

Moving Beyond the Traditional Funding Pillars for Multi-Family Development

Prepared for: Tennessee Housing Conference
March 2, 2022



Housing and Community Investment (HCI)



HCI Mission

The primary mission of the Housing and Community Investment (“HCI”) Department is to support our Members’ community investment efforts through the responsible investment of available funds in sustainable affordable housing and economic development activities benefiting low- and moderate-income households across the Fifth District.

Current HCI Products

- Affordable Housing Program (AHP)
- Welcome Home Program (WHP)
- Community Investment Program (CIP)
- Economic Development Program (EDP)
- Voluntary Programs
 - Zero Interest Fund (ZIF)
 - Carol M. Peterson Housing Fund (CMPHF)
 - Disaster Reconstruction Program (DRP)

Affordable Housing Program (AHP)



AHP Overview

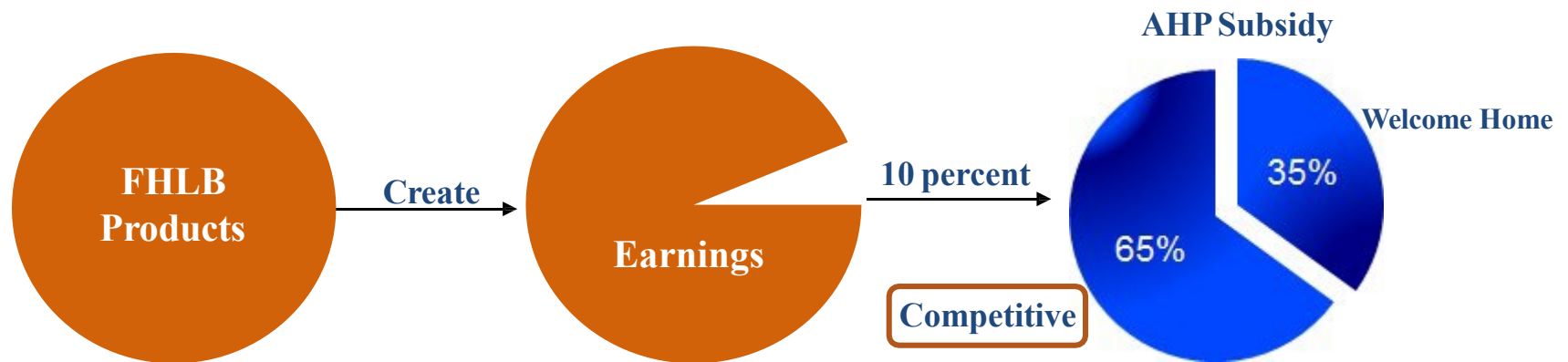
- Provides direct grants to support the development of ownership and rental housing for very low- to moderate-income households ($\leq 80\%$ AMI).
 - Federally-regulated.
 - Grants limited to \$400,000 in 2022 or 75% of total project cost per project.
- Competitive application process; projects are evaluated based on:
 - Eligibility and threshold requirements.
 - Financial feasibility.
 - Scoring criteria (100 point system).

AHP Fills the Financial Gap

- AHP funds are used to complete a development's permanent funding or “fill the gap.”
- AHP funds make the project more affordable by:
 - Reducing the amount of other funding required.
 - Reducing the amount of hard debt on a project.
 - Reducing the Member's credit risk (lower loan-to-value) and therefore the project's required interest rate.

Source of AHP

- 10% of FHLB Net Earnings
- Private dollars



- More than 30 years of providing AHP Subsidy.
- The FHLB has awarded \$827 Million to assist more than \$102,000 households since its inception.

AHP Eligibility

- Costs directly related to ownership or rental housing development
 - New construction
 - Rehabilitation
 - Acquisition/purchase of land or buildings
 - Any of combination of the above
- Eligible participants are housing providers and developers
 - Non-profit organizations
 - Housing finance agencies
 - Other types of organizations
 - For-profit entities
 - Government agencies

Eligible Project Types

- Rental Housing
 - Single or Multi-family Housing (including Permanent and Transitional Housing)
 - Shelters
 - Group Homes/Special Purpose Housing/ Single Room Occupancy
- Ownership
 - Owner-occupied Rehab
 - New construction or Rehab for purchase
 - Habitat/Habitat-like

What AHP Cannot Fund

- Predevelopment costs (only)
- Cash-out refinancing
- Land banking
- Social service space

Sponsor Role

- Sponsors conceptualize and plan project aspects like:
 - Project location
 - Project type (ownership, owner-occupied rehab, rental)
 - Income and occupancy targets (elderly, homeless, etc.)
 - Size and number of housing units or beds (floor plan)
 - Sources of funds for development
 - Development costs (valid cost estimates)
 - Rent or mortgage payment for targeted households
 - Operating costs and source(s) of funds (if rental)
- Find a Member and complete the AHP online application

Member Role

- Members meet with Sponsors to review project concepts and determine if they want to partner with Sponsor.
- If a Member partners with a Sponsor, the Member then:
 - Reviews project needs (grant, loans).
 - Determines what type of contributions or concessions will be made to the project.
 - Establishes underwriting criteria for any loans to the project.
 - Sets deadline to receive the AHP online application.
 - Submits the AHP online application electronically.
- Member is eligible to receive up to \$800,000 in subsidy *(excluding funding received through Welcome Home)*.

AHP Process Flow



Sponsor envisions the project and submits AHP application and its Required Documents electronically to the Member.



Member submits AHP application to FHLB.



FHLB evaluates the application and makes commitments/awards funds.



Sponsor completes the work and submits disbursement package/request for funds to FHLB.



FHLB approves the disbursement and deposits the funds in the Member's account.



Member forwards the funds to the Sponsor.

2022 AHP Application Schedule

Dates TBD	AHP Virtual Workshops (<i>registration required</i>)
May 31	Online Application Opens
July 29	Application and Required Documents Deadline (5:00 P.M. EDT)
November 17	AHP Award Date

Note that Sponsor Registration in OASYS is available year-round.

Community Investment Program (CIP)



CIP Overview

- Provides discounted loans to promote financing of housing and economic development projects.
- Priced daily at FHLB cost of funds.
- Subject to normal underwriting and collateral policies and Member's available borrowing capacity.
- Member can mark-up the rate to their customer.
- Flexible financing tool for construction or long-term lending.
- May be used with other FHLB HCI products.

CIP Eligible Uses

- Housing
 - Purchase, construction, or rehab of housing
 - Single-family homes, apartment buildings, manufactured housing, etc.
 - Must benefit households with incomes at or below 115% of HUD Area Median Income (AMI)
- Economic development projects benefiting households with incomes at or below 80% of AMI or small business concerns.
- Mixed use projects.

Pricing and Member Limits

- All Members are eligible to receive at least \$1 million annually under the CIP. Beyond that, usage in a given calendar year is limited to the lesser of:
 - Additional Borrowing Capacity.
 - \$50 million in annual CIP approvals (Advances and Letters of Credit).
 - 25 percent of the Member's outstanding eligible Advances and LOCs.
 - The unused portion of the \$1.25 billion aggregate CIP and EDP revolving loan fund.

Eligible Advance Products

- Balloon Payment
- Callable
- Constant Monthly Payment
- Regular Mortgage Matched
- Regular Fixed Rate
- Select Payment Mortgage Matched
- Special Amortizing

CIP/EDP Letters of Credit

- Facilitate community lending, economic development, and residential housing through credit enhancements as a collateral alternative.
- Uses
 - Tax Exempt Housing Bonds
 - 501(c)3 Bonds
 - Industrial Revenue Bonds

CIP/EDP Member Benefits

- Grow public relations.
- Draw customers to the institution and other lines of business.
- Very easy to administer.
- Mitigate community development funding risks.
- Readily available source of funds.
- CRA Credit.

Affordable Housing Challenges



Some key challenges driving increased costs

- Construction costs
- Labor shortage
- Supply chain issues
- Inflation
- Lack of funding sources
- COVID
- Regulatory Challenges

Questions

Contact Us

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Let's celebrate together!

We encourage all FHLB members and housing sponsors to notify us of plans to celebrate or recognize any FHLB funded housing or community investment project. The FHLB is often available to participate and to offer public relations assistance for community events such as ribbon cuttings, groundbreaking, and dedications. Please contact Marketing or Public Affairs, toll free at 877-925-FHLB(3453).



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Thank You

