

Submitting a Winning AHP Application

Eric Cicourel-Federal Home Loan Bank of San Francisco
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Joe Keeper-Native American Connections



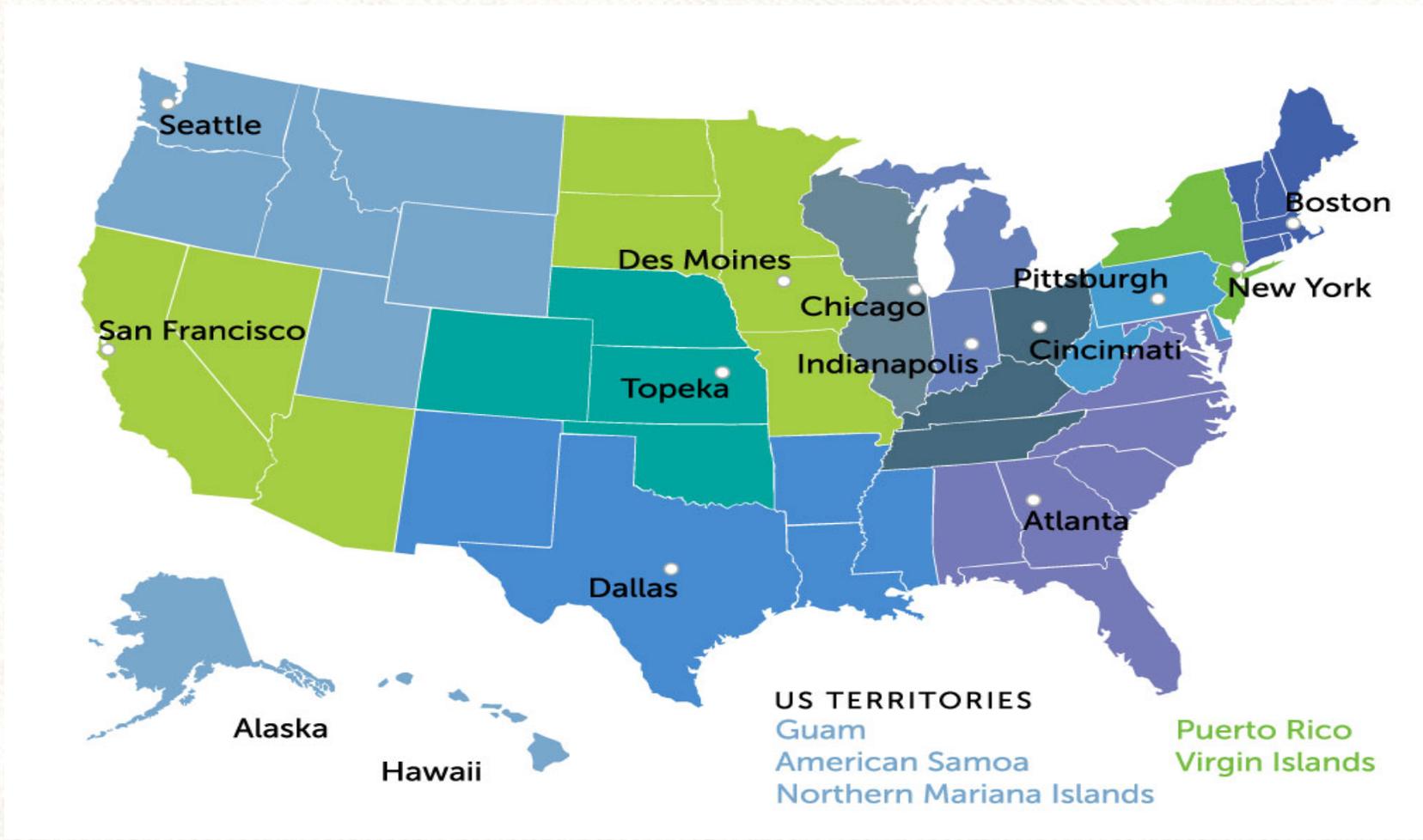
Arizona
Department
of Housing



The FHLBank System

- § Chartered by Congress in 1932 as a funding resource for home mortgage lenders – A Government-Sponsored Enterprise (GSE)
- § Lending institutions use the FHLBanks to finance housing and economic development in their local communities
 - § Members range in size from less than \$7 million to greater than \$105 billion in assets
- § Regulated by the Federal Housing Finance Agency
- § 12 regional Federal Home Loan Banks nationwide

The 12 FHLBank Districts



Who We Are

- § One of the largest Bank's in the system with ~\$87 billion in assets
- § A cooperatively-owned whole sale bank with 345 member institutions
- § FHLBank of SF covers the 11th District: Arizona, California, and Nevada
- § Members include commercial banks, savings institutions, credit unions, insurance companies and non-depository CDFIs

What We Do & How We Do It

Provide our members with:

§ Low-cost, reliable source of funds through a wide variety of credit products

§ Make advances (loans) to members on a collateralized basis

§ Modest risk-adjusted return (dividend) on their capital investment

§ Bank's public service mission is to create a range of products and services to benefit its members and the communities they serve. This is accomplished through:

§ Grant programs

§ Credit programs

§ Outreach

§ Technical assistance

§ Initiatives

The Affordable Housing Program (AHP)

- § 10% of the Bank's net earnings contributed to the program
- § ~\$845 million in AHP grants awarded since 1990 to produce ~116,000 units
- § AHP is one of the largest sources of affordable housing funds in the nation
- § AHP is one of the largest single funding providers for Habitat for Humanity

A Diverse Portfolio of Projects

§ Rental projects:

- § Multi-family, mixed-use, mixed-income
- § New construction
- § Adaptive reuse of vacant schools, hotels, and medical facilities
- § Rehabilitation of existing single room occupancy buildings
- § Permanent supportive housing for formerly homeless, Transitional Age Youth (TAY), or developmentally disabled
- § Transitional housing
- § Single-family

§ Owner-occupied projects:

- § Self-help
- § Scattered site downpayment assistance for existing homes

§ Locations:

- § Urban, peri-urban, and rural
- § Native American tribal lands

General Program Information

§ Annual competition

- § Application deadline is first Monday in March

- § Award announcement ~June

§ \$1,500,000 maximum per project

§ Requires a legally enforceable retention mechanism; note, deed of trust, rider

- § 15-year retention period for rental projects

- § 5-year retention period for owner-occupied units

§ Provides gap financing and downpayment and closing cost assistance

§ Restricted to households at or below 80% AMI

§ Rental and homeownership projects compete together

General Program Information (con't)

- § Subsidy is for purchase, construction, or rehabilitation of rental or owner-occupied housing
- § Demonstrate need for subsidy and financial feasibility
- § Comply with fair housing and affirmative marketing requirement
- § Complete within four years of award date and be fully funded
- § Completed projects are ineligible for AHP funds

Scoring Categories and Point Allocation

Donated Property*	5
Nonprofit Sponsorship*	10
Targeting*	20
Homeless Housing*	6
Empowerment*	6
Special Needs	5

Rural Housing	5
First-time Homebuyers	6
Project Readiness	10
Subsidy Per Unit*	12
Community Stability	15
Total Points	100

* Scoring criteria required by AHP Regulation; remaining criteria are FHLBank of SF 1st & 2nd District priorities

How to **Stand Out** in a Crowd

Generally speaking, score well in:

- § Donated property
- § Homeless housing
- § Special needs
- § Community stability
- § Project readiness

Note: Documentation is critical to receiving scoring credit

How to Continue **Standing Out** in a Crowd

Evaluating Need for Subsidy and Financial Feasibility

- § AHP funds are for gap financing
- § Sources must equal eligible uses
- § Development costs should be reasonable and customary
- § Net operating income must be adequate, but having too much may determine that the project can afford more permanent loan proceeds and less AHP funds
- § Operating deficits must be addressed
- § Excessive debt service coverage ratio may result in project ineligibility
- § Developer fee must meet benchmark
- § All other benchmark deviations must be qualitatively and quantitatively explained and supported by third party documentation
- § Expenses should be consistent with the project description and scoring sections

Helpful Hints for Success

- § Know the program! How it is different from other sources of funding?
- § Review the Bank's Implementation Plan
- § Participate in the pre-competition webinars
- § Review the financial workbook instructions and notes
- § Explain extraordinary or complicated conditions and situations
- § Submit required support documentation

The Arizona Experience in 2014

2014 AHP competition:

- § Bank received a total of 176 applications
- § Arizona submitted 20 of 176 (~11%) applications
- § ~\$15 million in AHP subsidy requested by those 20 applications
- § 9 of 20 (45%) applications were awarded (~\$5.1 million)
 - § 7 rental
 - § 2 owner-occupied
- § 5 distinct FHLBank of SF members sponsored the 9 applications

Developer Perspective

Joe Keeper, Native American Connections

Member of the FHLBSF's
Affordable Housing Advisory Council



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NAC's History with the AHP Program

- § First Property that NAC utilized AHP was Stepping Stone Place co-developed with Mercy Housing (awarded in 1996)
- § Since then, NAC has utilized AHP on 13 affordable housing communities with 6 different member banks (including a CDFI)
- § Almost \$7M in AHP funds secured à leveraged towards \$125M of real estate development
- § Projects have ranged from serving chronically homeless to workforce housing



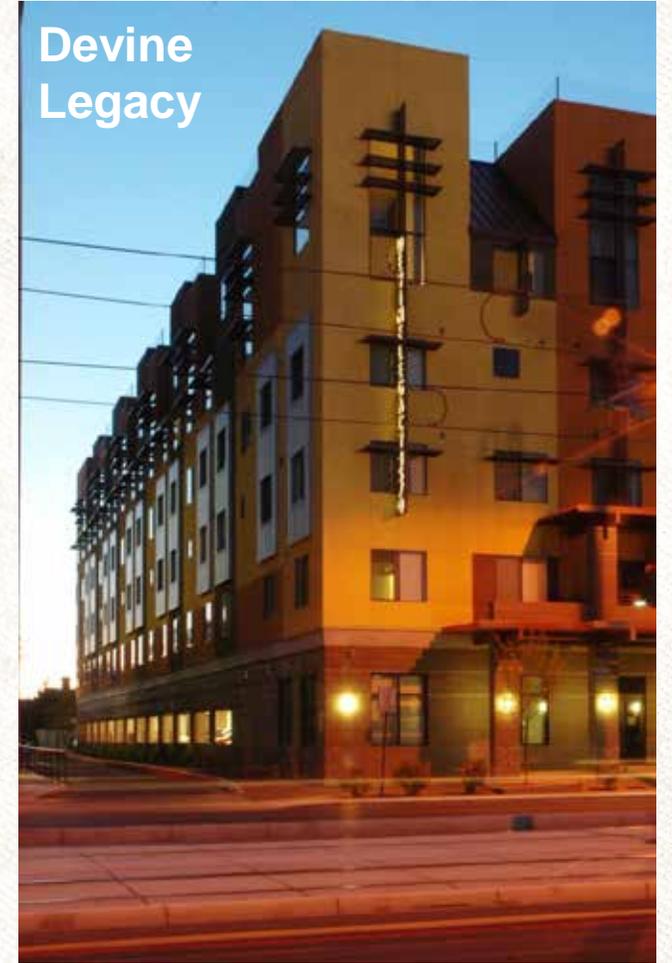
**Stepping
Stone Place**



Urban Living on 2nd Ave



Encanto Pointe



**Devine
Legacy**

Application & Underwriting Process

- § Find your Member Bank as soon as possible!
- § Attend Federal Home Loan Bank's application **AND** compliance workshops
- § "Pre-Score" your project à some Member Banks provide a scoring tool
- § Follow the FHLB's application guidelines (i.e. Sources = Uses, AHP funds can't be used for some development expenses)

Application & Underwriting Process (con't)

- § Underwrite your AHP application utilizing the FHLB's *benchmark tool*
- § Compare your project's benchmarks against LIHTC, HOME, etc to ensure that your project follows the most stringent requirements (e.g. Developer Fees)

Timing & Compliance

- § FHLB typically won't fund until project is ready to close
- § AHP requires that project be completed (CofO and/or Home Sale) within 4 years à FHLB staff will track "flagged" developments
- § Multiple compliance reviews after AHP award (fund disbursement, initial monitoring, long-term monitoring) à keep good records!
- § Be prepared to evidence all statements in your application, i.e. Promotion of Empowerment and Community Stability

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Submitting a winning AHP application/Member Bank

§ Developers who wish to apply for an AHP grant must go through a member bank

§ List of Member Banks can be found at
<http://www.fhlbsf.com/member/memberlisting.aspx>

§ Using the FHLB's AHP program can be a good way for a bank to enhance its CRA performance

§ Since 1996 NB|AZ has managed and disbursed 65 AHP awards totaling \$31 million. This equates to 2,433 units of affordable housing

§ Today, we have 20 of those awards still active and in the disbursing phase for a total of \$6.5 million

§ Not all member banks participate in the programs offered by the FHLB

§ Encourage your bank to participate!

Submitting a winning AHP application/Member Bank

§ Member banks handle the process differently

- § Some banks will not submit the AHP application unless they are the lender on the debt side of the transaction
- § Some banks perform their own review of the application prior to agreeing to submit it-some do not
- § Some banks will not submit an application if the project is not in their assessment area
- § Lead time for application submission varies with the member bank-larger banks can require 30 days; NB|AZ 10 business days
- § Original signatures are required

Submitting a winning AHP application/Member Bank

§ Important to remember:

- § Develop a relationship with a member bank early in the year-get your deal “on their list”
- § FHLB allows a total of \$10 million in AHP grants per member bank-at NB|AZ that money is quickly reserved
- § NB|AZ requires that all packages be in our office 10 business days prior to the FHLB deadline-this means all copies, proper signatures and correctly completed cover pages. (i.e. Rhonda Wright is the “contact person” – I am the authorized signer)

Submitting a winning AHP application/Member Bank

§ If you are awarded a grant – Congratulations!

§ Important to know.....

§ Make sure the attorney drawing your documents uses the FHLB's template Note and Rider to the Deed of Trust found on their website

§ If changes are made to standard language on these documents, an opinion of counsel is required-at the project sponsor's expense (member bank must obtain the opinion)

§ Allow adequate time when requesting your fund disbursement

§ Documents must be recorded and originals forwarded to NB|AZ before we can release funds

§ Any changes to the project, especially as it relates to how the deal was scored need to be done through the member bank on a "Modification" form-which the member submits to the FHLB for approval