

# DISPELLING THE MYTHS

## FHLBANK ATLANTA AFFORDABLE HOUSING PROGRAM (AHP) COMPETITIVE



Myth	Fact
<b>AHP Compatibility with other Funding</b>	
<p><b>You cannot use AHP from more than one FHLBank for the same project.</b></p>	<p>Funding from FHLBank Atlanta and another FHLBank is allowed, subject to demonstrating the need for both funding sources.</p>
<p><b>AHP Competitive dictates a lower developer fee than most HFAs permit.</b></p>	<p>AHP partners well with other funding sources, including funds administered by Housing Finance Agencies (HFAs). FHLBank Atlanta's AHP Competitive guidelines state that we may defer to published guidelines from the HFA if the project is utilizing funding from the HFA.</p>
<p><b>A project must have Project Readiness points in order to be competitive.</b></p>	<p>While Project Readiness is a 10-point category that can improve the competitiveness of the application, applications have been awarded AHP without receiving all 10 readiness points.</p>
<p><b>My project is not eligible for AHP since it has already received a Low Income Housing Tax Credit (LIHTC) award.</b></p> 	<p>Since 1990, the Bank has awarded more than \$714.5 million to 2,278 AHP projects.</p> <ul style="list-style-type: none"> <li>• 62% of the rental projects awarded were LIHTC</li> <li>• 38% of the rental projects awarded were non-LIHTC                             <ul style="list-style-type: none"> <li>• 62% of the rental projects awarded were LIHTC</li> <li>• 38% of the rental projects awarded were non-LIHTC</li> </ul> </li> </ul> <p>Additionally, since 1990, 60% of rental projects awarded include supportive housing.</p> <p>Since 2012, 49% of the total 244 rental projects awarded include supportive housing:</p> <ul style="list-style-type: none"> <li>• LIHTC: 36% of 169 LIHTC rental projects awarded over the past five years include supportive housing</li> <li>• Non-LIHTC: 79% of 75 non-LIHTC rental projects awarded over the past five years include supportive housing</li> </ul>
<p><b>My project is not eligible for AHP since it has already received an LIHTC award.</b></p>	<p>Projects that have already received an LIHTC award are eligible to apply for AHP. FHLBank Atlanta views projects with LIHTC awards as very ready.</p> <ul style="list-style-type: none"> <li>• Projects that have received an LIHTC award can receive 10 readiness points</li> <li>• Projects that have applied for LIHTC and are pending decision from the HFA can receive five readiness points</li> </ul>

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<p><b>AHP Competitive's schedule is consistently adverse with my state's LIHTC application schedule.</b></p> 	<p>FHLBank Atlanta's district includes eight LIHTC-administrating HFAs with varying application schedules. To ensure that there is fair access to AHP Competitive funds in every state throughout the district:</p> <ul style="list-style-type: none"> <li>The AHP Competitive schedule is published three years in advance, rotating every year with an application deadline at various times of the year <ul style="list-style-type: none"> <li>View the three-year schedule on the Bank's website: <a href="http://corp.fhlbatl.com/files/documents/AHP-Competitive-Brochure.pdf">http://corp.fhlbatl.com/files/documents/AHP-Competitive-Brochure.pdf</a></li> </ul> </li> <li>Scoring criteria have been amended so proposed LIHTC projects can receive five points in AHP Competitive scoring for having an eligible submission of their project application to their state's LIHTC administrator. <i>Note: An application that has been awarded LIHTC will receive 10 readiness points</i></li> </ul> <p>Projects that were awarded LIHTC after the AHP Competitive application deadline the previous year are in a position to receive readiness points in a 2017 AHP application.</p>
<h3>Completing the AHP Application</h3>	
<p><b>The AHP Competitive application requires more paperwork than other programs.</b></p>	<p>The AHP Competitive application generally requires similar information as other debt or equity providers in the affordable housing space, but because of the competitive nature of the program certain validations must be completed. FHLBank Atlanta has shifted the timing of the request for information to the application stage to facilitate the timely disbursement of funds after an award. This is commensurate with having a more ready project.</p>
<p><b>As a sponsor, I am on my own in preparing an AHP Competitive application.</b></p>	<p>The sponsor is responsible for preparing the application and collecting the necessary supporting documentation, but FHLBank Atlanta staff are ready to assist. We encourage sponsors and members to contact us with any questions.</p>
<p><b>You need to have an AHP application consultant to be successful.</b></p>	<p>If you have experience with real estate finance or development, an application consultant does not bring additional benefit in completing the AHP application. In 2016, 76% of the winning applications did not report using an application consultant. FHLBank Atlanta provides educational webinars and technical assistance to help sponsors be successful.</p>
<p><b>Certain member institutions that have experience and expertise in the AHP application process have an inherent competitive advantage.</b></p>	<p>There are no scoring, underwriting, or award determination factors related to the experience, expertise, or identity of the member. In 2016, 20% of members receiving an AHP award were new members*.</p> <p><i>*Note: Experienced members are defined as having submitted an AHP Competitive application within the prior two years; new members are defined as having not submitted an AHP Competitive application within the prior two years.</i></p>

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<p>The AHP Competitive application is so complicated that you have to have to be an experienced sponsor to know what to do and be a successful applicant.</p> 	<p>Based on data analysis, experienced sponsors have a success rate that is not significantly greater than new sponsors.</p> <p>Data shows that over the past five years, on average, new sponsors have a 45% success rate in comparison to experienced sponsors at 55% during the same period. <i>Note: New sponsors are organizations that have not submitted an AHP application in the prior two years.</i></p> <p>FHLBank Atlanta also annually conducts multiple educational webinars for developers and is available to provide individual technical assistance to developers or members that have questions on how to best complete an AHP application.</p>
<p>You must have a nonprofit sponsor on an AHP Competitive application in order to be successful.</p>	<p>While having a nonprofit sponsor does increase an application's score, it is neither a threshold requirement nor a high-impact scoring category. In 2016, for-profit developers had a 25% rate of success (AHP awards compared to applications submitted), which is comparable to the overall 36% rate of success for the entire pool of applications.</p>
<h3>Project Type</h3>	
<p>AHP cannot be used for mixed-use projects.</p>	<p>AHP can be used for the residential portion of mixed-use projects, as long as the sponsor can demonstrate that the AHP funds are not used for non-residential purposes.</p>
<p>You cannot do assisted living projects with AHP Competitive.</p>	<p>Assisted living projects are regarded as supportive housing and are eligible. 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.</p>

Myth	Fact
<b>Application Scoring</b>	
<p><b>Habitat for Humanity affiliates and other sponsors that provide their own first mortgages to homebuyers cannot get member financial participation points.</b></p>	<p>Sponsor-provided first mortgage AHP Competitive applicants have received member financial participation points. Habitat for Humanity sponsors, for example, often include member-provided construction loans or project-based lines of credit.</p>
<p><b>Scoring for AHP Competitive favors rental projects over ownership projects.</b></p>	<p>The Bank annually establishes scoring criteria for AHP Competitive that reflect its current priorities.</p> <ul style="list-style-type: none"> <li>• Since 1990, 36% of the awards were for ownership projects</li> <li>• Since 2012, ownership projects have only accounted for 7% of awarded projects. The Bank has, however, committed substantially higher funding to support ownership through its AHP Set-aside program, resulting in funding of over 11,500 homeownership units since 2012</li> <li>• From 1990 through July 2016, \$536 million was committed to rental projects and \$348 million to ownership projects and units</li> </ul>
<p><b>FHLBank Atlanta knows the minimum score that is needed to win an AHP award in each round.</b></p>	<p>Because some scoring categories in the AHP Competitive applications are comparatively scored, the minimum winning score is unknown until the completion of the application underwriting process. Additionally, changes from year to year such as the total amount of AHP funds available for that round make it impossible to predict the score an application must earn in order to get an AHP Competitive award in any given year.</p>
<b>Disbursement of Funds</b>	
<p><b>AHP Competitive funds are not disbursed in a timely manner.</b></p>	<p>Over the last eight years, FHLBank Atlanta has adopted a metric-driven culture in its pipeline management. The metrics relate to the speed and responsiveness of staff in managing developer funding requests. Outcomes are tracked on a daily basis and internally reported monthly.</p> <p>For example, in 2016 (as of June 30), 88% of the requests for funding by developers in AHP Competitive were funded within the established six-day metric, with an average of 4.1 days.</p>

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<p>Developers/sponsors only have 12 months to receive a disbursement of AHP Competitive funds.</p> 	<p>18 months is the disbursement time deadline (not including a possible six month extension) for</p> <ul style="list-style-type: none"> <li>• Rental projects</li> <li>• Ownership projects that are using AHP for development uses (prior to homebuyer closing)</li> </ul> <p>36 months is the disbursement time deadline for ownership projects in which AHP funds are disbursed at homebuyer closing.</p>
<h3>Geography/Project Location</h3>	
<p>Some states have competitive advantages.</p>	<p>There is no geographic bias in FHLBank Atlanta’s AHP Competitive. Based on data, the rate of success for applications from the seven states and the District of Columbia varied over the past five years.</p> <p>To ensure there is no geographic bias, the Bank has adopted and published a three-year schedule with varying application deadlines.</p>
<p>Projects from rural markets are at a disadvantage in the AHP Competitive application.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• 25% (209 of 823) of all applications <i>submitted</i> were for rural projects</li> <li>• 27% (71 of 263) of applications <i>awarded</i> were for rural projects</li> </ul>
<p>The way AHP sets income limits is disadvantageous to my project/location.</p>	<p>The Bank has developed and deployed an income methodology that uses the greatest of several household income calculations. Under this methodology, using an average four-person household, 91% of the 599 counties in FHLBank Atlanta’s district are positively impacted.</p>
<p>Projects located outside of the FHLBank Atlanta district cannot apply for AHP funds.</p>	<p>AHP is available for projects located wherever our members conduct business, and our scoring is geographically neutral. The rate of out-of-district applications and awards vary greatly from year to year. The percentage of out-of-district applications over the past five years ranged from 14% to 33% of all applications.</p>

Myth	Fact
<b>Other Myths and Facts</b>	
<p><b>AHP Competitive cannot be used to pay for project costs overruns.</b></p> 	<p>A project in construction at the time of an AHP Competitive application submission is eligible to apply, although the project must still demonstrate the need for subsidy and the costs must still be reasonable. These projects are more likely to receive readiness points, which would increase their competitiveness.</p> <p><i>AHP cannot be used to replenish contingencies if construction is well along.</i></p>
<p><b>AHP cannot be used to replace deferred developer fee or other subordinate “bridge” sources such as sponsor equity.</b></p>	<p>FHLBank Atlanta guidelines allow up to 50% of the AHP award to be used to replace subordinate funding such as deferred developer fee or sponsor equity, as long as at least 25% of the subordinate source remains in place.</p>
<p><b>There is greater risk to the member financial institution when compared to other lending.</b></p>	<p>The risk is comparable to the risk of all other real estate lending engaged in by the member. Members are expected to exercise the same commercial loan processing, underwriting, servicing, and asset management practices with AHP as they would with any other real estate transaction.</p>
<p><b>AHP requires that some units are reserved for households with income at or below 30% of area median income (AMI).</b></p>	<p>AHP guidelines do not require that any units are reserved for households at or below 30% of AMI. The question in the application about households at or below 30% AMI is for data collection purposes only.</p>
<p><b>FHLBank Atlanta has a required lien position.</b></p>	<p>FHLBank Atlanta does not have a required lien position, although the member financial institution may have a lien position requirement for the AHP funds. AHP funds are always senior to deferred developer fees and sponsor equity.</p>

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<b>Other Myths and Facts</b>	
<p><b>AHP Competitive will be deobligated automatically if the DCR exceeds 1.45</b></p>	<p>The Bank uses a “need for subsidy” test that assesses whether the project will be feasible if the amount of AHP funds were borrowed in lieu of receiving them as an AHP grant. If the project cannot borrow and remain feasible (below 1.45 DCR) then the AHP funds will not be deobligated.</p>

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