



Directions for Preparation of Retention Mechanism

Unless otherwise approved in advance and in writing by FHLBank Atlanta, the Member shall ensure that a unit receiving funds under one of FHLBank Atlanta's AHP Homeownership Set-Aside Program (Set-Aside) products is subject to a promissory note and a real property security instrument (e.g. a mortgage, deed of trust, a deed to secure debt, or other appropriate security instrument under applicable law) between the Owner Occupant as mortgagor and the Member as mortgagee, of a type that is customarily used by the Member in the jurisdiction where the real property is located.

- There must be a separate note and security instrument securing solely the Set-Aside subsidy in connection with the unit.
- Member should use the form of note and security instrument that they would normally use to document a similar loan for their own account in the same jurisdiction where the Set-Aside unit is located. The Rider is a document designed to be attached to the Member's security instrument and recorded with, and as a part of, such instrument.
- The minimum retention requirements of the AHP Regulations must be incorporated under a rider to the member's security instrument and must be recorded with such instrument. FHLBank Atlanta provides a sample Set-Aside Rider only as a guide when preparing a project-specific rider to the security instrument. FHLBank Atlanta makes no representation or warranty that a court will enforce these form documents in accordance with applicable state law. We strongly recommend that each member have its counsel review the documents to address suitability and any state law requirements, including but not limited to consumer credit laws, notary requirements, usury laws, recording procedures and requirements, and requirements for mortgage states. The final note, security instrument and rider to the security instrument must meet the requirements of the jurisdiction where the AHP-assisted unit is located.
- Member should incorporate the Set-Aside Rider into the security instrument by adding the following provision to the member's form of security instrument:

“Federal Home Loan Bank of Atlanta Affordable Housing Program Homeownership Set-Aside Program Retention Mechanism Requirements.

The Rider to Security Instrument – Federal Home Loan Bank of Atlanta Affordable Housing Program Set-Aside Program Retention Agreement (“Rider”) is attached hereto and by this reference made a part hereof. The provisions set forth in the Rider shall supersede any conflicting provision contained in this agreement, but only to the extent of such inconsistency.”

RIDER TO SECURITY INSTRUMENT -

FEDERAL HOME LOAN BANK OF ATLANTA AHP HOMEOWNERSHIP SET-ASIDE PROGRAM RETENTION AGREEMENT

This Rider to Security Instrument – Federal Home Loan Bank of Atlanta AHP Homeownership Set-Aside Program, Retention Agreement (this “Rider”) is attached to and made part of the foregoing Security Instrument or similar security instrument (“Security Instrument”). In this Rider, the beneficiary of the Security Instrument is referred to as the “Lender” and the trustor or grantor under the Security Instrument is referred to as the “Borrower.” This Rider is a form of “retention agreement” referred to below.

I. RECITALS:

- A. **Whereas**, the Federal Housing Finance Agency (“Finance Agency”) is required to cause each Federal Home Loan Bank to establish an affordable housing program (“AHP”), including one or more Homeownership Set-aside Program products (“Set-Aside”), to assist members of each Federal Home Loan Bank to finance affordable housing for very low-, low-, or moderate-income households.
- B. **Whereas**, the Bank has also established an Affordable Housing Program Implementation Plan (as the same may be modified from time to time, the “Implementation Plan”), and AHP policies, procedures, guidelines, and instructions covering, among other things, feasibility, funding, monitoring and modifying affordable housing projects participating in the Bank’s Homeownership Set-Aside programs (together with the Implementation Plan, collectively, as the same may be modified from time to time, the “Bank’s AHP Policies and Procedures”; and together with the AHP Regulations, collectively, the “AHP Requirements”).
- C. **Whereas**, Lender, a member of FHLBank Atlanta, submitted an application to FHLBank Atlanta (the “Set-Aside Application”) for Set-Aside Subsidy (defined below) in connection with the purchase of a housing unit located on the real property described in the Security Instrument (the “Set-Aside Assisted Unit”).
- D. **Whereas**, pursuant to applicable regulations (including, without limitation, those contained in 12 CFR Part 1291) promulgated by the Finance Agency (the “AHP Regulation”), members of each Federal Home Loan Bank are required to provide for the repayment of any Set-Aside Subsidy in the case of a sale or refinancing during the Retention Period (defined below).
- E. **Whereas**, in connection with the Project, the Borrower entered into a Note secured by a Security Instrument covering the real property being purchased.
- F. **Whereas**, Lender has disbursed or agreed to disburse the Set-Aside Subsidy to Borrower in connection with the purchase of the Set-Aside Assisted Unit, and in connection with the Set-Aside Subsidy, Borrower has executed the Security Instrument, which includes this Rider.
- G. **Whereas**, the Parties desire to set forth those circumstances under which Lender shall be entitled to the repayment by Borrower of the Set-Aside Subsidy.

By signing the Security Instrument, Borrower hereby agrees as follows:

1. Project Information

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| Name of the Borrower | |
| Address of the Set-Aside Assisted Unit | |
| AHP Project Number | |
| Amount of Set-Aside Subsidy | |

2. Set-Aside Subsidy. The secured obligation described in and secured by the Security Instrument represents the “Set-Aside Subsidy” used or to be used in connection with the purchase of the Set-Aside Assisted Unit.

3. Definitions. As used in this Rider, the following capitalized terms have the following meanings:

“**Loan**” means the advance of funds evidenced by the Note.

“**Loan Documents**” means the Note, the Security Instrument, and all other documents relating to or securing the Note, each as renewed, amended, modified, restated and extended from time to time.

“**Note**” means the promissory note secured by the Security Instrument.

“**Retention Period**” means five years from the date of Borrower’s closing on the Set-Aside Assisted Unit. Borrower agrees to comply with the terms and conditions of this Rider during the Retention Period.

All other capitalized terms not otherwise defined herein or in the Security Instrument shall be as defined in the Set-Aside Requirements.

4. Notice Requirements. Each of FHLBank Atlanta and the Lender is to be given notice of any sale or refinancing of the Set-Aside Assisted Unit occurring prior to the end of the Retention Period. Notices under this Rider shall be sent to the Lender at the address shown in the main body of the Security Instrument, and to FHLBank Atlanta at **1475 Peachtree Street, Atlanta, Georgia 30309, Attention: Community Investment Services.**

5. Sale or Refinancing of Set-Aside Assisted Unit during Retention Period. In the case of a sale or refinancing of the Set-Aside Assisted Unit prior to the end of the Retention Period, an amount equal to a pro rata share of the Set-Aside subsidy, reduced for every month the Borrower has owned the Set-Aside Assisted Unit, shall be repaid to FHLBank Atlanta from any net proceeds realized upon the sale or refinancing of the Set-Aside Assisted Unit unless:

(A) The property was assisted with a permanent mortgage loan funded by an AHP subsidized advance;

(B) The subsequent purchaser, transferee, or assignee is a low- or moderate-income household, as determined by the Bank. The Bank or its designee shall determine the household's income using one or more proxies that are reliable indicators of the subsequent purchaser's income, pursuant to applicable Finance Agency guidance, unless documentation demonstrating that household's actual income is available. The Bank and the Lender are not required to request or obtain such documentation, but must use it in lieu of a proxy if available;

(C) The amount of the AHP subsidy that would be required to be repaid in accordance with the calculation in paragraph (a)(7)(v) of Section 1291.15 of the AHP Regulations is \$2,500 or less; or

(D) Following a refinancing, the unit continues to be subject to a satisfactory and legally enforceable retention agreement or mechanism described in Section 1291.15(a)(7) of the AHP Regulations.

6. **Termination of Agreement.** The obligation to repay the Set-Aside Subsidy shall terminate after any foreclosure, transfer by deed in lieu of foreclosure, assignment of a Federal Housing Administration first mortgage to the Department of Housing and Urban Development, or the death of the Borrower.
7. **Receipt of Additional AHP Subsidy during Retention Period.** The Set-Aside Assisted Unit may not receive funds from multiple AHP Set-aside Product(s) offered by FHLBank Atlanta during the Retention Period.
8. **Monitoring.** Borrower agrees to comply with all requests by Lender for information or documentation arising from Lender's obligations to obtain information from the Borrower under the Set-Aside Requirements.
9. **Joint and Several Obligations.** If more than one person is the Borrower of the Set-Aside Assisted Unit, their obligations under this Rider shall be joint and several, and references in this Agreement to "Borrower" shall be deemed to refer to each of such persons.
10. **Inconsistent Provisions.** The provisions of this Rider shall supersede any conflicting provision contained in the Security Instrument, but only to the extent of such inconsistency. No provision herein shall impair any obligation of Borrower under the Set-Aside Requirements.

Borrower:
