee – The fee that the property manager is paid for managing the property. Responsibilities for property management typically include budgeting expenses, securing renters, collecting rent, and complying with laws and regulations.

Marshall and Swift – A service that provides building cost data necessary for real estate cost valuations. Marshall and Swift cost data includes the cost of labor, materials and installed components. FHLBank may use this service to complete cost estimates to determine cost reasonableness.

Median Income – FHLBank determines income by using the median family income for the area, as published annually by HUD.

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



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Multifamily Building – A structure with five or more dwelling units.

National Council of Housing Market Analysts Standards - A set of model content standards developed by the National Council of Housing Market Analysts that provide standard definitions, content criteria and guidelines for development market studies to ensure consistency across the industry. <https://www.housingonline.com/councils/national-council-housing-market-analysts/model-content-standards/>

Net Earnings of a Bank – The net earnings of FHLBank for a calendar year before declaring or paying any dividend under section 16 of FHLBank Act (12U.S.C. 1436).

Net Proceeds - (1) In the case of a sale, transfer or assignment of title or deed of an AHP-assisted unit by a household during the AHP five-year retention period, the sales price minus reasonable and customary costs paid by the household in connection with the transaction (including real estate commission, attorney's fees and title search fees) and outstanding debt superior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation; (2) In the case of a refinancing of an AHP-assisted unit by a household during the AHP five-year retention period, the principal amount of the new mortgage minus reasonable and customary costs paid by the household in connection with the transaction (including attorney's fees and title search fees) and the principal amount of the refinanced mortgage.

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

Owner-Occupied Project – For the purposes of FHLBank's General Fund and any Targeted Funds, one or more owner-occupied units in a single-family or multi-family building, including condominiums, cooperative housing and manufactured housing.

Owner-Occupied Unit – A dwelling unit occupied by the owner of the unit.

Project Completion Determination – 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 and the project has achieved at a minimum 75% occupancy. 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.

Rehabilitation – The labor, materials and other costs of repairs, improvements, replacements, alterations and additions to existing buildings.

Rental Project – For the purposes of FHLBank's General Fund and any Targeted Funds, one or more dwelling units for occupancy by households that are not owner-occupants, including overnight and emergency shelters, transitional housing for homeless households, mutual housing, single-room occupancy housing and manufactured housing communities.

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



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Retention Period – (1) Five years from closing for an AHP-assisted owner-occupied unit where the AHP subsidy is used for purchase of the unit or for purchase in conjunction with rehabilitation or for construction of the unit; and (2) Fifteen years from the date of completion for a rental project as determined by FHLBank.

Signatures – Where a signature is required, FHLBank will accept a wet signature or an electronic signature. In cases where documents are signed by an authorized signatory, the documentation designating signing authority to the authorized signatory is required to accompany the signed document.

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

Soft Costs – Non-hard costs, which may include legal, planning, design and coordination of a construction project.

Project Sponsor – A not-for-profit or for-profit organization or public entity that: (1) Has an ownership interest (including any partnership interest), as defined by FHLBank in its AHP Implementation Plan, in a rental project; (2) Is integrally involved, as defined by FHLBank in its AHP Implementation Plan, in an owner-occupied project, such as 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.

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

Subsidy – (1) A direct subsidy, provided that if a direct subsidy is used to write down the interest rate on a loan extended by a member, project sponsor, or other party to a project, the subsidy must equal the net present value of the interest foregone from making the loan below the lender's market interest rate; or (2) The net present value of the interest revenue foregone from making a subsidized advance at a rate below FHLBank's cost of funds.

Very Low-Income Household – A household that has an income at or below 50% of the median family income for the area, as determined annually by HUD with the income limit adjusted for household size

Watch List – FHLBank reports all AHP projects of concern to the Board of Directors with the following statuses: (1) incomplete projects that are four years or older from the project's AHP approval date; (2) unfunded projects that are two years or older from the project's AHP approval date; and (3) projects deemed noncompliant with AHP regulations, the AHP application and/or approved modifications.



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ATTACHMENT B

Feasibility Guidelines

The development costs, fees and expenses contained herein are guidelines for FHLBank's General Fund. The guidelines and AHP financial forms are required so that FHLBank can determine whether a proposed project meets the threshold eligibility guidelines set forth in Section 1291.23 of the AHP Regulations and in this Plan. The guidelines are intended to determine a project's need for subsidy, readiness to proceed and financial viability. The guidelines set forth herein will apply through the funding disbursement and compliance period for AHP projects.

Using these feasibility guidelines, FHLBank, in its sole discretion, may add conditions to a project, reduce the AHP subsidy or the number of units, or determine a project to be ineligible for AHP.

FHLBank, in its sole discretion, may approve exceptions to the AHP guidelines if the project can demonstrate compelling justification for the exception. As part of the exception justification, FHLBank may consider evidence that a project meets the feasibility guidelines set by a state housing finance agency (HFA), the U.S. Department of Agriculture: Rural Development (USDA) or the U.S. Department of Housing and Urban Development (HUD).

Feasibility Guidelines for Owner-Occupied and Rental Projects

Fair Housing

The project, as proposed, must comply with applicable federal and state laws on fair housing and housing accessibility, including, but not limited to, the Fair Housing Act, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and the Architectural Barriers Act of 1969, and must demonstrate how the project will be affirmatively marketed. All applicants must complete and submit FHLBank's Fair Housing Form.

Relocation

Projects must, to the maximum extent feasible, prevent permanent relocation of households. However, if temporary or permanent relocation will occur, the project sponsor must assure that such households will be assisted to minimize the impact of relocation.

Projects which involve temporary or permanent relocation of current occupants must complete and sign FHLBank's Relocation Form. FHLBank may also request a copy of the project's relocation plan at any time.

FHLBank's standards for relocation include but are not limited to payment of moving-related expenses, reasonable repayments for replacement housing, at least 90 days of advanced written notice informing the household of requirement to relocate and assist with relocation advisory services.



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Developmental Feasibility Analysis

Readiness to Proceed

FHLBank will evaluate a project's ability to meet the disbursement guidelines set forth in section II(O) of this Plan. FHLBank will consider factors such as the development team capacity, market and demand for the units, zoning issues, environmental issues, commitment of other funding sources and site control. FHLBank reserves the right, in its sole discretion, to determine a project ineligible for AHP funds if it appears unlikely that a project will have the ability to proceed per the AHP guidelines in II(O) of the Plan.

Project Sponsor/Development Team

FHLBank will evaluate the capacity of the project sponsor and development team in completing and operating projects of similar size/type. FHLBank will also take into consideration the project sponsor's outstanding projects to determine if the project sponsor has the capacity to complete the units specified in the AHP application.

Project sponsors with multiple outstanding incomplete AHP projects and/or project sponsors with limited or no prior experience for the type of project being undertaken may have conditions on the award including, but not limited to, requiring a co-developer or restricting disbursement until the project meets specific development milestones. Additionally, projects may have their requested AHP subsidy and/or proposed units in any existing or additional AHP projects reduced or eliminated at the sole discretion of FHLBank.

Market Assessment

FHLBank will evaluate the market demand and the need for the proposed units. Refer to the grid below for market assessment requirements based on project type:

Market Study Required	
1.	Homeownership new construction or rehabilitation of for-sale housing 12 units or greater
2.	Rental projects 20 units or greater, but does not meet the thresholds below for units reserved for special needs and/or homeless
The market study must be prepared by an independent, experienced market analyst or a Housing Finance Agency Housing Needs Assessment must be completed and available to FHLBank at the time of application. The market study must demonstrate a market and demand for the AHP units. FHLBank prefers that market studies use the National Council of Housing Market Analysts (NCHMA) standards, but this standard is not required. The market study completion must be no more than one year from the AHP application due date. A market study update completed by an independent experienced market analyst may also be provided if it is dated within one year of round closing.	



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Alternative Market Demand Documentation Required	
1.	Homeownership new construction or rehabilitation for-sale housing that is less than 12 units
2.	Rental projects that are less than 20 units
3.	Projects that provide housing where at least 75% of the units are reserved for special needs and/or homeless persons
4.	Homeownership rehabilitation of currently owner-occupied housing
5.	Existing and occupied rental housing
<p>For numbers 1-3 above, the need and demand for all units in the AHP project must be demonstrated and supported by third-party documentation dated within 18 months of the AHP application due date. This documentation may include, but is not limited to, a needs assessment and a local housing market assessment.</p> <p>For number 4 above, a waiting list of homeowners or a detailed narrative of the process to identify qualified homebuyers will be required.</p> <p>For number 5 above, all existing and occupied rental properties must demonstrate at least 93% occupancy for the two years preceding the AHP application due date and provide a waiting list of qualified households. Other project circumstances may also be taken into consideration, at FHLBank's sole discretion, to determine demand for existing and occupied rental properties.</p>	

Zoning Issues

Projects with zoning issues will be required to present a timeline to secure permissive zoning and demonstrate that permissive zoning can be secured within six months of the AHP approval.

Environmental Issues

All projects are required to assess project sites to determine if environmental issues are present. Projects with environmental issues will be required to present the process necessary to secure environmental clearance and demonstrate that clearance can be secured within six months of the AHP approval. Prior to disbursement, projects will be required to describe the process taken to identify and, if necessary, steps taken to remediate environmental issues.

Construction Contingency

The maximum construction contingency for projects involving new construction is 5% of the total construction costs, net of contingency. The maximum is 10% of total construction/rehabilitation costs for projects involving rehabilitation, net of contingency.



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Acquisition Costs

The acquisition must be an arm's length transaction. If it is not, FHLBank, in its sole discretion, may determine what acquisition costs and fees are acceptable and whether or not the project qualifies to receive an AHP subsidy. For projects with a related party transfer, all net proceeds from the sale of the property must be reinvested into the project to be eligible for an AHP subsidy.

In instances where the transfer of title for a property (or properties) is between related parties (not at arm's length) the project may be required to submit an as-is appraisal by an independent, certified appraiser to validate the acquisition cost, at the sole discretion of FHLBank Pittsburgh. If required, the appraisal should be dated no more than 12 months prior to the AHP application due date or within 12 months of the purchase agreement signing.

In cases where the transfer is at arm's length and is to be acquired through a negotiated sale, a sales agreement, option, opinion of value by a licensed real estate broker or an as-is appraisal must be used to validate the acquisition cost.

In all cases, if the property is under option or sales agreement, or if transfer has occurred prior to the AHP application due date, the acquisition cost may not exceed the amount in the option or sales agreement or the actual purchase price on the settlement statement. In related-party transfers, the acquisition cost will be the lesser of the actual or agreed-upon sales price or the as-is appraised value.

If a project involves multiple property purchases, the above guidelines apply to properties targeted for acquisition. A minimum of 10% of the targeted properties must be acquired, under agreement or option, by the AHP application due date, and an acquisition strategy that will result in all properties being under control within 12 months of the AHP approval date must be provided to FHLBank. The strategy is subject to Bank approval.

Soft Costs

A project's total soft costs are limited to 30% of the total development costs, less acquisition, construction/ rehabilitation costs, demolition and off-site improvements.

Professional Fees

The combined architect and engineering fees are limited to a total of 7% of the total development costs, and attorney fees are limited to 4% of the total development costs, net of the applicable professional fee. Attorney fees related to acquisition are not included in this standard.

Interest Rates and Financing Fees

The interest rate, points, fees and any other charges by the member or any other lender must not exceed a reasonable market rate for a loan of similar maturity terms and risk.

Sources and Uses of Funds

The project's sources and uses of funds must include the residential portion of the project only. Reasonable costs associated with common areas, community rooms, space to accommodate



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functions and services exclusively for residents of the property and modest space for a property office may be included in the AHP sources and uses of funds budget. Non-residential space – such as commercial space, project sponsor program offices and supportive services – must be separated from the AHP sources and uses of funds budget. A separate sources of funds budget for these non-residential costs must be provided to FHLBank.

Other Funding Sources – FHLBank will review estimates of funds the project sponsor has contributed, secured and/or intends to obtain from other sources, but which have not yet been committed to the project. Commitment letters from approved funding sources must be submitted with the application and should include the amount of the commitment and the expiration date of the commitment or be dated no more than one year from the AHP application due date. The amount in the commitment letter must equal the amount included in the sources of funds.

Donated Material/Labor – FHLBank will review the market value of in-kind donations and volunteer professional labor or services committed to the project. A project's sources of funds should include the estimated market value of in-kind donations and volunteer professional labor or services committed to the project. The project's uses of funds must also include the value of such estimates. However, "sweat equity" is not to be included in either the sources or uses of funds budget.

Member Involvement

Members are required to disclose their relationship with the project by providing information about loans, equity investments, services, real estate owned (REO) properties and any other involvement in the project. The interest rate, fees, value of services or property and other costs to be paid to the member must be reasonable and customary. An appraisal completed within six months of the application due date must be submitted for REO properties.

Feasibility Guidelines for Owner-Occupied Projects

Community Land Trusts (CLT) and Shared Equity Models (SEM)

FHLBank will evaluate owner-occupied projects involving CLT and SEMs on a case-by-case basis. CLT and SEMs are permissible as long as (1) the homeowner receives a share of the appreciation upon sale of the property and (2) the CLT and SEM provide an adequate homeowner education component. FHLBank reserves the right to exclude the amount of AHP subsidy from any equity-sharing formula.

Development Guidelines

The development guidelines apply to all owner-occupied projects.

Development Costs

For new construction and/or rehabilitation for-sale owner-occupied projects, FHLBank will use industry construction costs data or another basis of measurement to determine cost reasonableness. Additional information will be made available from FHLBank and posted on FHLBank's website <https://www.fhlb-pgh.com/ResourceCategory-Appling-for-AHP-Funding>



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prior to the round open date. Justification for overages may be considered by FHLBank with valid reasoning as documented by a third-party architect, engineer or independent cost estimator. FHLBank may require the project to do at least one of the following: (1) the construction costs must be validated by an independent third party, which may include the project's architect or engineer, and/or (2) the project sponsor must commit to using a competitive bidding process involving at least three general contractors where the lowest and responsible bidder is selected.

The following applies to rehabilitation owner-occupied projects:

In order to determine cost reasonableness, a project must do at least one of the following:

(1) the rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer, and/or (2) the project sponsor must commit to using a competitive bidding process involving at least three general contractors where the lowest responsible bidder is selected.

For rehabilitation of currently owner-occupied housing projects, the project costs must not exceed local usual and customary costs. Evidence to verify the reasonableness of the project's costs will be based on, but not limited to, a description of how repair costs are determined and by whom; property inspection process/procedures; the construction contractor selection and bidding process; homeowner involvement in the scope of work process, contractor selection and completion of work validation; the responsibility of the homeowner; the strategy to prioritize work and implementation; and the waiting list of potential homeowners.

In all owner-occupied projects where the project sponsor/co-sponsor or developer, or an affiliate thereof, acts as the general contractor, the construction and/or rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer.

General Requirements will be limited to 6% of hard construction/rehabilitation costs. Builder's overhead, builder's profit, bond premium, construction contingency and building permits are not included in this calculation.

Builder's Overhead is limited to 2% of the hard construction costs plus the general requirements.

Builder's Profit is limited to 6% of hard construction costs plus the general requirements.

If there is a cost overage in general requirements, builders overhead and/or builders profit, FHLBank may accept the overage if the aggregate of these categories does not exceed 14%.

Developer's and Consultant's Fees

The developer's fee includes developer's expenses, including overhead, administration, delivery fees, profit and consulting fees. The developer's fee will be limited to 15% of the project costs, which are the total development costs less acquisition costs and the developer and consultant fees.



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Mortgage Term

The mortgage term will be at least 15 years. This guideline does not apply to rehabilitation of currently owner-occupied housing projects.

Cash Back

A member may provide cash back to a household at closing on the mortgage loan in an amount not exceeding \$250. A member shall use any AHP subsidy exceeding such amount that is beyond what is needed at closing for closing costs and the approved mortgage amount as a credit to reduce the principal of the mortgage loan or as a credit toward the household's monthly payments on the mortgage loan.

Project Sponsor Financing

For an owner-occupied project where the project sponsor extends permanent financing to the homebuyer, the project sponsor's cash contribution shall include the present value of any payments the project sponsor is to receive from the buyer, which includes any cash down payment from the buyer plus the present value of any purchase note the project sponsor holds on the unit. If the note carries a market interest rate commensurate with the credit quality of the buyer, the present value of the note equals the face value of the note. If the note carries an interest rate below the market rate, the present value of the note shall be determined using the market rate to discount the cash flows.

Need for Subsidy

FHLBank will use the feasibility guidelines above to determine if a project has adequately demonstrated that its costs are reasonable and customary and buyers have secured an appropriate level of mortgage financing. FHLBank will analyze the committed and proposed sources of funds to determine the need for AHP funds. A project's estimated sources of funds shall equal its estimated uses of funds, as reflected in a project's development budget. AHP funds may be used to fill a gap in the permanent funding sources to the extent that one exists. Based on its analysis, FHLBank may, in its sole discretion, determine the project does not need AHP or reduce the AHP amount requested. For owner-occupied, for-sale rehabilitation and/or new construction projects, the sales price cannot exceed the total development cost per unit and the total of all non-forgivable liens and/or loans per unit cannot exceed the appraised value.

Rental Feasibility Guidelines

Development Guidelines – Streamlined Underwriting Guidelines Eligibility

FHLBank has established Streamlined Underwriting Guidelines for rental projects that are using permanent funding sources approved by the FHLBank. The FHLBank will approve a funding source if the FHLBank determines that the guidelines will support sound determinations of project feasibility.

The Streamlined Underwriting Guidelines, including the FHLBank approved funding sources, will be made available and posted on FHLBank's website prior to the round open date. <https://www.fhlb-pgh.com/ResourceCategory-Appling-for-AHP-Funding>.



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Through this process, FHLBank may review a rental project's feasibility under the developmental and operational feasibility guidelines of a FHLBank approved funding source of that project, including project cost guidelines.

To be eligible for consideration:

- The FHLBank approved funding source must make up at least 40% of the permanent sources of funds
- For projects with a final commitment from an approved funding source – the project must provide documentation to confirm the final commitment from the approved funding source as noted on the Streamlined Underwriting Guidelines.
- For projects pending a final commitment that is not available prior to the AHP application due date - FHLBank maintains the discretion to underwrite the project against FHLBank's feasibility guidelines or place a condition on the project to provide documentation to confirm final commitment of the funding source prior to a project's disbursement to enact the Streamlined Underwriting Guidelines provision. In the event a project does not receive a final commitment as expected, FHLBank will underwrite the project against the Bank's feasibility guidelines. Projects must satisfactorily meet all Bank feasibility guidelines in order to maintain their AHP commitment.

FHLBank maintains the discretion to review any application or project against the Bank's feasibility guidelines as outlined.

Development Guidelines

The development guidelines below apply to all rental projects and lease-purchase projects with the exception of those projects that meet the Streamlined Underwriting Guidelines above.

Development Costs

FHLBank will use industry construction cost data or another basis of measurement to determine cost reasonableness. Additional information will be available from FHLBank and posted on FHLBank's website <https://www.fhlb-pgh.com/ResourceCategory-Applying-for-AHP-Funding> prior to the round open date. Justification for overages may be considered by FHLBank with valid reasoning as documented by a third-party architect, engineer or independent cost estimator.

FHLBank may require new construction rental project sponsors to do at least one of the following: (1) validate the construction costs by engaging an independent third party, (which may include the project's architect or engineer), and/or (2) commit to using a competitive bidding process involving at least three general contractors where the lowest responsible bidder is selected.

For projects involving rehabilitation, to determine cost reasonableness, a project may be required to do at least one of the following: (1) the rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer, and/or (2) the project commits to using a competitive bidding process involving at least three general contractors where the lowest



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responsible bidder is selected.

Rental rehabilitation projects will be required to disclose information about the useful life of all systems in the property as well as the rehabilitation scope of work.

If a rental rehabilitation project is approved, the architect or engineer must complete FHLBank's Third-Party Plan and Cost Review Form <https://www.fhlb-pgh.com/ResourceCategory-Using-AHP-Funding> to be submitted with the initial request for disbursement of funds. In the Third-Party Plan and Cost Review Form, the architect or engineer will validate the scope of work and costs for the project as well as perform an analysis of the useful life components submitted for rental rehabilitation projects.

In cases where the project sponsor/co-sponsor or developer, or an affiliate thereof, acts as the general contractor, the construction and/or rehabilitation costs must be validated by an independent third party, which may include the project's architect or engineer.

General Requirements will be limited to 6% of hard construction/rehabilitation costs. Builder's overhead, builder's profit, bond premium, construction contingency and building permits are not included in this calculation.

Builder's Overhead is limited to 2% of the hard construction costs plus the general requirements.

Builder's Profit is limited to 6% of hard construction costs plus the general requirements.

If there is a cost overage in general requirements, builders overhead and/or builders profit, FHLBank may accept the overage if the aggregate of these categories does not exceed 14%.

Developer's and Consultant's Fees

The developer's fee includes developer's expenses, including overhead, profit and consulting fees. The developer's fee will be limited to 20% of the project costs for developments of 24 or fewer units and 15% for developments of 25 or more units. Project costs are the total development costs less acquisition costs and the developer and consulting fees.

FHLBank may recognize an additional developer fee of no more than 5% of the project's acquisition cost which will be the lesser of the actual amount paid for the building or the appraised value.

The developer's fee may be increased by 5% if the amount over the base standard is used to fund an internal rent subsidy or rental subsidy fund (base standard is 20% for projects with 24 or fewer units and 15% for projects with 25 or more units). The reinvested developer's fee, equal to or greater than the amount over the base developer fee limit, must be included in the sources of funds.



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Rental Soft Costs

Soft costs may increase to a maximum of 35% of the total development costs (TDC) (from the base standard of 30% of TDC) if a reinvested developer's fee is used to fund an internal rent subsidy or rental subsidy fund. The reinvested developer's fee, equal to or greater than the amount over the base soft cost standard, must be included in the sources of funds.

Capitalized Operating Reserve

Projects may contain a capitalized operating reserve of up to nine months of operating expenses plus annual hard debt service. A reserve of four months operating expenses plus annual hard debt service is encouraged for all projects and is required (1) if the Debt Coverage Ratio (DCR) is below 1.1 or (2) for projects with no debt service where the cash flow is less than 5% of the annual operating expenses.

An unconditional and irrevocable letter of credit in favor of the project may be used in lieu of a capitalized reserve. FHLBank may consider alternate funding sources or other documentation for a project to demonstrate financial capacity.

Other Reserves

All project reserves must be identified in the project's financials submitted to FHLBank and be justified to FHLBank's satisfaction. At a minimum, projects must disclose who will fund the reserve and where the reserves will be held.

Additionally, all reserves, excluding operating and supportive services reserves, are limited to 4% of the TDC excluding acquisition costs for projects financed with low-income housing tax credits (LIHTC) and 1% of the TDC excluding acquisition costs for non-LIHTC projects.

Financing

Low Income Housing Tax Credits Equity Price – Projects must secure net equity equal to or greater than the rate set by FHLBank prior to each AHP funding round. The FHLBank net equity minimum will be developed in consultation with the state HFAs in Delaware, Pennsylvania and West Virginia.

Operating Costs

A rental project must be able to operate in a financially sound manner during the AHP compliance period, in accordance with the feasibility guidelines contained herein.

Projects shall provide the revenue and expenses associated with the operation of the residential portion of the development, which may include supportive services. Revenue and expenses related to non-residential components, such as commercial space and project sponsor offices, must be included on a separate operating budget and not in the AHP financial forms.



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Tenant Rent and Third-Party Rent – Tenant rents must be affordable per the AHP Regulation section 1291.1 and in the Plan's Definitions section (see *affordable* definition).

Third-party rental payments are permitted provided that the project can document the plan to secure and/or the commitment of the rental assistance payments.

Controllable Operating Expenses Per Unit – Must be at least \$1,100 per unit annually and may not exceed \$5,300 per unit. Controllable operating expenses include administrative costs, operating and maintenance costs and payroll expenses. For projects containing 11 units or less, projects preserving existing rental housing and special needs projects, the controllable limits will be used as a guideline. If these types of projects exceed the controllable guidelines listed, FHLBank will secure additional documentation, as necessary, to validate the controllable costs.

Non-Controllable Operating Costs – Include utilities, real estate taxes and insurance. Projects must provide FHLBank with documentation or an explanation that adequately explains how these costs were derived.

Replacement Reserves – A project's annual replacement reserve must be \$200-\$500 per unit.

Management Fee – 5% to 10.5% of the gross rents. In FHLBank's sole discretion, gross effective income may be considered in the calculation of management fee. Organizations that charge a management fee of less than 5% must provide FHLBank with an explanation and documentation, as necessary, to demonstrate the financial condition of the organization.

Stabilized Vacancy Rate – 3% to 7% of gross rents

Debt Capacity and Viability – FHLBank will evaluate a project's ability to support its loan using the projections in the 15-year operating pro forma. For all projects, the following applies:

- For projects with hard debt, the Debt Coverage Ratio (DCR) must be at least 1.05 throughout the 15-year operating pro forma. The DCR will be calculated using hard debt only.
- Projects with no debt that rely on operating subsidy and/or have any year where cash flow is less than 5% of annual expenses will be required to document to FHLBank's satisfaction that a dedicated revenue source, such as HUD rental support or other resources, are available to ensure project viability. Projects that will rely on donations or fundraising to support the real-estate operations will be required to demonstrate that the project sponsor and/or owner has a track record of raising funds necessary to support the project's operations throughout the pro forma period.

Revenue/Expenses Trending – Revenue trending may not exceed expense trending. Acceptable ranges are: revenue 2% to 4% and expenses 3% to 5%. For projects with DCR of 1.25 to 1.35 in the first year of stabilized occupancy, the expense trending percentage must exceed the revenue trending percentage. The difference between the revenue and expense trending must be no more than 1%.



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Supportive Services – For projects that have a dedicated supportive services source of funds, including, but not limited to, an escrow in the capital budget and/or per diem payments a third-party funder, supportive services income and expenses should be included in the proforma submitted with the application. For projects with a supportive services escrow, the expenditure of these funds must be for services directed to the project's residents and the escrow either must be used within the AHP compliance period, or, to the Bank's satisfaction, explain justification for the remaining escrow balance.

Need for Subsidy

FHLBank will use the feasibility guidelines above to determine if a project has adequately demonstrated that its costs are reasonable and customary. FHLBank will analyze the committed and proposed sources of funds to determine the need for AHP funds. A project's estimated sources of funds shall equal its estimated uses of funds, as reflected in a project's development budget. AHP funds may be used to fill a gap in the permanent funding sources to the extent that one exists. Based on its analysis, FHLBank may determine the project does not need AHP or may reduce the AHP amount requested.



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ATTACHMENT C

General Fund Scoring

Statutory Requirements	10 points
• Use of donated or conveyed government-owned or other properties	5
• Sponsorship by not-for-profit or government entity	5
Regulatory Requirements	70 points
• Income targeting	20
• Underserved communities and populations	25
• Creating economic opportunity	10
• Community stability	15
Bank District Priorities	20 points
• Projects serving low-income minority areas	4
• Homeownership in low-income minority areas	7
• Projects in FHLBank Pittsburgh's district	9
Total	100 points

FHLBank has allocated more than 10% of FHLBank's required annual AHP contribution to a homeownership set-aside program (First Front Door) and has elected not to include "home purchase by low- and moderate-income households" under 1291.26(c) as a scoring criterion in the General Fund.

For more information about FHLBank's scoring priorities, refer to FHLBank's AHP Guidebooks available on FHLBank's website at <https://www.fhlb-pgh.com/>.

Scoring Methodology

FHLBank shall score only those applications meeting the AHP eligibility requirements of 12 C.F.R. 1291. Points awarded to the various categories will be either fixed or variable. Variable point criteria are those where there are varying degrees to which an application can satisfy the criterion. An application meeting a fixed-point criterion shall be awarded the total number of points allocated to that criterion.

Where scoring categories reference "total units" to determine the percentage of units that meet scoring threshold and/or requirements to receive points, "total units" for rental projects means all units in the project, and for owner-occupied projects, "total units" means AHP-eligible units.

Where additional forms are required to document scoring, FHLBank's most current forms should be used.



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An application's final score is determined by FHLBank in its sole discretion. Information submitted in the application for each scoring category must clearly substantiate the claim being made for scoring points. To make the final scoring determination for scoring categories requested by the applicant, FHLBank may request an applicant to provide additional information or FHLBank may utilize other information and sources to clarify the information presented within the application. Applicants shall provide any and all additional documentation/evidence requested by FHLBank in a timely manner as established by FHLBank as part of the application and/or monitoring process. FHLBank retains overall discretion to determine if projects meet the intent of a scoring category.

Applications will be scored and ranked in declining order using the 100-point scale. Applications will be approved in rank order until all of the funds available are allocated, except for any amount insufficient to fund the next highest scoring application.

FHLBank has not adopted a project alternate policy.

Tie-Breaker Methodology

In consultation with the Affordable Housing Advisory Council, the following tie-breaker methodology will apply.

In the event of a scoring tie between two or more applications in the same funding round and there is insufficient subsidy to approve all of the tied applications but sufficient subsidy to approve one or more of them, the following logic will be used to make approval determinations:

Step 1: The application located in Delaware, Pennsylvania or West Virginia will receive the AHP award approval. If the applications' scores are still tied, proceed to Step 2 below.

Step 2: The application that scores the highest number of points in the Underserved Communities and Populations will receive the AHP award approval. If the applications' scores are still tied, proceed to Step 3 below.

Step 3: The application that scores the highest number of points in the Creating Economic Opportunity scoring category will receive the AHP award approval. If the applications' scores are still tied, proceed to Step 4 below.

Step 4: The application with the highest score in the Community Stability scoring category will receive the AHP award approval. If the applications' scores are still tied, proceed to Step 5 below.

Step 5: The application with the highest score in the Bank District Priorities category will receive the AHP award approval.



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STATUTORY REQUIREMENTS

Use of donated or conveyed government-owned or other properties	5 points - Fixed
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The land or units for the AHP project must be donated by a transfer of property made between two unrelated parties that occurred five years or less from the date of the AHP round closing date. The transfer of property must be necessary for the project.

Related Parties

Any person or organization involved in the AHP project or affiliated with organizations involved in the AHP project including, but not limited to, the project sponsor, member, members of the development team and entities that have a financial interest in the project are considered to be related parties. Financial interest is defined as a permanent source of funds provided to the project. A related party may donate the property and qualify for points if it: 1) transferred the property to the related party within five years of the round closing date or will transfer the property to the related party after the round closing date, and 2) acquired the property in a manner that meets the AHP definition of donation or has owned the property for at least five years from the date of the round closing date. A municipality or local authority is not considered a related party if they are acquiring properties through a public acquisition process with the express purpose, as evidenced by acceptable verification documentation, of supporting the development of affordable housing units.

Methods of Qualifying

To be considered for Donation points, projects must complete, sign and attach FHLBank's Property Conveyance Form. FHLBank will not accept other documentation for Donation consideration in the application. Projects will receive 5 points if one of the following criteria is met as indicated in FHLBank's completed and signed Property Conveyance Form.

FHLBank, in its sole discretion, may require documentation to verify the claims made in the Property Conveyance Form.

1. At least 20% of the land or units is received for a nominal sales price, which is defined as \$100 or less. Sales price is the monetary amount paid for the property/land and does not include typical and customary closing and settlement costs. Payoffs of prior liens are not considered customary and are considered part of the sales price. Property being leased may qualify as a donation if the lease term is at least 20 years and includes the period of AHP affordability. Lease payments must be \$100 or less. Lease payments based on cash flow are not eligible for consideration.
2. At least 50% of the units or land is acquired at 50% or less of the Fair Market Value. Fair Market Value must be established by an as-is appraisal completed by a certified appraiser that is independent of the project and/or any member of the development team at the time of acquisition.
3. At least 20% of the land or units is acquired from the federal government, a federal agency or instrumentality thereof including, but not limited to, the U.S. Government, the



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U.S. Department of Housing and Urban Development, Rural Development, Fannie Mae or Freddie Mac.

Additional Criteria

FHLBank considers both land and units in the donation equation.

The documentation that may be requested by FHLBank that verifies the acquisition price must explicitly indicate that the property will be conveyed to the AHP project and include the monetary amount paid for the property.

Any assumption of debt relating to the donation will be included as part of the sales price paid for the property(ies).

If the documentation to evidence donation is a Quit Claim Deed, a legal opinion from the project's legal counsel must accompany the Quit Claim Deed to evidence clear title.

In instances where there is a claim of donation based on units, the final configuration of the AHP units must be situated on a parcel or parcels that meets a donation definition.

In instances where there is a claim of donation based on land area, a third party must document that all parcels being donated are necessary for the project. If less than 100% of the property in the project is being donated, proof of the dimensions for all properties in the project, including the donated land property(ies), must be provided by a third party.

For any documentation that does not indicate an address and only refers to a site description, sufficient third-party documentation must be provided to verify that the description in the documentation references the addresses for the AHP project listed in the AHP application.

Sponsorship by a not-for-profit organization or government entity	5 points - Fixed
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To qualify for points, project sponsorship must:

Involve participation in a project by a qualified organization. A qualified organization is defined as a not-for-profit organization, a state or a 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.

A qualified organization must:

- Have an ownership interest in a rental project; or
- Be integrally involved in a rental project or owner-occupied project by exercising control over the planning, development, or management of the project. Additionally, an owner-occupied project may be integrally involved by qualifying borrowers or providing or arranging financing for the owners of the units.

Ownership interest or integral involvement in a project may include ownership or integral



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involvement by an organization that is an affiliate of a qualified organization. For purposes hereof, affiliate means any organization that controls, is controlled by, or is under common control with the qualified organization.

To receive points, the project must complete and submit FHLBank's Sponsorship by Qualifying Organization form. This form must be signed by an attorney, the project sponsor and the qualified organization. If the qualified organization is yet to be formed, then only the attorney and project sponsor signature are required. The project sponsor must also submit required supporting documentation as required by FHLBank.

REGULATORY REQUIREMENTS

Income	0-20 points - Variable
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Income targeting entails the extent to which a project creates and reserves housing for very-low-, low- or moderate-income households. Applications for owner-occupied and rental projects will be scored separately.

Rental Projects

For projects involving the purchase or rehabilitation of rental housing that already is occupied, a household must have an income meeting the income targeting commitments at the time of application to FHLBank for AHP subsidy, unless the project has a relocation plan for current occupants either approved by one of its federal, state, or local government funders at time of application or commitment of all project funding. For occupied rental applications without a relocation plan, a current rent roll on FHLBank's template is required showing household incomes for the occupied units. At its sole discretion, FHLBank may request and review the income documentation for current residents to confirm the targeting commitments made at the time of application.

Projects will be scored using the following methodology:

- Projects with 60% or more of the total units reserved for households at less than or equal to 50% of area median income (AMI) will receive 20 points.
- Remaining projects will be scored using the following scale:
 1. Percent of the total units reserved for households with incomes at less than or equal to 50% of AMI multiplied by 20
 2. Percent of the total units reserved for households with incomes greater than 50% and less than or equal to 80% of AMI multiplied by 12

Total score is the sum of 1 and 2 above rounded to six decimal places.

The units designated in the application must be reserved for the targeted households throughout the duration of the 15-year AHP retention period.

Owner-Occupied Projects



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For projects involving the rehabilitation of owner-occupied housing in which the homeowners/households and locations have been identified and qualified by the project sponsor for participation, the participating household must have an income meeting the income targeting commitments at the time of application to FHLBank for AHP subsidy. At its sole discretion, FHLBank may request and review the income documentation for current homeowners to confirm the income targeting commitments made at the time of application.

Projects will be scored using the following methodology:

- Projects with 60% or more of the total units for households at less than or equal to 60% of area median income (AMI) will receive 20 points.
- Remaining projects will be scored using the following scale:
 1. Percent of the total units targeted to households earning equal to or less than 60% of AMI multiplied by 20
 2. Percent of the total units for households with incomes greater than 60% and equal to or less than 80% of AMI multiplied by 16

Total score is the sum of 1 and 2 above rounded to six decimal places.

Underserved Communities and Populations
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Housing for Homeless Households
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8 points - Variable

Eight points will be awarded to projects that reserve equal to or greater than 50% of the project's total units for homeless households.

Projects that reserve at least 20% of the total units but less than 50% of the total units for homeless households will receive four points.

Qualifying projects include rental housing, excluding overnight shelters, the creation of transitional housing permitting a minimum of six months occupancy, or the creation or rehabilitation of permanent owner-occupied housing meeting the reserved unit thresholds above.

A rental preservation project may be considered for homeless points if the project permits at least a six-month stay and meets, or will meet, the minimum unit reservation thresholds to qualify for homeless points.

FHLBank has the sole discretion to reduce homeless points based on its assessment of the project's ability to reserve and occupy those units for the homeless.

Homeless is defined as follows:

1. Persons who are sleeping in places not meant for human habitation (e.g., cars, parks, streets/sidewalks, and so forth)
2. Persons sleeping in emergency shelters
3. Persons graduating from a transitional housing program specifically for homeless persons
4. Persons being discharged from an institution or foster care with no permanent residence available
5. Persons *who would* be discharged from an institution if they had a permanent residence to



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go to

6. Victims of domestic violence
7. Persons living in temporary housing not meant as permanent housing such as motels
8. Persons who are “doubled-up” and are in a situation of overcrowding, which is defined as:

Unit Size	Number of People
Efficiency	3 or more
1 Bedroom	4 or more
2 Bedrooms	6 or more
3 Bedrooms	8 or more
4 Bedrooms	10 or more

Special Needs and Military Veterans	8 points - Variable
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Eight points will be awarded for the creation of housing reserving equal to or greater than 50% of the total units for occupancy by persons or households with special needs as defined below, and/or military veterans. Military veterans are considered a targeted population in the AHP regulation.

Projects that reserve at least 20% of the total units but less than 50% of the total units will receive four points.

FHLBank has the sole discretion to reduce special needs and military veteran points based on its assessment of the project’s ability to reserve and occupy those units for individuals with special needs and/or military veterans.

Special needs are defined as:

1. *Physically and/or mentally disabled* – A person (1) with a physical and/or mental (i.e., psychiatric disorder) impairment that results in substantial functional limitations and who is receiving disability benefits from federal or state government; or (2) who is deemed physically and/or mentally disabled by a qualified professional who attests that by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning or socializing.
2. *Developmentally disabled* – A person (1) with a severe chronic developmental disability who has been diagnosed with mental retardation and who is receiving disability benefits from federal or state government; or (2) who is deemed developmentally disabled by a qualified professional who attests that by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning or socializing.
3. *Persons recovering from domestic abuse, dating violence, sexual assault or stalking (physical abuse)* – A person who has been subjected to a willful action of inflicting bodily injury or physical mistreatment as documented by a qualified service provider.



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4. *Persons recovering from domestic abuse, dating violence, sexual assault or stalking (emotional abuse)* – A person who has been subjected to a willful action of inflicting emotional mistreatment, but has not been physically abused, as documented by a qualified service provider.
5. *Persons recovering from substance use disorder (alcohol or drug abuse)* – A person with a history of substance abuse and/or dependency who is receiving treatment for the abuse and/or dependency from a qualified service provider.
6. *Persons with HIV/AIDS* – A person with a medical diagnosis of Auto Immune Deficiency Syndrome or who is medically diagnosed by a qualified professional as HIV positive and who is receiving medical care for the condition diagnosed.
7. *Elderly persons* – A person who is 62 years of age or older.
8. *Formerly incarcerated person* – A person that was previously convicted of a crime and was detained in a local, state or federal jail or prison within the prior five years.
9. *Youth aging out of foster care* – Youth/young adults who left foster care within the prior five years and who were in foster care at or over age 16.

Other Targeted Populations

Military veterans – a person who served in the active military, naval or air service and who was discharged or released under conditions other than dishonorable.

Any member of a household with any of the qualifying special needs conditions or is a military veteran as outlined above qualifies the household as a special needs or a military veteran household.

The number of units reserved/occupied by persons or households with special needs or military veterans in an approved AHP project must be maintained as approved in the AHP application, and if applicable, for the duration of the AHP retention period.

Housing in Rural Areas	5 points - Fixed
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Projects with at least 75% of sites located in rural areas will receive five points.

For sites that are known and identified at the time of application, the two types of documentation that will be considered are:

1. A printout of the rural determination for each AHP project site in the application provided by the USDA Rural Development, which can be found at the USDA's website. Projects should select the appropriate eligibility based on project type.



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2. FHLBank's Rural Certification Form for the project site(s) signed by the USDA.

In instances where sites are not yet known or identified, the sponsor must certify in AHP Online that at least 75% of the properties in the project will be considered eligible as rural per USDA Rural Development; no documentation is required to be submitted at application for unknown sites.

Refer to the AHP Online Application Guide for Sponsors for further guidance on documentation of rural eligibility via this method.

Rental Housing for Extremely Low-Income Households	4 points - Fixed
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Four points will be awarded to rental projects that reserve at least 20% of the project's total units for extremely low-income (ELI) households, who earn less than or equal to 30% of the area median income. The units designated in the application must be reserved for ELI households throughout the duration of the 15-year AHP retention period.

Creating Economic Opportunity

Promotion of Empowerment	0-6 points - Variable
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Points will be awarded to projects to the extent and degree that the housing is provided in combination with a program or programs offering services and opportunities, including education, training, employment, homebuyer, homeownership or tenant counseling, day care services, resident involvement in the decision-making affecting the creation or operation of the project or other services that assist residents and buyers to move toward better economic opportunities.

Points will be awarded to projects providing housing in combination with a program offering one or more of the following activities that assist residents in moving toward better economic opportunities. Projects will receive points as indicated for each activity offered, up to a maximum of six points at FHLBank's sole discretion, based on the extent to which FHLBank determines that the programs and services provided by the project sponsor play an integral part in the concept of the project, have been actively secured for the residents, have a direct link or commitment to the residents and are appropriate for the targeted population. Applications will be evaluated based on the empowerment details and provider information contained in the application and supporting documentation.

To receive points for each empowerment activity selected in the application, a signed Memorandum of Understanding (MOU) will be required for each empowerment activity. Empowerment techniques may only be submitted on FHLBank's MOU. Any deviations from this will not be eligible for consideration.

Each empowerment technique may only be considered once. For example, if a project is providing educational techniques such as GED and computer classes, the project would receive two (2) points for empowerment through education rather than being awarded points for each element within the education category.



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If a third party is providing the service, the MOU must be signed and dated by the project sponsor and the third-party provider at time of AHP application submission to receive scoring consideration.

Empowerment scoring:

Four points will be awarded for the following techniques:

- *Pre-Homeownership Counseling* – All homebuyers in the project must complete at least four hours of pre-homeownership counseling, including counseling on predatory lending and must take place prior to the purchase of the home. Points will be awarded for pre-homeownership counseling only if counseling is mandatory for all AHP-assisted homeowners. Pre-homeownership counseling points will only be awarded to new construction owner-occupied projects and rehabilitation of for-sale housing projects. A project cannot receive points for both pre-homeownership counseling and financial literacy/credit counseling/budgeting because of the similarities between these techniques. Only one of these techniques will be eligible for consideration. For the complete requirements for pre-homeownership counseling, including eligible entities providing the counseling, refer to the AHP Guidebook found on FHLBank's website at <https://www.fhlbpgh.com/ResourceCategory-Appling-for-AHP-Funding>.
- *Post-Homeownership Counseling* – Points will be awarded for post-purchase face-to-face homebuyer counseling only if counseling is mandatory for all AHP-assisted homeowners and is at least four hours. Topics may include maintenance and repairs and improvements. Post-homeownership counseling points will only be awarded to owner-occupied projects.

Two points will be awarded for the following techniques:

- *Case Management* – Encompasses the assessment, planning, facilitation and advocacy for a client's individual needs and supports the residents' ability to find or sustain employment or be self-sufficient or promotes their economic betterment. May also include family self-sufficiency programs.
- *Counseling* – Mental and behavioral health services, substance abuse prevention and treatment programs or residential support services. Services provided must promote economic betterment by supporting residents' ability to find or sustain employment or be self-sufficient.
- *Daycare Services* (youth or adult) – Services that allow residents to pursue economic opportunity. The daycare must have a valid and current operating license dated within 12 months of application submission.
- *Education* (related to economic empowerment other than employment training) – May include adult accredited education programs, GED, vocational training, computer classes, English as a second language or literacy programs.
- *Employment Training* – Services and/or job training programs to assist residents with

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procuring employment (i.e., job search assistance, career counseling, apprenticeships, resume writing assistance, job placement).

- *Financial* – Project financially empowers its residents other than by providing rental assistance, restricted rents or down payment assistance. Eligible financial benefits may include the provision of matched savings programs (i.e., individual development accounts) or other programs or services that provide direct and quantifiable cash assistance to residents.
- *Financial Literacy/Credit Counseling/Budgeting* – Includes topics such as basic financial planning and money management, overview of credit and credit reports, assessment of individual credit reports, steps to repair credit, successful money management and establishing a budget and early warning signs of debt problems. An application cannot receive points for this technique if it also receives pre- homeownership counseling points.
- *Homeowners Association* – An association of homeowners created to allow regular discussions of homeownership issues and neighborhood and community issues. The association should have regular meetings and some policies and procedures governing its business, but it does not have to be formally chartered or incorporated.
- *Life Skills Classes* that promote economic betterment or self-sufficiency. The life skills training should focus on topics that enable individuals to deal effectively with the demands and challenges of everyday life.
- *On-site Primary Health Care Services* including, but not limited to, food service programs that are delivered on-site and directly benefit the residents of the project, or vaccination/screening programs or health care management programs that support residents' ability to find or sustain employment or be self-sufficient.
- *Resident Serving on Project Sponsor's Board* – Means a resident serving on the board of directors of the project sponsor. The resident of the project must have been elected by other residents and there must be procedures that describe the selection process, including eligibility and filling vacancies.
- *Sweat Equity* – Activities required of the homebuyers or their families related to the construction/rehabilitation of the home.
- *Tenant Council* – An organization comprised of tenants of the property with regular meetings and operating rules and procedures (such as by-laws and elections) affecting the operation of the project.
- *Transportation* – Project-specific private transportation services provided by the project and tied to residents' economic empowerment.
- *Youth or After-school Programs* that serve as a substitute for childcare, enabling the youth's parents or guardians to find or sustain employment.



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Residential Economic Diversity	4 points - Fixed
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The financing of housing in high opportunity areas.

To qualify, a project must have at least 75% of the properties in the project located in a census tract(s) with a median family income that is equal to or greater than 100% of the regional median family income (Metropolitan Statistical Area [MSA]/Metropolitan Division [MD] or non-MSA/MD) as published on the Federal Financial Institutions Examination Council's (FFIEC) website at <https://www.ffiec.gov/>.

- In instances where sites are not yet known or identified, the sponsor must certify that at least 75% of the properties in the project will be located in a qualified census tract defined above.
- For known and identified sites, the FFIEC printout validating the median family income for each qualifying project site's census tract for the most recent year available should be attached to the application. In instances where sites are known but addresses are not identified, FFIEC census tract documentation reflecting the exact property/properties should be provided. Block group data will not be accepted.

Community Stability	15 points - Variable
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The purpose of this category is to reward and encourage affordable housing development that has a positive impact on the well-being of the community. Projects will receive points as indicated for each technique offered, up to a maximum of 15 points.

To be considered for points under this category, a project must first meet the following threshold requirements for displacement:

- To the maximum extent feasible, no permanent displacement of low- or moderate- income households will occur or, if such displacement will occur, assure that such households will be assisted to minimize the impact of displacement based on the following guideline:

Projects that have resulted or will result in the permanent displacement of low-income residents will be ineligible to receive points under the community stability criterion unless the project sponsor completes and signs FHLBank's Relocation Form in a manner that is deemed to be satisfactory to FHLBank. Projects may be requested to document to the satisfaction of FHLBank the effectiveness of notice given to the residents. FHLBank may also request a copy of the project's relocation plan.

- Once the threshold requirement for displacement is satisfied, points will be awarded based on the project description and other supporting information provided in the application.

Community Planning	3 points - Fixed
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Projects may receive three points for demonstrating consistency with a community plan and that



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the project meets targeted priorities identified in the plan. The following types of plans, which are further defined on FHLBank's Community Planning Form, are eligible for consideration as a community plan:

- A community or neighborhood stabilization plan approved by a local or state government
- A community plan approved by a community organization
- A plan targeting persons who are experiencing homelessness, have special needs or are veterans

To receive points, FHLBank's Community Planning Form must indicate that at least 75% of the properties in the project are located within the area covered by the Plan, indicate it is certified to meet targeted priorities in the plan and must be signed by a representative of the entity that approved the plan. Only one plan will be accepted. The original plan approval or plan update approval must be no more than ten years from the General Fund application due date.

Rehabilitation of Existing Properties **3 points - Fixed**

Includes projects that involve rehabilitation of existing structures, including blight removal and adaptive reuse. The rehabilitated units must be at least 75% of the project's total AHP units. For rental projects and owner-occupied for-sale projects, the rehabilitation costs must be greater than \$25,000 per rehabilitated unit of hard rehabilitation costs.

Rental Housing Development **5 points - Fixed**

Projects supporting rental housing development will receive five points.

Owner-Occupied Rehabilitation **10 points - Variable**

To receive points, the projects must rehabilitate currently occupied owner-occupied housing. Projects that meet the USDA rural requirements under the Rural Scoring category are eligible for 10 points. Projects in urban areas are eligible for eight points.

Historic Property Rehabilitation **2 points - Fixed**

Project rehabilitates a property of historic significance that contains at least 20 percent of the project's total AHP units and involves greater than \$25,000 per rehabilitated unit of hard rehabilitation costs. To receive points, the property must meet the definition of historic significance as defined by FHLBank's Property of Historic Significance Form which must be attached to the application. The form must be signed by the State Historic Preservation Office (SHPO).

Preservation of Existing Subsidized Housing **5 points - Fixed**

Project preserves existing subsidized housing provided that hard rehabilitation costs are greater than \$10,000 per rehabilitated unit. To meet the criteria for this category, the subsidized units must be within two years of any permitted repayment, including any expiration of the restricted use requirement. Additionally, if the project proposes both rehabilitation and new construction of units, the preserved rehabilitated units must be at least 75% of the project's total AHP units. To receive points, the completed Preservation of Existing Subsidized Housing Certification Form must be



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attached to the application.

Sustained Affordability

5 points - Fixed

The purpose of this scoring category is to encourage the use of community land trusts (CLTs) or other shared equity models to sustain and maintain affordable housing in perpetuity.

Owner-Occupied Projects

For owner-occupied projects to receive points in this category:

- The project must use a CLT model or other shared equity model for all addresses in the project receiving AHP assistance. The CLT or shared equity model must have an affordability compliance period of at least 30 years.
- FHLBank's Sustained Affordability Form – Owner-occupied projects must be signed by the entity committing to the protection of affordability under a CLT or shared equity model at targeted levels of income for the 30 years or more compliance period. The entity must also validate that there will be an education component for each homeowner.
- The property's underlying binding CLT's or shared equity model's legal agreement must include resale restrictions within the affordability compliance period (30 years or more) to ensure affordability of units offered for sale or resale before the end of the affordability period. This provision shall include a formula for equity sharing. Additionally, the property's underlying binding legal agreement must include a purchase option that gives the community land trust, or other entity committing to the protection of the unit's affordability, an exclusive option to purchase the AHP- assisted unit for a price determined by the resale formula whenever the unit is offered for resale.
- FHLBank may request a copy of the binding legal document (deed covenant or restriction, ground lease, etc.) that will encumber the property after it is developed to control resale prices.
- The CLT or shared equity model legal mechanism for the project's sustained affordability of 30 years or more is separate from the retention for AHP, the latter of which is limited to five years for owner-occupied projects.

Owner-occupied rehabilitation projects that are currently occupied are not eligible for consideration.

Rental Projects

For a rental project to receive points in this category:

- The project must use a CLT for all addresses in the project receiving AHP assistance, and the CLT must retain the units as affordable for at least 30 years.



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- FHLBank's Sustained Affordability Form – Rental Projects must be signed by the entity committing to the CLT, including the protection of affordability at targeted levels of income for the 30+ year compliance period.
- The CLT legal mechanism for the project's sustained affordability of 30 years or more must be separate from the retention for AHP, the latter of which is limited to fifteen years for rental projects.
- FHLBank may request a copy of the legal documents relating to the CLT model.

FHLBANK DISTRICT PRIORITIES

Projects Serving Low-Income Minority Areas	4 points - Fixed
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To qualify for points at least 75% of the AHP properties must 1) be located in an eligible low-income minority census tract(s) on FHLBank's eligible tracts list and 2) meet the community planning/housing need component. A list of eligible tracts, including the definition of how eligible tracts were determined, will be made available from FHLBank and posted on FHLBank's website <https://www.fhlb-pgh.com/ResourceCategory-Appling-for-AHP-Funding> prior to the round open date. FHLBank may, in its sole discretion, consider a prior year or alternative data in cases where the FFIEC has no available data for a populated tract. Further instruction for projects located in populated census tracts where FFIEC has no available data will be made available by FHLBank on the list of eligible tracts.

Community Planning/Housing Need Component - To meet this criterion, a project must satisfy and qualify for scoring points under the AHP's Community Planning category.

In instances where sites are not yet known or identified, the sponsor must certify that at least 75% of the properties in the project will be located in low-income minority census tracts and meet the community planning/housing needs component. For known and identified sites, the FFIEC printout validating each qualifying project site's census tract should be attached to the application. In instances where sites are known but addresses are not identified, FFIEC census tract documentation reflecting the exact property/properties should be provided. Block group data will not be accepted.

Homeownership Opportunities in Low-Income Minority Areas	7 points -Variable
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Projects that create new homeownership opportunities (for-sale) in low-income minority areas and meet the qualifications of the low-income minority areas scoring category above are eligible for seven points.

Projects that rehabilitate currently occupied owner-occupied housing in low-income minority areas and meet the qualifications of the low-income minority area scoring category above are eligible for four points.

Projects in FHLBank Pittsburgh's District	9 points - Variable
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Projects with all units located in Pennsylvania or West Virginia will receive five points. Projects with all units located in Delaware will receive nine points.

ATTACHMENT D



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MONITORING

FHLBank's Community Investment Department (CID) shall monitor projects that have received funding under the Affordable Housing Program (AHP), in accordance with FHLBank's Monitoring Program. The Monitoring Program shall provide reasonable assurance that the following five critical areas are ascertained with respect to approved projects:

1. Accountability of AHP funds
2. Eligibility of recipients
3. Level of compliance with approved AHP application
4. Level of compliance with the Federal Home Loan Bank Act and 12 C.F.R. Part 1291, as may be amended from time to time
5. Level of compliance with FHLBank's AHP policies and procedures and the Plan

To achieve the aforementioned, the AHP Monitoring Program will have, as its primary focus, three levels of review. The three levels are:

- Level 1 – Semi-Annual Progress Report and Project Completion Certification
- Level 2 – Project Completion Report
- Level 3 – Long-Term Monitoring

The three levels of review are presented and discussed as follows:

LEVEL 1: SEMI-ANNUAL PROGRESS REPORT AND PROJECT COMPLETION CERTIFICATION

A. Overview

A Level 1 review is conducted during the project's incomplete stage from application approval to project completion. This review is conducted every six months and includes analysis of the Semi-Annual Progress Report (SAPR). Additionally, a Certification Report provided by the project sponsor/owner at project completion will be reviewed. Both the SAPR and certification reviews will be documented within the AHP Online system.

B. Procedures

Beginning six months after FHLBank's approval of the member's AHP competitive application, and continuing until project completion, the project sponsor must submit to FHLBank an SAPR on at least a semi-annual basis. The SAPR will address the six-month periods ending June 30 and December 31. The SAPR is required to be filed during the period of construction or rehabilitation of a project and will detail the progress and overall status of the project. The project Sponsor will complete and certify the SAPR via the AHP Online system. Once the SAPR is certified by the project sponsor, the member may review the SAPR and inform FHLBank of any issues or discrepancies regarding the project. The SAPR is required to be filed until the project is deemed complete by FHLBank. Project completion is defined as follows:

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1. Owner-occupied project:
 - Construction and/or rehabilitation complete on all units
 - All AHP funds disbursed
 - All units sold
2. Rental project:
 - Construction and/or rehabilitation complete on all units
 - All AHP funds disbursed
 - At a minimum, 75% of units occupied
3. A SAPR will be reviewed to determine:
 - Level of progress towards completion and occupancy
 - Project status
 - Level of compliance with the approved application

Satisfactory progress towards completion will be determined based on how the project is meeting FHLBank's Minimum Progress Expectations.

Projects that are not in compliance with FHLBank's Minimum Progress Expectations may be subject to de-obligation and/or recapture of AHP funds and/or subject to FHLBank's compliance remedies as detailed within FHLBank's Monitoring Procedures. In addition, projects not disbursed within 24 months of application approval and projects not complete within 48 months from application approval will be placed on FHLBank's Watch List Report which is reported to the Board of Directors.

LEVEL 2: PROJECT COMPLETION REPORT

A. Overview

A Level 2 review is defined as Project Completion Report (PCR) review of the project and is conducted after project completion. PCR encompasses a review of the project to determine the level of the project's compliance with the approved application, any approved modification(s), law, regulation, FHLBank policy and/or procedures. A Monitoring Report is produced that details the results of PCR. This review may start earlier if there is any indication of noncompliance.

B. PCR Procedures

1. For all completed rental and owner-occupied AHP projects, a Level 2 PCR will be completed within a reasonable period of time after project completion. Project completion shall be determined by FHLBank in its sole discretion. In making such determination, FHLBank may consider, among other things, progress indicated as of the SAPR date, date of last unit completed or other notification provided to FHLBank.



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2. During the Level 2 PCR process, 20% of a project's units, or at least two units, will be selected for monitoring.
 3. When an AHP project is subject to PCR, the following will be determined by FHLBank:
 - Level of compliance with the approved application|
 - Level of compliance with 12 C.F.R. Part 1291
 - Level of compliance with FHLBank's AHP policies and procedures
 - Whether the AHP subsidy was used for eligible purposes according to the commitments made in the approved AHP application
 - Whether the household incomes comply with the income targeting and affordability commitments made in the approved AHP application. Consistent with 12 C.F.R. § 1291.50(b), for projects that received LIHTC, HUD Section 202 Program for the Elderly, HUD Section 811 Program for Housing the Disabled, USDA Section 515 Rural Multifamily Program and USDA Section 514 Farmworker Multifamily Program, FHLBank will not require back-up documentation for household income and rents and instead will rely on the government entities' review of such documentation. For homeless and victims of domestic violence residing in shelters, FHLBank does not need to obtain back-up documentation from the shelter owners verifying the residents' compliance with the AHP income-eligibility or AHP rent requirements (See, Finance Agency AB 2019-02). Instead, FHLBank may rely on certifications by shelter owners to verify compliance with the AHP income-eligibility and rent requirements (See, Finance Agency AB 2016-03).
 - Whether the project's actual costs were reasonable in accordance with FHLBank's project feasibility guidelines. FHLBank requires that the project's final development costs be validated by a cost certification and/or other documentation in FHLBank's sole discretion as outlined in the AHP Monitoring Agreement.
 - Whether the AHP subsidy was necessary for the completion of the project, as currently structured Retention agreements (See Section VI Retention Agreement Requirements)
 4. Certification Reports for owner-occupied and rental projects are required to be filed by the project sponsor or owner.

For a rental project, the project owner will certify the following:



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- The individual executing the certification is duly authorized to make the representations contained in the certification.
 - The AHP subsidy was used for eligible purposes according to the commitments made in the approved AHP application.
 - The project's costs were reasonable in accordance with FHLBank's project cost guidelines and the AHP subsidy was necessary for the completion of the project as currently structured, as determined pursuant to 1291.24(a)(4) of the AHP Regulation.
 - The services and activities committed in the AHP application have been provided.
 - The household incomes and rents comply with the income targeting and rent commitments made in the application.
 - The rent roll provided to FHLBank in connection with this Certification contains a true, accurate and correct list of the actual tenant rents and incomes for the project and are in compliance with the rent and income targeting commitments made in the project's application and further that it maintains documentation regarding tenant rents and incomes to support the certification that is available for review by the member and FHLBank.
 - The project is subject to a legally enforceable retention agreement or mechanism meeting the requirements noted in 1291.15(a)(8) of the AHP Regulations.
 - The project sponsor acknowledges that FHLBank has the right to request additional supporting documents as part of the project's monitoring and that all such documents submitted shall be true, accurate and correct.

For an owner-occupied project, the project sponsor will certify the following:

- The individual executing the certification is duly authorized to make the representations contained in the certification.
- The AHP subsidy was used for eligible purposes according to the commitments made in the approved AHP application.
- The project's costs were reasonable in accordance with FHLBank's project cost guidelines and the AHP subsidy was necessary for the completion of the project as currently structured as determined pursuant to 1291.24(a)(4) of the AHP regulation.
- The household income complies with the income targeting commitments made in the application.
- The household income for the AHP-assisted homeowner(s) as reported is accurate and in compliance with the income targeting commitments made in the approved AHP

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application or any approved modification.

- The AHP-assisted units where a household received AHP subsidy for the purchase or purchase in conjunction with rehabilitation of an owner-occupied unit are subject to a legally enforceable retention agreement or mechanism meeting the requirements of 1291.15(a)(7) of the AHP regulation.
- The project sponsor acknowledges that FHLBank has the right to request additional supporting documents as part of the project's monitoring and that all such documents will be true, accurate and correct.

Once the Level 2 PCR is completed, a Monitoring Report is written detailing a project's level of compliance based on the following compliance ratings:

Satisfactory – Assigned to projects that have provided all monitoring documentation and have been determined to be in compliance with the approved AHP application, approved modification (if any) and AHP regulations.

Incomplete – Assigned to projects that have not provided requested documentation. Once documentation is provided, a follow-up monitoring report is written indicating the level of compliance.

Unsatisfactory – Assigned to projects that are not in compliance with the approved AHP application, approved modification (if any) and/or AHP Regulation.

- a. For Unsatisfactory rated projects: The project will be placed under an Action Plan to resolve the non-compliant issues within a reasonable period of time or FHLBank will utilize the actions noted within 12 CFR § 1291.6.

LEVEL 3: LONG-TERM MONITORING

A. Overview

A Level 3 review is conducted solely for rental projects and in accordance with 12 C.F.R. § 1291.50(c).

A. Owner-Occupied Projects

Owner-occupied projects are not subject to ongoing household income requirements and transfers of ownership are monitored through recorded retention mechanisms (See Section VI Retention Agreement Requirements).

B. Rental Projects

Conducted solely for rental projects in compliance with 12 C.F.R. §

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1291.50(c). Rental projects will be categorized based on the following criteria, then assigned a risk category:

- Low-Income Housing Tax Credit projects
- Non-tax credit projects monitored by a federal, state or local government entity
- Bank-monitored projects

For AHP rental projects monitored by a federal, state or local government entity and by FHLBank, a risk category will be assigned to each project and long-term monitoring will be based on the risk category assigned.

For long-term monitoring of AHP rental projects funded by the programs lists below, the regulation requires that FHLBanks review annual project sponsor certifications on household incomes and rents and information on the ongoing financial viability of the projects, but not any other back-up documentation on incomes and rents, including rent rolls.

- HUD Section 202 Program for the Elderly;
- HUD Section 811 Program for Housing the Disabled;
- USDA Section 515 Rural Multifamily Program; and
- USDA Section 514 Farmworker Multifamily Program.

For homeless and victims of domestic violence residing in shelters, FHLBank does not need to obtain back-up documentation from the shelter owners verifying the residents' compliance with the AHP income-eligibility or AHP rent requirements (See, Finance Agency AB 2019-02). Instead, FHLBank may rely on certifications by shelter owners to verify compliance with the AHP income-eligibility and rent requirements (See, Finance Agency AB 2016-03).

Risk categories and review requirements are as follows:

Minimal Risk: Annual Project Sponsor or Owner Certification (PSOC)

Low Risk: Long-term monitoring review every six years and PSOC for FHLBank-monitored projects

Moderate: Long-term monitoring review every four years and PSOC for FHLBank-monitored projects

High: Long-term monitoring review every two years and PSOC for FHLBank-monitored projects

After the risk category designation, all rental projects will be assigned a Long-Term Monitoring Code (LTMC) and will be monitored long-term starting in the second year after project completion, as follows:

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LTMC 1 Low-Income Housing Tax Credit Projects

For rental projects that have been allocated federal Low-Income Housing Tax Credits (LIHTC), FHLBank will rely on the monitoring by the state-designated housing credit agency administering the tax credits for the income targeting and rent requirements applicable under the Low-Income Housing Tax Credit Program. The Direct Subsidy Agreement signed by the member, sponsor and project owner will include an agreement by the project owner to provide prompt written notice to FHLBank if the LIHTC project is in material and unresolved noncompliance with the LIHTC income targeting or rent requirements at any time during the AHP 15-year retention period. Under the AHP Regulation, FHLBank is not required to obtain and review reports from such an agency or otherwise monitor the project's long-term AHP compliance.

LTMC 2 Monitored by Pennsylvania Housing Finance Agency

For rental projects that received funds other than LIHTC from Pennsylvania Housing Finance Agency (PHFA), FHLBank will rely on the monitoring by PHFA for the income targeting and rent requirements applicable under their programs, provided the income targeting requirements, rent requirements and retention period monitored by PHFA for purposes of its own program are substantively equivalent and provided that the conditions enumerated within 12 C.F.R. § 1291.50(b) are satisfied. For projects meeting these requirements, monitoring reports will be obtained from PHFA in accordance with the following risk categories:

AHP Subsidy	AHP as a % of TDC	Risk Category
< \$250,000	< 20%	Low
< \$250,000	> 20%	Moderate
\$250,001 to \$1,500,000	< 20%	Moderate
\$250,001 to \$1,500,000	> 20%	High

LTMC 3, 4 and 5 Monitored by FHLBank

Long-term monitoring by FHLBank shall be performed as follows:

AHP Subsidy	AHP as a % of TDC	Risk Category
< \$100,000	< 20%	Minimal
< \$100,000	> 20%	Low
\$100,001 to \$250,000	< 20%	Low
\$100,001 to \$250,000	> 20%	Moderate
\$250,001 to \$1, 500,000	< 20%	Moderate
\$250,001 to \$1,500,000	> 20%	High

LTMC 3 Monitored by FHLBank and Low-Risk Category

Monitored long-term starting in the second year after project completion as follows:

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- Annual certification from project sponsor or owner for 15 years; and
- FHLBank will review project documentation for a 20% sample, or a minimum of two, of the project's units once every six years after completion of the Level 2 PCR review to determine whether the project's household incomes and rents comply with the income targeting and rent commitments made in the approved AHP application or any approved modification(s).

LTMC 4 Monitored by FHLBank and Moderate-Risk Category

Monitored long-term starting in the second year after project completion as follows:

- Annual certification from project sponsor or owner for 15 years; and
- FHLBank will review project documentation for a 20% sample, or a minimum of two, of the project's units once every four years after completion of the Level 2 PCR review to determine whether the project's household incomes and rents comply with the income targeting and rent commitments made in the approved AHP application or any approved modification(s).

LTMC 5 Monitored by FHLBank and High-Risk Category

Monitored long-term starting in the second year after project completion as follows:

- Annual certification from project sponsor or owner for 15 years; and
- FHLBank will review project documentation for a 20% sample, or a minimum of two, of the project's units once every two years after completion of the Level 2 PCR review to determine whether the project's household incomes and rents comply with the income targeting and rent commitments made in the approved AHP application or any approved modification(s).

In addition to the risk criteria described previously, rental projects that have the following issues will be assigned a High-Risk Category:

- a) Material and outstanding compliance issues
- b) Issues involving project type, size, location, viability and project sponsor experience and performance

In addition to being placed in the LTMC 5 High-Risk Category for monitoring purposes, projects with any of the above issues will be subject to a corrective action process that involves contact with the member and/or project owner on a frequent basis until the issue(s) are resolved.

Site Visits

FHLBank may, in its sole discretion, perform a project site visit on any AHP project. In determining whether to conduct a site visit, FHLBank will consider the following factors:

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- Projects not in compliance with the approved AHP application and/or FHFA regulations that cannot be resolved within six months, or projects with issues that cannot be confirmed or resolved with off-site monitoring
- Projects with AHP funds representing the majority (more than 50%) of a rental project's gap funding
- Projects on FHLBank's Watch List Report, rated as high-risk as determined by FHLBank's AHP Risk Evaluation Process or are subject to FHFA concern
- FHLBank becomes aware of concerns related to long-term monitoring being conducted by third-parties
- Projects that are financially troubled, including those with a bankrupt project sponsor, that call into question the long-term viability of the project
- FHLBank suspects fraud or misrepresentations on part of the project sponsor, owner, managing agent or other party such as misrepresented factual information or falsified income documents and verification or altered homeowner/tenant files

First Front Door Monitoring

FHLBank's CID shall monitor First Front Door (FFD) program households that have received funding under FFD, in accordance with the FFD monitoring procedures. FFD monitoring shall determine the following:

1. The subsidy was provided to households meeting all applicable eligibility requirements in §1291.42 and FHLBank's FFD monitoring policy and procedures.
2. All other applicable eligibility requirements in §1291.42 and FHLBank's FFD policy and procedures have been met including that the assisted units are subject to retention agreements required under §1291.15(a)(7).

FFD Monitoring Review Procedures

Monitoring of the FFD program occurs at the time of homebuyer reservation, disbursement for each FFD homebuyer and after disbursement of FFD funds.

At homebuyer reservation, the following items are determined by the FFD Program Administrator:

- Household income eligibility, by reviewing the FFD Income Calculation Form and supporting third-party documentation, to determine if the FFD household has household income 80% or less of AMI
- Member certifies that the homebuyer(s) is a first-time homebuyer, as defined in the FFD program requirements
- Member certifies the homebuyer(s) will receive at least four hours of homeownership counseling, including the topic of predatory lending

At disbursement, the following items are required:



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- Member provides a copy of FHLBank's executed Real Estate Retention Agreement
 - Member certifies completion of homeownership counseling
 - Member provides a copy of the final executed settlement statement/closing disclosure to determine subsidy use for down payment and/or closing costs assistance, member concession(s), reasonable financing costs and cash back to homebuyer that does not exceed \$250
 - Member certifies that the subsidy is provided in accordance with §1291.15(a)(7) of the AHP Regulation
 - FFD subsidy does not exceed \$15,000

After disbursement, FHLBank, on an annual basis, will collect recorded retention agreements using the following sampling methodology:

- The sampling methodology is based on a review of each member's funded FFD homebuyers. The sample will be selected on a random basis and will be based on 5% of the member's activity or a minimum of two and a maximum of 15 homebuyers.
- Once the sample is selected, FHLBank will request the member to provide a copy of the executed and recorded retention agreement for the sample to determine that the member is in compliance.
- If the review determines that the member is not in compliance, the sample will be expanded and the member will be required to record all non-compliant retention agreements. Additionally, the member may be suspended from FFD participation until FHLBank is satisfied that the member has implemented satisfactory corrective action(s) to alleviate any future occurrence of non-recorded retention agreements.
- Once the monitoring review is completed, the level of compliance shall be identified by the FFD Product Manager in the form of a memo to the CID Senior Director and Manager of Compliance and Quality Assurance. The FFD Product Manager is responsible to develop and implement corrective action(s) to resolve any issues of non-compliance.

For all projects, including without limitation, those funded through the General Fund and FFD, the project owner and/or project sponsor, as the case may be, agree to provide any and all additional documentation/evidence requested by FHLBank in its sole discretion to perform its monitoring obligations under the Regulations and/or any other compliance review it deems necessary in its sole discretion.