

Member Training Webinar

2017 Affordable Housing Competitive Program
Federal Home Loan Bank of Atlanta

October 27, 2016



GoToWebinar Instructions

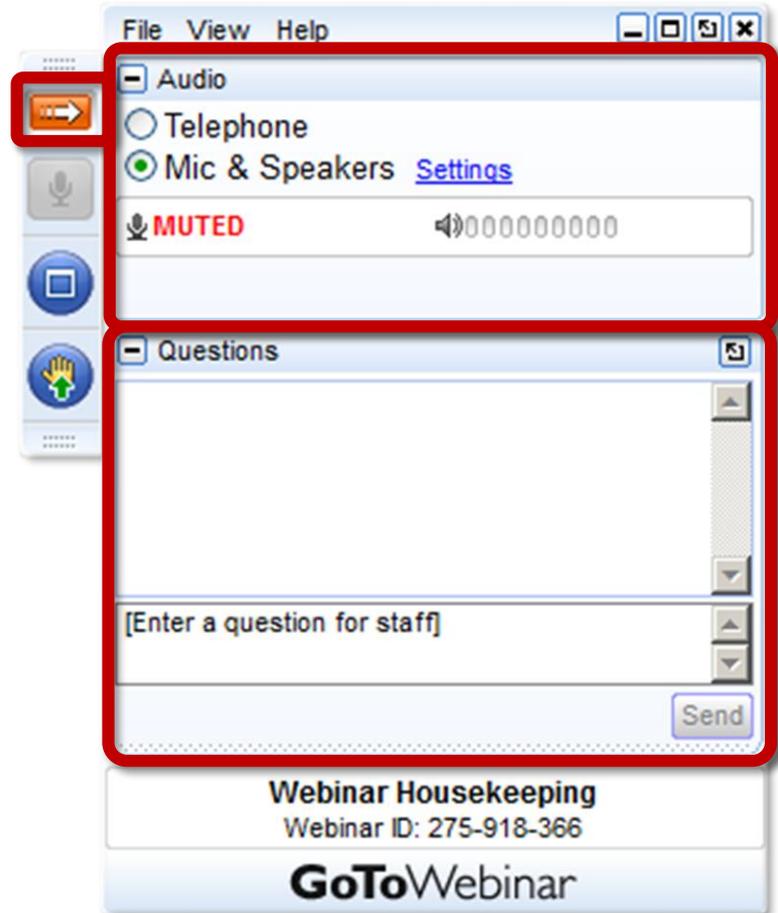
Your Participation

Control Panel

Use the **red** arrow to open and close the control panel

Join audio:

- Choose **Telephone** and dial using the information provided, or
- Choose **Mic & Speakers** to use VoIP
- Use the **Questions** panel to submit questions and comments at any time during the presentation
- Please **raise your hand** to be unmuted for verbal questions during the Q&A sessions



Objectives

What is the AHP Competitive?

- “Equity-like” funding
- What makes AHP different from other sources of funds?
- Uses of AHP funds
- Getting started

Why Apply for AHP funds?

- Member
- Sponsor

How Does the AHP Competitive Work?

- Schedule
- Process Flow

Application Criteria

- Threshold
- Scoring
- Underwriting

Risk Management

- Non-compliance
- Shareholder’s responsibilities
- Other questions

Questions and Answers

What is the AHP Competitive Program?



Unique Offering to Shareholder and Community



- Like every “dividend,” predicated upon earnings
- “Equity-like” capital for real estate transactions, in the form of an AHP subsidy
- Direct and indirect benefits to members, developers, homebuyers, tenants, and the community

FHLBank Atlanta AHP Scale and Impact



\$714.6 Million

competitive funds awarded to create over 113,158 rental and homeownership opportunities for moderate-, low-, and very low-income households since 1990

AHP Competitive Leverage Ratio – 1:14

\$171.8 Million

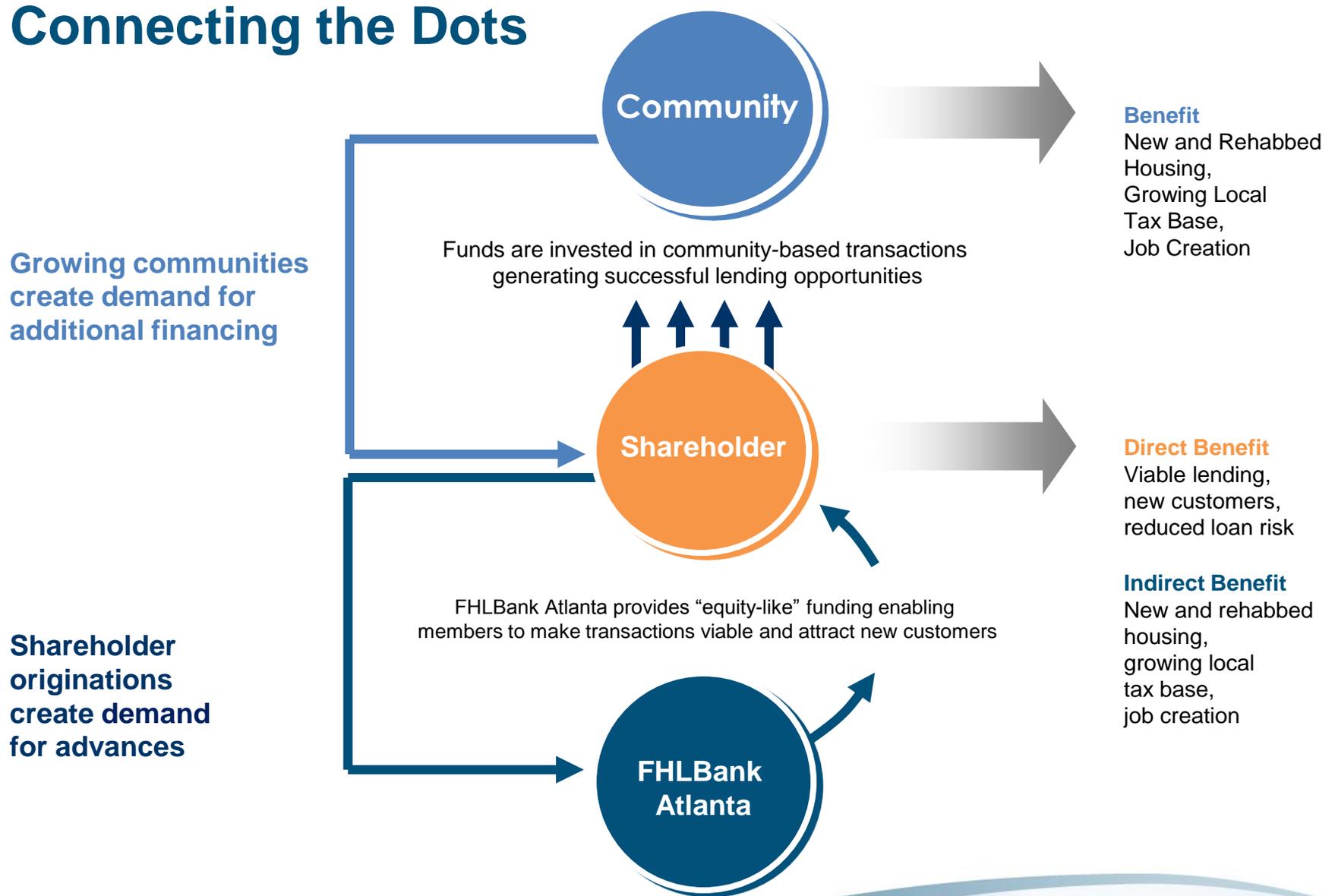
funded through AHP Set-aside products and supporting more than 25,500 units since 1997
AHP Set-aside Purchase Leverage Ratio – 1:20

\$7.6 Billion

low-cost CICA advances supporting community economic initiatives and affordable housing development

*As of 12/31/15

Connecting the Dots



What is the AHP Competitive Program?

Funding for rental or ownership development

- Flexible source of funding designed to help FHLBank Atlanta member financial institutions and their community partners develop affordable owner-occupied and rental housing for very low-income to moderate-income families and individuals
- Reduces rental project debt service, which thereby permits a reduction in project rents to enable affordability

What is the AHP Competitive Program?

What makes AHP different than other sources of funds?

- Equity-like funding
 - Maximum direct subsidy of \$500,000 per project
- No interest accrues
- No expectation of repayment if the project remains in compliance
- Secured with a note and security instrument to ensure compliance through the affordability period
 - 5 years for ownership
 - 15 years for rental
- Maximum 80 percent of area median income (AMI) for AHP units
- Subsidized advances are also available (discounted rate loan)

What is the AHP Competitive Program?



Accessible Space, Inc.
Anderson-Fischer Apartments
\$95,000 AHP Subsidy
20 Rental Units for Supportive Housing



Edgewood Terrace
Washington, DC
AHP : \$1,200,000 (subsidy and loan)
292 Supportive Housing Units

Uses of AHP Funds

Rental

- Types
 - Low-Income Housing Tax Credit (LIHTC)
 - Non-LIHTC multi-family
 - Mixed-use
 - Supportive housing (non income-producing rental)
- Use of funds
 - Acquisition
 - New construction and/or rehabilitation
 - Development soft costs

Ownership

- Use of funds
 - Down-payment assistance
 - Owner-occupied rehabilitation

Extend Credit and Reduce Loan Risk

Multi-family Purchase and Rehabilitation

Housing for Homeless Veterans

Washington, D.C. 43 units

Permanent Sources and Uses	Total Costs	AHP	Shareholder	Other Sources
Acquisition	\$850,000	\$450,000	-	\$400,000
Construction	\$500,000	\$50,000	\$450,000	-
Soft Costs	-	-	-	-
Other Costs	\$83,000	-	\$83,000	-
Total Development Budget	\$1,433,000	\$500,000	\$533,000	\$400,000
Total Debt – First Mortgage	\$533,000			
Shareholder Loan-to-Loan (LTV/Cost)	37.2%			
AHP Competitive	\$500,000			
Total Debt if AHP converted to Debt	\$1,033,000			
Shareholder LTV/Cost if AHP converted to Debt	72.1%			
DCR	1.15			
DCR if AHP converted to Debt (7% for 15 years)	0.69			



“AHP has the ability to fill funding gaps.” – FHLBank Atlanta Shareholder

Extend Credit and Reduce Loan Risk

Rental/New Construction

Family / Mixed Income Affordable Housing

Mobile, AL, 92 units

Permanent Sources and Uses	Total Costs	AHP	Shareholder	Other Sources
Acquisition	\$480,000	-	-	\$480,000
Construction	\$8,304,200	\$870,000	\$1,000,000	\$6,434,200
Soft Costs	\$1,441,823	-	-	\$1,441,823
Other Costs	\$2,202,639	-	-	\$2,202,639
Total Development Budget	\$12,428,662	\$870,000	\$1,000,000	\$10,558,662
Total Debt – First Mortgage	\$1,000,000			
Shareholder Loan-to-Loan (LTV/Cost)	8.0%			
AHP Competitive	\$870,000			
Total Debt if AHP converted to Debt	\$1,870,000			
Shareholder LTV/Cost if AHP converted to Debt	15.0%			
DCR	1.44			
DCR if AHP converted to Debt (7% for 15 years)	0.66			



“AHP has the ability to fill funding gaps.” – FHLBank Atlanta Shareholder

What is the AHP Competitive Program?

Getting Started



All applications include a member



Sponsors are housing developers, public entities, contractors, community builders, and other organizations engaged in housing construction, rehabilitation, and development of affordable rental or owner-occupied housing

Organizations or individuals that have received FHLBank Atlanta sponsorships or charitable contributions within the past 12 months are not eligible to receive AHP funds



Sponsors drive the application process and submit applications to the member through FHLBAccess. Members review and approve applications

What is the AHP Competitive Program?

Getting Started



Applications are scored on a 100 point scale



Projects can be located anywhere you are doing business



Gateway Crossing
Enterprise Housing Corporation
\$400,000 AHP Subsidy
83 Rental Units

Why Do Shareholders Participate?

Business Value

- Enable extension of credit
- Enable lending on difficult-to-finance transaction
- Could enhance local positive branding
- Value proposition for members to attract new relationships with developers
- Offer to members as a direct value proposition to establish public unit relationships
 - Local governments
- Use to connect with nonprofit and for-profit developers doing business in members' markets

Compliance Value

- Reduce loan risk in transaction
- Enable extension of credit
 - CRA-eligible Lending Opportunity
- Member sponsored the AHP Competitive application for the direct subsidy
 - CRA-eligible Service Opportunity
- Tenants in project are all at 80 percent or below AMI

Why Would a Sponsor Want To Apply?



- Provides equity-like funding for affordable housing projects
- Compatible with public and private debt and equity
- Provides funds for difficult-to-develop or critical need projects
- It stimulates real estate activity and economic development

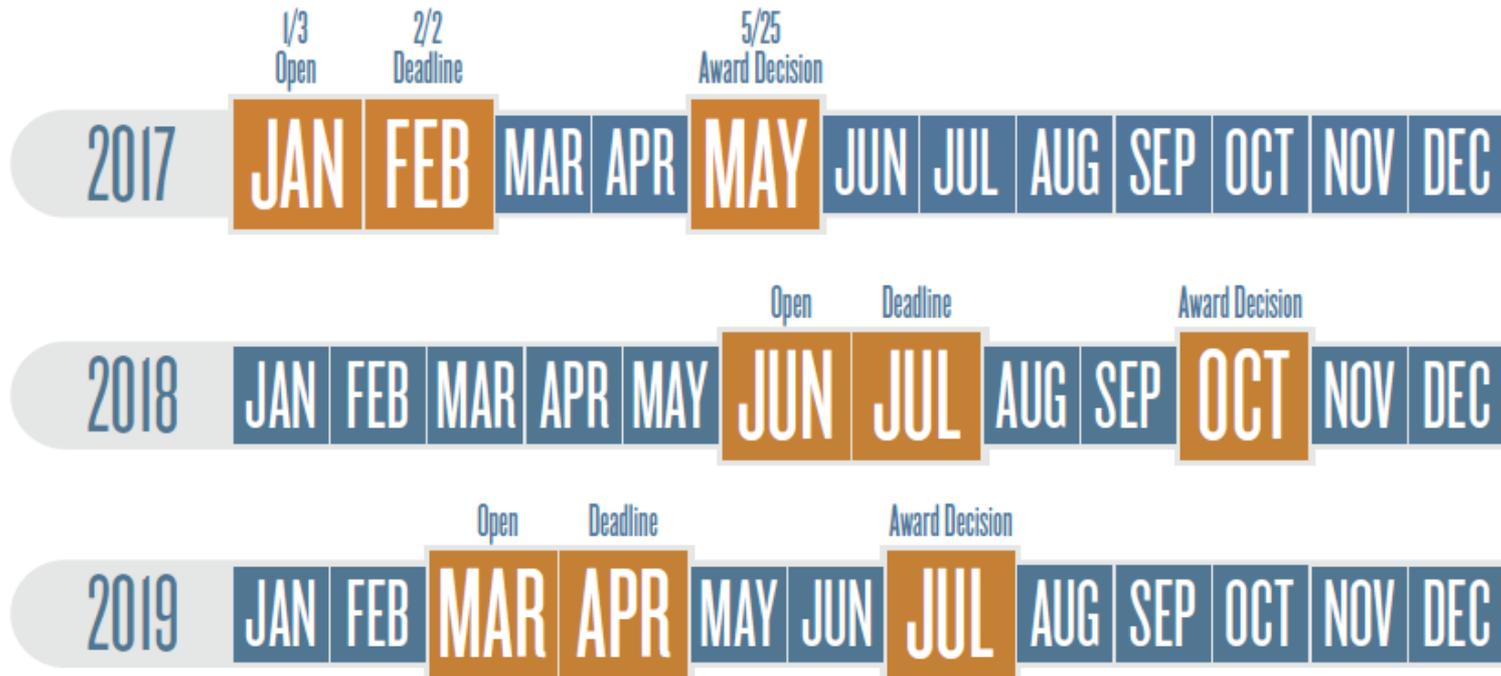
How Does AHP Work?

AFFORDABLE HOUSING

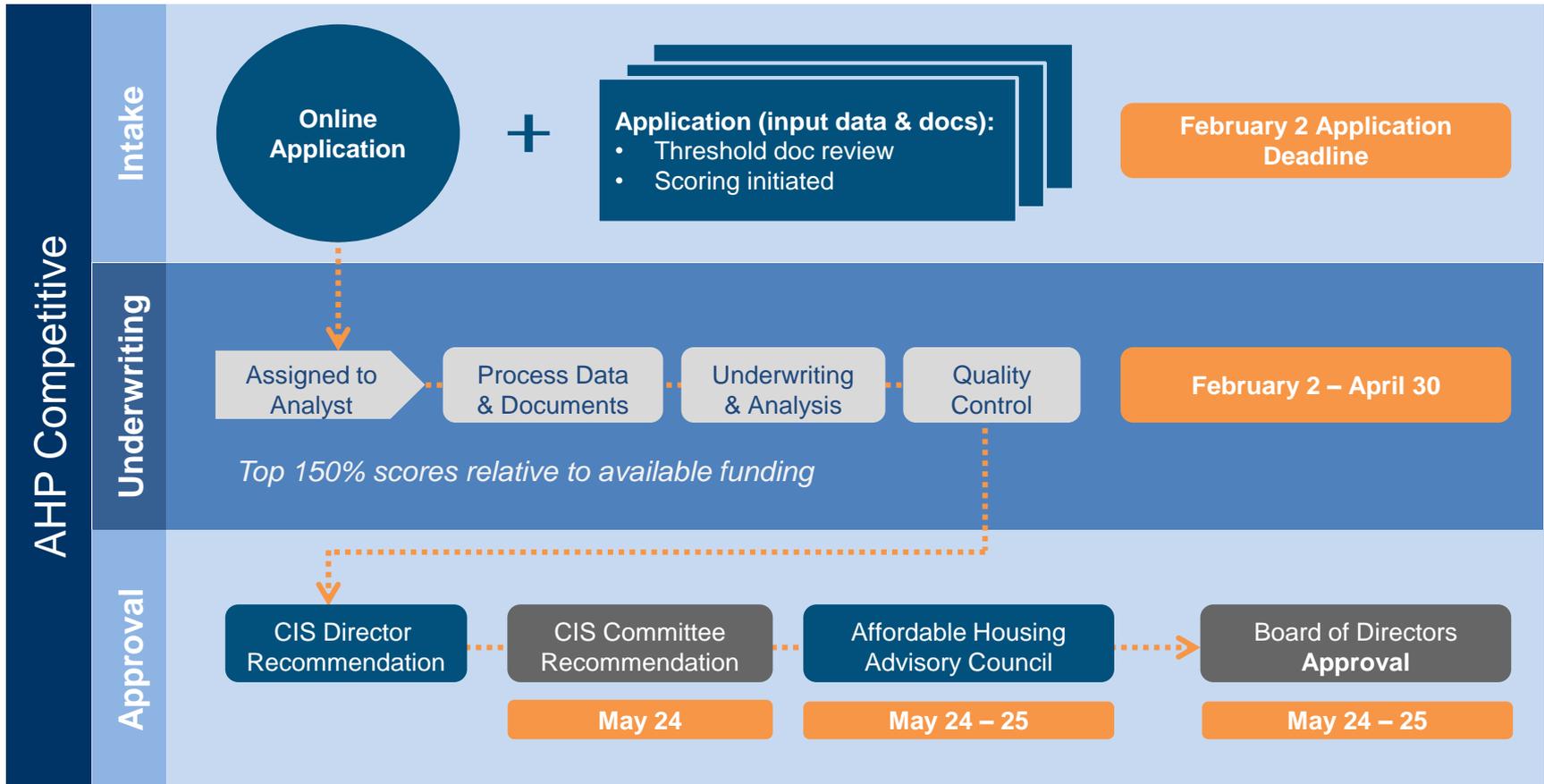


How Often Do We Offer the AHP Competitive Program?

FHLBank Atlanta AHP Competitive 3-Year Application Schedule



2017 Intake, Processing, Underwriting, and Approval



Application Process

How to Apply



Application is submitted through FHLBAccess

- *Log-in on the home page of the FHLBank Atlanta website*



Sponsor submits application to member for review and approval

- *Supporting documents are submitted to FHLBank Atlanta via electronic media*



FHLBank Atlanta member approves application



Detailed webinars are offered to review the actual application content

Application Criteria Scoring



Application Criteria

Threshold Requirements



Application



Site control



Construction and permanent sources and uses statement



20 percent of permanent sources committed by an unrelated third-party funder

Application Criteria

Threshold Requirements



Project specific thresholds

- Rental rehab: Scope and cost breakdown, inspection
- New construction: Conceptual plans and cost breakdown
- Owner-occupied rehab: 20 percent with scope and costs, homeowner qualified
- Down-payment assistance: 20 percent of units identified, homebuyer qualified



Project Sponsor

- Must be qualified and able
- No material party on the AHP suspension list
- Must have an ownership interest for rental projects

Application Criteria Scoring

Category	Points	Type
Donated Government-Owned or Other Property	5	Variable
Nonprofit or Government Sponsor	5	Variable
Targeting	20	Variable
Housing for Homeless Households	5	Fixed
Empowerments	5	Variable
First District Priority		
• Shareholder Participation	15	Fixed
Second District Priority		
• Project Readiness	10	Variable
• Veterans	10	Variable
• Leveraging	10	Fixed
AHP Subsidy per Unit	10	Variable
Community Stability	5	Fixed
Total	100	



Application Criteria Scoring



Expanding Your Eligible Customer Base

AHP Income Limit Methodology and Calculator

Enter Calculation Criteria	
Application Year ?	2015 - Present
HUD Year ?	2015
State	AL
County	Clarke County
MSA	Clarke County, AL
Household Size	Please Select
Household Income	<input type="text"/> Calculate AMI%
Maximum 80% Income	
Household AMI%	

Selects the greatest of four calculation methodologies

Point-and-click calculator automatically provides the highest income limit

548 of 599 counties in the Bank's district (91%) now have a higher income limit!

FHLBank Atlanta Income Calculator Tool
<https://cis.fhlbatl.com/ahp/utilities.portal>

Myth: Projects from rural markets are at a disadvantage in the AHP Competitive application

Reality: Rural projects have been awarded AHP Competitive funds at a rate equivalent to the rate of rural applications submitted. For example, over the past five years:

- 31% (264 of 845) of all applications submitted were for rural projects
- 31 % (93 of 301) of applications awarded were for rural projects

Application Criteria Scoring



Shareholder Financial Participation

- Minimum 5 percent of total development costs
- Permanent or construction financing
- Letter of Credit
- Debt or equity
- The member's financing must clearly flow through to the project to demonstrate the direct participation in the project
- Credit must be extended and closed simultaneously with or prior to the project's other real estate financing (including AHP)
 - 15 points/fixed

Application Criteria Scoring



Scoring Criteria for Veterans Housing

- Projects reserving at least 10 percent of the total project units for veteran households will receive 5 points
- Projects reserving at least 25 percent of the total project units for veteran households will receive 10 points
- Veterans certification form required at application, confirmed at takedown (owner units) or prior to reporting complete (rental units)
 - 10 points/variable

Application Criteria Underwriting



Budget Guideline Examples

- Costs must be reasonable
- Rehabilitation projects include review of remaining useful life/replacement reserves analysis
- Capitalized reserves maximum nine months operating expenses plus nine months of hard debt service
- Total soft cost maximum percentage:
 - Rental: 35 percent for 4 percent LIHTC with bonds
28 percent for 9 percent LIHTC projects
22 percent for non-LIHTC
 - Ownership: 25 percent for development projects
20 percent for owner-occupied rehabilitation

Application Criteria Underwriting



Developer Fee Guidelines

- **15 percent maximum** of total development costs, net of developer fee, capitalized reserves, and acquisition costs for development projects with transfer of ownership
 - Developer fee is not allowed for rehabilitation and/or new construction projects with **no transfer of ownership**.
 - Developer fee includes **fees paid to consultants** for services normally provided by a developer.
 - FHLBank Atlanta may defer to **state HFA** guidelines if using state-administered funding.
- **Five percent consultant fee maximum** of total development costs, net of consultant fee, capitalized reserves, and acquisition costs for rental projects with no transfer in ownership where the project is **100 percent owned by the nonprofit sponsor**
- Developer fee cannot increase **if construction financing has closed** and there is not a proportional increase in hard cost

Application Criteria Underwriting



Deferred Developer Fee Guidelines

- If financing has closed with deferred developer fee as a source of funding:
 - Then up to 50 percent of the AHP award can be used to reduce deferred developer fee; and
 - At least 25 percent of the total developer fee remains deferred
- If new or additional sources are added to the project after financing has closed without a corresponding increase in costs:
 - Then the new sources may be applied on a pro-rata basis to reduce the deferred developer fee (or other subordinate funding source, e.g., owner equity) and reduce the AHP award

Examples

- Project closed with \$400k developer fee (\$100k upfront and \$300k deferred). Since closing, development costs have increased \$200k creating a funding gap. AHP application is for \$400k
 - \$200k of award (50%) could be used to reduce deferred developer fee to \$100k (25 percent remains deferred)
- AHP award was \$400k. Project closed with deferred developer fee of \$300k. After closing, additional funding of \$300k was obtained.
 - 50 percent of new funding used to reduce deferred developer fee -\$150k and the AHP award -\$150k. New AHP award amount \$250k.

Application Criteria Underwriting



Pro Forma Guideline Examples

- Debt coverage ratio: 1.15 - 1.45
- Alternate need for subsidy test may be used for projects with no hard debt or outside these parameters
- Net cash flow: Max. 15 percent
- Management fees: 5 percent - 9 percent of gross rent
- Replacement reserves: Up to \$450 per unit per year
- Annual operating expense: 40 percent - 80 percent of EGI in year one (not applicable for projects with 100 percent of the units reserved for special needs households)

Myth: *Cannot do assisted living projects with AHP Competitive*

Reality: *Assisted living projects are regarded as supportive housing. The request for AHP Competitive funds however, must include only the real estate-related activities, and exclude the supportive services. AHP funds can only be used for real estate-related costs.*

Application Criteria Underwriting



Development Timing

- **May 2017:** Award Approvals
- **Six Months** (Nov 2017): Zoning
- **12 Months** (May 2018):
- All funding sources must be committed
- **18 Months** (Nov 2018):
- Start construction and AHP funded
- **Three years** (May 2020): Report Complete

Sponsors have 36 months to take down AHP funds for ownership projects that are funded at homebuyer closing

Requirements to Report Complete

- Shareholder must draw down all AHP Competitive funds
- Construction must be complete
- All requested documents must be received and approved by the Bank
- **Ownership:** All owner-occupied units must be sold and occupied by eligible households.
- **Rental:** Projects must have a certificate of occupancy and be at least 75 percent occupied

Application Criteria Underwriting



Post Development Compliance

- **Affordability/Retention Period**
 - Five-year retention – ownership
 - 15-year retention – rental
- **Initial Monitoring Review (IMR)**
 - Within two years of reporting complete
- **Long Term Monitoring (LTM)**
 - Rental (excluding LIHTC) only
 - Reviews every two to six years
 - Annual certifications

Myth: FHLBank Atlanta has a required lien position

Reality: The Bank does not have a required lien position, although the member financial institution may have a lien position requirement for the AHP funds.

Risk Management



Risk Management

Non-compliance of retention requirements may lead to:

- Recapture of AHP Competitive funds
- Shareholder's suspension from FHLBank Atlanta's CIS programs
- Additional training and education

Risk Management

What are the member's responsibilities?

- Ensure that no unit or project under a current retention period uses AHP Competitive funds in connection with an existing or future funding under other AHP Competitive awards or with an AHP Set-aside product owner-occupied rehabilitation
- Establish and maintain adequate and effective internal control environment, including but not limited to policies and procedures, to assure the prevention, detection, and reporting of fraud or abuse or other suspicious activity in connection with any element of the AHP Competitive transaction
 - Including but not limited to the appropriate countersignatures and notarization of documents
- Shareholder to comply with all applicable BSA/AML and OFAC requirements as they relate to the transaction, including OFAC screening of the project owner(s)/sponsor(s)/homeowner(s)/homebuyer(s)

Risk Management

What are the member's responsibilities?

- Notify the Bank promptly after discovery or notice of any material change, either positive or negative, any time throughout the compliance period, in the financial condition, operations, properties, or prospects of any material party associated with the transaction. Examples include:
 - Any material party to the unit lost their requisite license or been suspended by any applicable government agency
 - Any party barred from participation in any affordable housing program or any event which has or may have a material impact on the transaction
- Represent and warrant that all documents and other information delivered to FHLBank Atlanta are and will be true, complete, and correct in all material respects at the time of delivery to the Bank
- Documentation materially consistent with corresponding documentation and information provided to other funding sources

Risk Management

Other Questions

What do I have to do to submit an application?

- Know your customer
- Review and approve the application and all transactions
- Review the sponsor's supporting documentation

What happens if the customer defaults?

- Reasonable collections efforts

Does AHP funding count against my borrowing limits with FHLBank Atlanta?

- AHP Direct subsidies are not collateralized

Risk Management

Any person who knowingly makes a false statement or misrepresentation to the Federal Home Loan Bank is subject to penalties that may include fines, imprisonment, or both, under the provision of Title 18, United States Code, Sec. 1014, including, but not limited to:

- Shareholders
- Sponsors
- Intermediaries
- Contractors
- Inspectors
- Consultants
- Property Managers



Civil / Criminal
Court System



Professional
Licensing



Enforcement
of Contract

Department of Justice

U.S. Attorney's Office

District of South Carolina

FOR IMMEDIATE RELEASE

Tuesday, September 6, 2016

Kentucky Man Pleads Guilty to Defrauding Federal and State Housing Programs

Contact Person: Bill Watkins (864) 282-2100

Columbia, South Carolina — Acting United States Attorney Beth Drake stated today that Erick Bradshaw, Sr., age 41, of Kentucky, pled guilty Thursday, September 1, 2016, in federal court in Greenville, to conspiracy to defraud federal and state housing programs, a violation of Title 18, United States Code, Section 371. United States District Judge Bruce Howe Hendricks, of Charleston accepted the plea and will impose sentence after she has reviewed the presentence report which will be prepared by the U.S. Probation Office.

Evidence presented at the change of plea hearing established that Fresh Start Community Development Corporation (FSCDC) was created by Bradshaw as a non-profit organization that worked on repairing homes through grants from the South Carolina State Housing Finance Development Authority ("SC Housing") and the Federal Home Loan Bank of Atlanta ("FHLBank Atlanta"). Bradshaw was the executive director of FSCDC.

Bradshaw sought grant monies from FHLBank Atlanta and SC Housing for the rehabilitation of low-income homes. He forged the signature of contractors on FHLBank Atlanta Funding Certifications and SC Housing Certifications of Payment. He also submitted certifications to FHLBank Atlanta and Draw Request for Payments to SC Housing that had inflated costs compared to the invoices of the contractors who actually performed the work. Often some work described as completed on the certifications such as handicap ramps on front porches were never completed though it was represented in documentation that the work was complete.

Agents interviewed Bradshaw and he admitted that FSCDC did not do what it was supposed to do. Contrary to program rules, Bradshaw negotiated with the contractors who were working on the houses for lower prices than were reported to the agencies. For example if SC Housing funded a roof repair for \$5,000 based on documents submitted by FSCDC, and Bradshaw was

Risk Management

- FHLBank Atlanta is subject to BSA/AML regulations
- The Bank's protocols include, when appropriate, the filing of SARs (suspicious activity reports)



Financial Crimes Enforcement Network

A bureau of the U.S. Department of the Treasury

FinCEN news releases are available on the Internet and by e-mail subscription at www.fincen.gov.
For more information, please contact FinCEN's Office of Public Affairs at (703) 905-3770.

FOR IMMEDIATE RELEASE
February 20, 2014

MEDIA CONTACT: Steve Hudak
703-905-3770

FinCEN Finalizes AML Regulations for Housing Government Sponsored Enterprises

Final rule will aid in the fight against mortgage fraud

Helpful Resources

- FHLBank Atlanta website
<http://corp.fhlbatl.com/>
- Affordable Housing Program Implementation Plan
<http://corp.fhlbatl.com/files/documents/ahp-implementation-plan.pdf>
- Project Sponsor Registration Instructions
<http://corp.fhlbatl.com/files/documents/ahp-sponsor-registration.pdf>
- Affordable Housing Program Retention Agreement Rider and Instructions
<http://corp.fhlbatl.com/files/documents/ahp-retention.pdf>
- AHP Products Income Documentation Requirements
<http://corp.fhlbatl.com/files/documents/ahp-income-documentation-requirement.pdf>
- AHP Household Income Limits and Rent Calculator
<https://cis.fhlbatl.com/ahp/utilities.portal>

Questions?

Joel Brockmann

Rental Production Manager

404.888.8156

jbrockmann@fhlbatl.com

Clarissa Weaver

Lending and Disbursement Analyst II

404.888.5687

cweaver@fhlbatl.com

Richard Mauney

Lending and Disbursement Analyst

404.888.5642

rmauney@fhlbatl.com

James Monaghan

Lending and Disbursement Analyst II

404.888.8429

jmonaghan@fhlbatl.com

Glenn Stewart

Lending and Disbursement Analyst II

404.888.5348

gstewart@fhlbatl.com

800.536.9650, Option 3, Option 1, Option 0

Thank You

