

FEDERAL HOME LOAN BANK OF CHICAGO
2025 AFFORDABLE HOUSING PROGRAM IMPLEMENTATION PLAN

This Implementation Plan (the “Plan”) sets forth certain policies, procedures, guidelines and requirements applicable to the Affordable Housing Program (“AHP”) of the Federal Home Loan Bank of Chicago (the “Bank”), as required by Part 1291 of the Code of Federal Regulations governing the AHP (12 C.F.R. Part 1291) (“Regulations”). While the Implementation Plan includes pertinent information pertaining to the Bank’s AHP, the Plan is not intended to be a comprehensive statement of all of the Bank’s policies and procedures applicable to the AHP. In the event of a conflict between the Plan and the Regulations, the Regulations will govern.

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Exhibits

Exhibit I: Project Feasibility and Cost Guidelines for the General Fund

Exhibit II: Scoring Guidelines for the General Fund

¹ In November 2018, the Federal Housing Finance Agency (“FHFA”) issued a Final Rule, setting forth new regulations for the Affordable Housing Program. The Final Rule provides that a Federal Home Loan Bank may establish in its discretion, up to three Targeted Funds to address specified affordable housing needs in its district, in addition to its General Fund. However, the Bank will not establish a Targeted Fund in this Plan.

I. Median Income Standard

Section 1291.13(b)(1) of the Regulations requires the Bank to adopt one or more applicable median income standards. Accordingly, the median income guidelines published annually by the U.S. Department of Housing and Urban Development are adopted as the income standard used by the Bank. Projects that serve households that are eligible for assistance from a Tribally Designated Housing Entity may use the greater of the HUD or Native American Housing Assistance and Self Determination Act (NAHASDA) income guidelines. Such income guidelines are posted on the Bank's Community Investment website at www.fhlbc.com. AHP applications will be evaluated using the income guidelines effective on the date that the application round opens.

II. Requirements for the Bank's General Fund

A. Establishment of the General Fund

The Bank's General Fund will consist of one pool of funds in an amount equal to at least 65 percent of its required annual AHP contribution. The General Fund will be established and administered by the Bank pursuant to the requirements of the Regulations and the Plan.

B. Funding Periods and Application Process

1. In 2025 there will be a single funding round. The application deadline will be published within the *AHP Online: Guide for Sponsor Applicants* available on the Bank's website.
2. The Bank will accept applications for AHP subsidies under its General Fund only from institutions that are members of the Bank in good standing at the time of application submission and will award subsidies only to institutions that are members of the Bank at the time of award approval.
3. General Fund applications must contain information sufficient for the Bank to:
 - a. Determine that the proposed AHP project meets the eligibility requirements pursuant to Section II.C below; and
 - b. Evaluate the application pursuant to the Scoring Guidelines for the General Fund, attached hereto as Exhibit II.

C. Regulatory Minimum Eligibility Requirements

Projects receiving AHP subsidies pursuant to the General Fund must meet the following regulatory eligibility requirements:

1. *Owner-occupied or rental housing*
The AHP subsidy must be used exclusively for:

- a. Owner-occupied housing. The purchase, construction, or rehabilitation of an owner-occupied project by or for very low-income, low-, or moderate-income households where the housing is to be used as the household's primary residence. A household must have an income meeting the income targeting commitments in the approved AHP application at the time it is qualified by the project sponsor for participation in such project. For additional information regarding acceptable timeframes for the documentation used for sponsor qualification of household income, see the Bank's Affordable Housing Program Disbursement Policy (part of the "Compiled AHP Policies").
- b. Rental housing. The purchase, construction, or rehabilitation of a rental project, where at least 20 percent of the units in such project are occupied by, and affordable for, very low-income households.

- i. Projects that are not occupied at the time of AHP application:

For a rental project that is not occupied at the time the AHP application is submitted to the Bank for approval, an eligible household must have an income meeting the income-targeting commitments in the approved AHP application upon initial occupancy of the rental unit.

- ii. Projects that are occupied at the time of AHP application:

- 1. Except as provided in Section II.C(1)(b)(ii)(2) of this Plan, for projects involving the purchase or rehabilitation of rental housing that is occupied at the time the AHP application is submitted to the Bank for approval, an eligible household must have an income meeting the income targeting commitments in the approved AHP application at the time of such submission.

2. Relocation Plans

- a) If an AHP application involves the purchase, rehabilitation or demolition of any property that is occupied by existing households and includes displacement, then a relocation plan is required with the AHP application. If the project has a relocation plan for current occupants that is approved by one of its federal, state, or local government funders, a household may have an income meeting the income targeting commitments upon initial occupancy of the rental unit after the completion of the purchase or rehabilitation.

- b) If an AHP application involves the purchase, rehabilitation or demolition of any property that is occupied by existing households and includes displacement, then a relocation plan is required with the AHP application. If a federal, state, or local government-approved plan is not a requirement for the project, the plan will be subject to review by the Bank and must include each of the following components: (1) Provide relocation advisory services to displaced residents; (2) Provide adequate written notice to the households that provides reasonable time for the household to relocate prior to requiring possession; (3) Provide payment to displaced households for moving expenses; (4) Provide payments for the added cost of comparable replacement housing and; (5) Include the costs associated with relocation in the project's Total Development Budget. If such a plan is deemed acceptable by the Bank, a household may have an income meeting the income targeting commitments upon initial occupancy of the rental unit after completion of the purchase or rehabilitation.

2. *Need for subsidy*

A project's estimated uses of funds must equal its estimated sources of funds, as reflected in such project's development budget. The difference between a project's sources of funds (excluding AHP subsidy) and uses of funds is the maximum amount of AHP subsidy such project may receive.

A project's sources of funds shall include:

- a. Cash contributions by the sponsor, any funds from sources other than the sponsor, and estimates of funds the sponsor has obtained, or intends to obtain, from other sources, but which have not yet been committed to such project.
- b. In the case of owner-occupied projects where the sponsor extends permanent financing to the homebuyer, the sponsor's cash contribution must include the present value of any payments the sponsor is to receive from the buyer, including any cash down payment from the buyer, plus the present value of any purchase note the sponsor holds on the unit. If the note carries a market interest rate commensurate with the credit quality of the buyer, the present value of the note equals the face value of the note. If the note carries an interest rate below the market rate, the present value of the note must be determined using the market rate to discount the cash flows.

- c. Estimates of the market value of in-kind donations, voluntary professional labor and services, and sweat equity committed to the project should not be included as a source of funds.

3. *Project costs*

- a. A project's cash uses are the actual outlay of cash needed to pay for materials, labor, and acquisition or other costs of completing such project. Cash costs do not include in-kind donations, voluntary professional labor or services, or sweat equity. Non-cash costs should not be included as a use of funds.
- b. Taking into consideration the geographic location of a project, development conditions, and other non-financial project characteristics, the Bank will determine whether a project's costs, as reflected in such project's development budget, are reasonable in accordance with the Bank's project cost guidelines, as set forth in the Bank's Project Feasibility and Cost Guidelines, attached hereto as Exhibit I.
- c. The purchase price of property or services, as reflected in the project's development budget, sold to the project by a member providing the AHP subsidy to the project, or, in the case of property upon which such member holds a mortgage or lien, may not exceed the market value of such property or services as of the date the purchase price was agreed upon. In the case of "real estate owned property" sold to a project by a member providing an AHP subsidy to such project, or property sold to the project upon which the member holds a mortgage or lien, the market value of such property is deemed to be the "as-is" or "as-rehabilitated" value of such property, whichever is appropriate, as reflected in an independent appraisal of such property performed by a state certified appraiser or licensed appraiser, as defined in 12 C.F.R. 564.2(j) and (k) respectively, within six months prior to the date the Bank disburses the AHP subsidy to a project. "As-rehabilitated" is defined as the prospective value of a property after all construction has been completed. This value reflects all expenditures for lease-up and occupancy that may be expected to have occurred at that point in time, which may or may not put the property at stabilized value.

4. *Project feasibility*

- a. Developmental feasibility. A project must be likely to be completed and occupied, based on relevant factors, as set forth in the Bank's Project Feasibility and Cost Guidelines, attached hereto as Exhibit I, including, but not limited to, the development budget, market analysis, project timeline, and the project sponsor's experience in providing the requested assistance to households.
- b. Operational feasibility of rental projects. A rental project must be able to

operate in a financially sound manner, and in accordance with the Bank's Project Feasibility and Cost Guidelines, attached hereto as Exhibit I, as projected in the project's operating *pro forma*.

- c. The Bank will evaluate the developmental and operational financial feasibility of a project and the need for AHP subsidy, as required by the Regulations, using the Project Feasibility and Cost Guidelines, attached hereto as Exhibit I.

5. *Financing costs*

The rate of interest, points, fees, and any other charges for all loans that are made for the project in conjunction with the AHP subsidy must not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms, and risk.

6. *Timing of AHP subsidy use*

At the time of application, the AHP subsidy must be likely to be drawn down by the project or used by the project to procure other financing commitments within 12 months of the date of approval of the application for AHP subsidy.

7. *Counseling costs*

AHP subsidies may be used to pay for counseling costs only where such costs are incurred in connection with counseling of homebuyers who actually purchase an AHP-assisted unit, and the cost of counseling has not been covered by another funding source, including the member.

8. *Capitalized Reserves*

AHP subsidies may not be used to fund the capitalized reserves of a project. The Bank will confirm during its review of a rental project's development budget that other sources are available to fund any capitalized reserves.

9. *Refinancing*

A project may use an AHP subsidy to refinance an existing single-family or multi-family mortgage loan, provided that the refinancing produces equity proceeds, and such equity proceeds up to the amount of the AHP subsidy in such project must be used only for the purchase, construction, or rehabilitation of housing units meeting the applicable eligibility requirements of Section II.B of this Plan.

10. *Retention*

- a. Owner-occupied units, excluding those units approved for rehabilitation-only, will be subject to a five (5) year retention agreement, as described in Section IV of this Plan.
- b. Rental projects will be subject to a fifteen (15) year retention agreement, as described in Section IV of this Plan.

11. *Project sponsor qualifications*

- a. Sponsor is defined as a not-for-profit or for-profit organization or public entity that (1) has an ownership interest in a rental project, or (2) is integrally involved in an owner-occupied project.
 1. Rental project: For purposes of the definition of sponsor, “ownership interest” means that (i) the sponsor is the owner of the rental project, or (ii) the sponsor has an ownership interest (including any partnership interest) in the entity that is the owner of the rental project.
 2. Owner-occupied projects: For purposes of the definition of sponsor, “integrally involved” means the sponsor (i) manages the construction or rehabilitation of 100% of the units, or (ii) qualifies borrowers and provides or arranges financing for the owners of the owner-occupied units.
 3. A project sponsor must be qualified and able to perform its responsibilities as committed to in the application for an AHP subsidy.
 4. A project sponsor must certify that it meets the project sponsor qualifications criteria and has not engaged in, and is not engaging in, covered misconduct as defined in FHFA’s Suspended Counterparty Program regulation (12 CFR part 1227).

12. *Fair housing*

A project, as proposed, must comply with applicable federal and state laws on fair housing and housing accessibility including, but not limited to, the Fair Housing Act, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and the Architectural Barriers Act of 1969, and the project must demonstrate how such project will be affirmatively marketed.

13. *Calculation of AHP subsidy*

- a. Where an AHP direct subsidy is provided to a project to write down the interest rate on a loan extended by a member, sponsor, or other party to a project, the net present value of the interest foregone from making the loan below the lender’s market interest rate must be calculated as of the date the application for the AHP subsidy is submitted to the Bank, and subject to adjustment under section 1291.30(d) of the Regulations.
- b. Where an AHP subsidized advance is provided to a project, the net present value of the interest revenue foregone from making a subsidized advance at a rate below the Bank’s cost of funds must be determined as of the earlier of the date of disbursement of the subsidized advance or the date

prior to disbursement on which the Bank first manages the funding to support the subsidized advance through its asset/liability management system, or otherwise.

14. *District eligibility requirements*

Pursuant to section 1291.24(c)(1) of the Regulations, the Bank has adopted the following district eligibility requirements:

- a. The Bank will limit the amount of subsidy for which a member applicant may apply to a maximum of 25% of the subsidy announced for each application period. For all applications submitted by member applicants that are owned by the same parent company, the sum of the subsidy requested by those member applicants cannot exceed 25% of the subsidy announced for each application period. The limit will be calculated using the following parameters: 1) the order in which applications are in “Member Approved” status in AHP Online, and 2) for applications with member consortiums, 100% of the requested subsidy will be applied toward the 25% limit of each member applicant.
- b. The Bank will limit the amount of subsidy per project to \$2,000,000 or 75% of the total project costs, whichever is less.
- c. Prior AHP Applications
 - i. Applications for 2025 General Fund subsidy which include a property address subject to an existing Bank AHP Retention Agreement in relation to previously funded AHP subsidy from a prior AHP award are ineligible.
 - ii. For unfunded General Fund projects previously awarded by the Bank in a prior General Fund round, new applications for subsidy in the 2025 General Fund round are eligible, pursuant to the following requirements:
 - The amount of AHP subsidy must not exceed the maximum subsidy available per project in the 2025 General Fund round.
 - Previously approved AHP projects seeking AHP subsidy in the 2025 General Fund round must apply for the total amount AHP subsidy they need – combining the previously approved AHP subsidy award and the additional AHP subsidy amount requested;
 - The new application submitted in the 2025 General Fund round will be subject to the 2025 AHP Implementation Plan requirements (e.g., threshold eligibility, feasibility, cost, and scoring);
 - If the new application is approved for subsidy, upon the

Award Date, the member must withdraw the previously approved AHP subsidy award to prevent the project from receiving AHP subsidy in excess of its need for subsidy; and

- Upon the Award Date of the new application, the new award will be subject to the 2025 AHP Implementation Plan requirements in all respects including, but not limited to, the award number, reporting, and monitoring requirements.

15. *Eligible and Ineligible uses of AHP subsidies*

For information regarding eligible and ineligible uses of AHP Subsidy, see the Bank's Affordable Housing Program Eligible and Ineligible Uses of AHP Subsidy Policy (part of the "Compiled AHP Policies").

The Bank may limit or deny funds for projects submitted to more than one Federal Home Loan Bank if such projects are the same or substantially similar.

The Bank has not adopted, and does not have a program for, revolving loan funds or loan pools.

D. Scoring Guidelines

The Bank's scoring system is described in detail in the Scoring Guidelines, attached hereto as Exhibit II.

E. Approval of AHP Applications

The eligible applications receiving the highest overall scores will be reviewed by the Bank's Community Investment Officer (CIO) and presented to the Bank's President. Those applications will then be recommended to the Affordable Housing Committee of the Bank's Board of Directors for award approval. Such Committee will approve applications for AHP subsidy in descending order starting with the highest scoring application until the total subsidy amount for the particular funding round, except for any amount insufficient to fund the next highest scoring application, has been allocated.

In the event that two or more applications have identical scores in the same funding round and there is insufficient AHP subsidy to approve all of the tied applications, the Bank shall apply the following tie-breaker methodology to determine which application(s) are approved for AHP subsidy:

Step 1: Determine if any of the tied applications have a recommended subsidy amount exceeding the total AHP funds remaining to be awarded. If so, this application shall be excluded from participation in the tie-breaking event.

Step 2: Compare the remaining tied applications' scores under the Bank District Priorities scoring category (i.e., Section 7 of Exhibit II: Scoring Guidelines for the General Fund). This scoring category includes the sub-categories of a. In-District Projects; b. Projects Serving Low-Income Areas; c. Emerging Project Sponsors; d. Permanent Supportive Housing; e. Operational Efficiency; and f. Projects of 24 or Fewer Units. Approve the tied applications in order of the highest scores within this scoring category until the total AHP funds remaining are exhausted. If any of the remaining applications' scores are still tied, then any application with a recommended subsidy amount exceeding the total AHP funds that remain to be awarded shall be excluded from participation in the tie-breaking event. After that determination, if any of the remaining applications' scores are still tied and the requested subsidy of each remaining application is within the amount of AHP funds that remains to be awarded, then proceed to Step 3.

Step 3: Compare the remaining tied applications' scores under the Underserved Communities and Populations scoring category (i.e., Section 4 of Exhibit II: Scoring Guidelines for the General Fund). This scoring category includes the sub-categories of a. Housing for Homeless Households; b. Housing for Special Needs Populations; c. Rural Housing; and d. Large Family Units. Approve the tied applications in order of the highest scores within this scoring category until the total AHP funds remaining are exhausted. If any of the remaining applications' scores are still tied, then any application with a recommended subsidy amount exceeding the total AHP funds that remain to be awarded shall be excluded from participation in the tie-breaking event. After that determination, if any of the remaining applications' scores are still tied and the requested subsidy of each remaining application is within the amount of AHP funds that remains to be awarded, then proceed to Step 4.

Step 4: Compare the remaining tied applications' scores under the Creating Economic Opportunity Through Mixed-Income Areas scoring category (i.e., Section 5 of Exhibit II: Scoring Guidelines for the General Fund). Approve the tied applications in order of the highest scores within this scoring category until the total AHP funds remaining are exhausted. If any of the remaining applications' scores are still tied, then any application with a recommended subsidy amount exceeding the total AHP funds that remain to be awarded shall be excluded from participation in the tie-breaking event. After that determination, if any of the remaining applications' scores are still tied and the requested subsidy of each remaining application is within the amount of AHP funds that remains to be awarded, then proceed to Step 5.

Step 5: Compare the remaining tied applications' scores under the Use of Donated or Conveyed Government-Owned or Other Properties scoring category. Approve the tied applications in order of the highest scores within this scoring category until the total AHP funds remaining are exhausted.

F. AHP Applications: Post Approval

1. Project Changes

An AHP Project is approved based on the information provided in the Application. The Bank must be notified of any proposed changes to the AHP Project.

For information regarding changes to an approved AHP Project see the Bank's Affordable Housing Program Project Change Policy (part of the "Compiled AHP Policies").

2. Disbursements of AHP Subsidy

Following Application approval, AHP Projects may request disbursement of the AHP Subsidy as set forth in the Bank's Affordable Housing Program Subsidy Disbursement Policy (part of the "Compiled AHP Policies").

3. Monitoring AHP Projects

Following Application approval, AHP Projects will be subject to Bank monitoring. For additional information regarding the monitoring of AHP Projects, see the Bank's Affordable Housing Program Monitoring Policy (part of the "Compiled AHP Policies").

4. Non-Compliant AHP Projects

Following Application approval, AHP Projects will be monitored to determine compliance with the AHP Regulations, the Subsidy Agreement, the Retention Agreement, the AHP Implementation Plan for the applicable Funding Round under which the AHP Project was approved, and Bank policies and procedures. For additional information on the areas for which the Bank may determine there is non-compliance, the remedies available for resolution of non-compliance and the implication of non-compliance, see the Bank's Affordable Housing Program Non-Compliance Policy (part of the "Compiled AHP Policies").

III. Requirements for the Bank's Homeownership Set-Aside Program

A. Establishment of Set-Aside Program

The Bank's Homeownership Set-Aside Program will consist of two funding pools: a general pool (referred to as Downpayment Plus[®] or DPP[®]) and a restricted pool (referred to as Downpayment Plus Advantage[®] or DPP Advantage[®]). In 2025, the Bank will allocate 35% of its required annual AHP contribution to the Set-Aside Program. At least one-third of the Bank's aggregate set-aside allocation will assist first-time homebuyers, as required in section 1291.12(b) of the Regulations.

Members participating in DPP may access set-aside subsidies on behalf of eligible homebuyers or homeowners to whom they are providing first mortgages. Members

participating in DPP Advantage may access set-aside subsidies on behalf of eligible homebuyers with first mortgage financing from a not-for-profit organization.

Unless otherwise noted, eligibility, funding, and monitoring requirements set forth below for the Set-Aside Program apply to both DPP and DPP Advantage.

B. Eligible Applicants – Member Enrollment

The Bank may only accept applications (i.e., Program Agreements) for its Set-Aside Program from institutions that are members of the Bank at the time of application submission.

C. Minimum Eligibility Requirements

The Bank's Set-Aside Program eligibility requirements include the following:

1. *Member allocation criteria*

The Bank will accept reservations after the allocation for the program year has been announced to the Bank's members. Any member seeking to reserve funds in the program must have first executed a Program Agreement. At the time of program enrollment and at reservation, the Bank will verify that the institution is a member and is not restricted from utilizing Community Investment programs. Funds will be available on a first-come, first-served basis, until the member limit has been reached or the program funds have been fully reserved, whichever occurs first.

The member limit for DPP is \$1,000,000 for the 2025 program year. The member limit for DPP Advantage funds is \$1,000,000. Parent holding companies owning two or more Bank Members are limited to a maximum of \$2,000,000 in DPP funds. The holding company limit for DPP Advantage funds is \$2,000,000. Program utilization will be monitored throughout the year, and if Bank management determines that the funds allocated to the Set-Aside Program are not likely to be reserved prior to program year-end, the CIO, based on an evaluation of needed down payment assistance within the Seventh District, is authorized to increase the member limit to an amount up to double the existing member limit effective on or after August 1, 2025. The CIO will inform the Affordable Housing Committee of the Board of Directors, and the Bank will notify participating members, of any such change to the member limit for 2025.

2. *Eligible households*

Members must ensure the following requirements are satisfied:

- a. Subject to the Bank's review and approval, the member will determine that the household's income does not exceed 80% of the median income for the area in which the property is located (as set forth in the AHP and DPP Income Calculation Guidelines and DPP Program Guide) and will

apply to the Bank for a reservation of funding for the homebuyer. The date on which the member determines that the household is income eligible for DPP assistance based on the income documents submitted to the Bank will be deemed the enrollment date.

- b. All households using the set-aside subsidy must complete a homebuyer education and counseling program provided by a Counseling Agency or an online platform approved by the Bank, listed within the Bank's DPP Program Guide.
- c. A minimum of one-third of households accessing set-aside funds must be first-time homebuyers, pursuant to the first-time homebuyer requirement in section 1291.12(b) of the Regulations. A first-time homebuyer is defined by the Bank as a household meeting any one of the following criteria:
 - i. An unmarried individual, or an individual and his or her spouse, who has/have not owned a home during the three-year period prior to the date of purchase of a home with AHP assistance.
 - ii. A divorced, legally separated, or widowed individual who has only owned with a (former) spouse.
 - iii. An unmarried individual, or an individual and his or her spouse, who has/have only owned a property that was not in compliance with state, local, or model building codes, and which cannot be brought into compliance for less than the cost of constructing a permanent structure.

3. *Maximum grant amount*

- a. Grants to households cannot exceed \$10,000, except as provided below.
- b. For DPP, homebuyers must contribute a minimum of \$1,000 (net) toward the purchase of the home.
- c. For DPP Advantage, there is no required homebuyer contribution. The grant amount is the lesser of 25% of the first mortgage amount or \$10,000.
- d. Program utilization will be monitored throughout the year, and if Bank management determines that the funds allocated to the Set-Aside Program are not likely to be reserved prior to program year-end, the CIO, based on an evaluation of needed down payment assistance within the Seventh District, is authorized to increase the maximum grant amount per household to up to \$15,000, effective on or after August 1, 2025, for either DPP, DPP Advantage, or both. The minimum borrower contribution shall remain \$1,000 for DPP.
- e. At any time during the year, the CIO will have the discretion to allow a maximum grant amount per household not to exceed the amount annually

authorized by the FHFA per the Regulations, as well as other concessions or exceptions permitted by the Regulations, for grants made through the Set-Aside Program, as authorized by the Bank's Board of Directors and announced on the Bank's public website. The CIO will inform the Affordable Housing Committee of the Board of Directors and the Bank will notify participating members of any such change to the maximum grant amount per household for 2025.

4. *Eligible uses of AHP direct subsidy*

Households must use the subsidy to pay for down payment, closing costs, counseling, or rehabilitation assistance in connection with the household's purchase or rehabilitation of an owner-occupied unit, including a condominium or cooperative housing unit or manufactured housing, to be used as the household's primary residence.²

5. *Retention Agreement*

An owner-occupied unit using set-aside funds for purchase, or purchase and rehabilitation, will be subject to a five- (5) year retention agreement per Section IV of this Plan. A retention agreement should not be recorded for owner-occupied units approved for rehabilitation-only.³

6. *Financing costs*

The rate of interest, points, fees, and any other charges for loans made to households using the set-aside subsidy for purchase or rehabilitation must not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms, and risk.

7. *Counseling costs*

Set-aside funds may be used to pay for pre-purchase homebuyer education and counseling costs only where such costs are incurred in connection with educating and counseling homebuyers who actually purchase an AHP-assisted unit, and the cost of education and counseling has not been covered by another funding source, including the member. Homebuyer education and counseling costs reimbursed by the set-aside funds may not exceed \$500 per household.

8. *Cash back to household*

A member may provide cash back to a household at closing on the mortgage loan in an amount not exceeding \$250. If the amount of set-aside subsidy that exceeds what is needed for closing costs and the approved mortgage amount is more than \$250, the member must use the amount in excess as a credit to reduce the principal of the mortgage loan.

² The Bank's Set-Aside Program does not currently support the use of subsidy for rehabilitation-only.

³ The Bank's Set-Aside Program does not currently support the use of subsidy for rehabilitation-only.

D. Procedure for Funding Set-Aside Subsidies

1. *Reservation of set-aside subsidies*

The Bank will accept reservations after the allocation for the program year has been announced to the Bank's members. Any member seeking to reserve funds in the program must have first executed a Program Agreement. The member will determine household eligibility subject to the Bank's review and approval and will apply to the Bank for a reservation of funding for the homebuyer. Funds will be available on a first-come, first-served basis, until the member limit has been reached or the program funds have been fully reserved, whichever occurs first.

2. *Progress toward use of set-aside subsidies*

The Bank requires reservations for its set-aside funds to be initiated by December 31 of the allocation year. While allocated funds are still available, the reserved amount of any cancelled reservations will be returned to the set-aside program round in which it was originally reserved.

3. *Disbursement of Set-Aside Subsidies*

- a. Members accessing DPP set-aside funds for purchase must fund or originate the first mortgage. The first mortgage may be funded or originated by a subsidiary of the member provided the member has greater than 50% ownership interest in the subsidiary, or by a subsidiary of the member's parent company provided the parent company has greater than 50% ownership interest in the subsidiary. The first mortgage may also be funded or originated by a member's parent company if the parent company has greater than 50% ownership interest in the member.
- b. At closing, the member will disburse its own funds and submit loan documentation and verification of eligibility to the Bank for review and reimbursement to the member. The Bank will:
 - i. Verify that the requesting institution is a member at the time of disbursement;
 - ii. Verify that the requesting institution is not restricted from utilizing Community Investment programs;
 - iii. Verify that there is an executed Program Agreement between the Bank and the member, pursuant to the Regulations; and
 - iv. Review each loan for certification of eligibility pursuant to the Regulations prior to member reimbursement.
- c. The member will be required to assume the liability for any:
 - i. Subsidies made to an ineligible household, or
 - ii. Subsidies used for an ineligible purpose.

E. Monitoring Requirements for Set-Aside Program

1. The Bank will require the member to certify, prior to each disbursement for

each set-aside transaction, that:

- a. The set-aside subsidy was provided to a household meeting all applicable eligibility requirements of section 1291.42(b) of the Regulations and the Bank's Set-Aside Program policies; and
 - b. All other applicable eligibility requirements in section 1291.42 of the Regulations and the Bank's Set-Aside Program policies are met.
2. The Bank will require the member to maintain, for the Bank's review, any documentation necessary for the Bank to determine whether assisted households meet all applicable eligibility requirements of section 1291.42 of the Regulations and the Bank's Set-Aside Program policies, including that the AHP-assisted units are subject to retention agreements as required under section 1291.15(a)(7).
 3. The Bank will review certifications provided by the member for each set-aside transaction prior to disbursement of the set-aside subsidy.

IV. Retention Agreement Requirements

A. Retention Agreements

The Bank will require retention agreements for its General Fund and Set-Aside Programs consistent with the requirements of the Regulations ("the Retention Vehicle"). For rental units, those requirements are set forth in section 1291.15(a)(8). For owner-occupied units, those requirements are set forth in section 1291.15(a)(7). Pursuant to section 1291.15(a)(7), retention agreements should not be recorded for owner-occupied units approved for rehabilitation-only.

1. Rental projects

For rental projects, members are required to execute and record a Retention Vehicle that enumerates the requirements of section 1291.15(a)(8) of the Regulations including:

- a. The rental units, or applicable portion thereof, must remain occupied by, and affordable for, households with incomes at or below the levels committed to be served in the approved AHP application for the duration of the 15-year retention period;
- b. The Bank, and in its discretion any designee of the Bank, shall be given notice of any sale, transfer, assignment of title or deed, or refinancing of the project by the project owner occurring during the retention period;
- c. In the case of a sale, transfer, assignment of title or deed, or refinancing of the project by the project owner during the retention period, the full

amount of the AHP subsidy received by the project owner must be repaid to the Bank, unless (i) the project continues to be subject, for the duration of the AHP 15-year retention period, to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the approved AHP application, or (ii) if authorized by the Bank, in its discretion, the households are relocated, due to the exercise of eminent domain, or for the expansion of housing or services, to another property that is made subject, for the remainder of the AHP 15-year retention period, to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the approved AHP application; and

- d. The income-eligibility and affordability restrictions applicable to the project terminate after any foreclosure.
- e. The member's agreement shall also include an agreement by the project owner to provide prompt written notice to the Bank if the project also received LIHTC and the project is in material and unresolved noncompliance with the LIHTC income targeting or rent requirements at any time during the AHP 15-year retention period.

Members are further required to ensure the Retention Vehicle is enforceable under applicable law, is in the proper form for recording under applicable law, and is properly recorded. The Bank has provided its preferred forms of Retention Vehicle on its website at www.fhlbc.com.

Members are also required to secure the subsidy for rental projects via a mortgage or other appropriate real property security instrument, naming the member as the secured party. Members are further required to ensure that the mortgage or other appropriate real property security instrument is enforceable under applicable law, is in the proper form for recording under applicable law, and is properly recorded.

2. Owner-occupied units

For owner-occupied units, excluding those units approved for rehabilitation-only, members are required to execute and record a Retention Vehicle that enumerates the requirements of section 1291.15(a)(7) of the Regulations including:

- a. The Bank, and in its discretion any designee of the Bank, shall be given notice of any sale, transfer, assignment of title or deed, or refinancing of the unit by the household occurring during the AHP five- (5) year retention period;
- b. In the case of a sale, transfer, assignment of title or deed, or refinancing of the unit by the household during the retention period, the amount of AHP

subsidy calculated in accordance with Section IV(A)(2)(e) of this Plan (below) shall be repaid to the Bank, unless one of the following exceptions applies:

- i. The unit was assisted with a permanent mortgage loan funded by an AHP subsidized advance;
 - ii. The subsequent purchaser, transferee, or assignee is a low- or moderate-income household, as determined by the Bank. Unless documentation demonstrating the subsequent household's actual income is available, for all sales, transfers, or assignments, the Bank or its designee shall determine the subsequent household's income using a Bank approved sales price proxy based on the [HOME and Housing Trust Fund homeownership value limits published by HUD](#);
 - iii. The amount of the AHP subsidy that would be required to be repaid per the calculation in Section IV(A)(2)(e) of this Plan (below) is \$2,500 or less; or
 - iv. Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism.
- c. The amount of AHP subsidy required to be repaid per the calculation in Section IV(A)(2)(e) of this Plan shall be repaid to the Bank in full. AHP Subsidy that is returned via Repayment cannot be re-used in the same AHP Project.
 - d. The obligation to repay an AHP subsidy to the Bank will terminate after any event of foreclosure, transfer by deed-in-lieu of foreclosure, an assignment of a Federal Housing Administration first mortgage to HUD, or death of the AHP-assisted homeowner.
 - e. The Bank shall be repaid the lesser of: (i) the AHP subsidy, reduced on a *pro rata* basis per month until the unit is sold, transferred, or its title or deed transferred, or is refinanced, during the AHP five- (5) year retention period; or (ii) any net proceeds from the sale, transfer, or assignment of title or deed of the unit, or the refinancing, as applicable, minus the AHP-assisted household's investment.

Members are further required to ensure the Retention Vehicle is enforceable under applicable law, is in the proper form for recording under applicable law, and is properly recorded. The Bank has provided its preferred forms of Retention Vehicle on its website at www.fhlbc.com.

Members should not secure the subsidy for owner-occupied projects with a

mortgage or other real property security instrument.

3. Inception of Retention Period:

- a. For rental projects, the date of project completion will be considered the inception of the fifteen- (15) year retention period. The date of project completion is the later of 1) the date the project reports an 90% occupancy rate, 2) the date when construction or rehabilitation is complete, or 3) the date of the final disbursement of AHP subsidy.
- b. For owner-occupied units subject to a retention agreement, the inception of the five- (5) year retention period will begin on the retention agreement execution date, which must correspond to the closing/settlement date set forth on the final closing disclosure for that unit.

Approved by the Board of Directors
on the 12th day of December, 2024
and amended on the 31st day of January, 2025
and amended on the 28th day of March, 2025

Its Corporate Secretary

EXHIBIT I

Project Feasibility and Cost Guidelines for the General Fund

The Bank has established requirements and guidelines for determining project feasibility and the need for the requested AHP subsidy pursuant to section 1291.23(b) of the Regulations. Project feasibility includes an evaluation of the sponsor's experience, as well as requirements such as financing commitments, zoning, and site control that ensure the project is likely to be completed and occupied. The determination of project feasibility and need for subsidy also includes a review of developmental and operational feasibility, based on established guidelines. These guidelines may be used as a basis for evaluating, adjusting and/or rejecting requests for subsidy in the application, modification, and pre- and post-disbursement stages of a project.

All projects will be evaluated for operational and developmental feasibility, as well as need for AHP subsidy. Projects with values outside of the established guidelines must provide an explanation for why such values are reasonable; explanations will be evaluated by the Bank for acceptability. Exceptions to the guidelines must be approved by the Affordable Housing Committee of the Bank's Board of Directors.

Unless otherwise indicated, the following feasibility guidelines apply to both in-district as well as out-of-district (i.e., not in Illinois or Wisconsin) projects. For further details regarding project feasibility requirements, please consult the *AHP Online: Guide for Sponsor Applicants* available on the Bank's website.

All Projects: Project Feasibility

Applicants requesting AHP subsidies pursuant to the General Fund must meet the following requirements:

1. Status and Authority of Sponsor
 - a. All sponsor applicants must submit a Certificate of Good Standing or Status (or equivalent) from the state in which the sponsor is incorporated. If the proposed project is located in a state other than the state of sponsor incorporation, a Certificate of Authority (or equivalent) from that state must also be submitted.
 - b. Sponsor applicants attempting Project Sponsorship points should refer to the Guide for Sponsor Applicants for additional documentation requirements.
2. Sponsor Experience
 - a. Sponsors must demonstrate the capacity to fulfill all roles, responsibilities, and obligations throughout the entire AHP retention period. If the sponsor has little or no previous affordable housing development experience, the sponsor and its development and property management team will be evaluated to determine whether adequate

development and compliance experience exists to successfully complete the project.

- b. In addition to previous development and management experience, sponsors of previously approved AHP projects will be evaluated on:
- i. AHP project milestones, including subsidy disbursement, project completion, and timely submission of compliance reporting;
 - ii. Event(s) of non-compliance, including type and frequency of event(s), timeliness of communication by sponsor, and remediation efforts; and,
 - iii. Progress toward meeting project commitments.

3. Committed Financing

Committed financing refers to any financing source for which a project has received a preliminary or firm funding commitment.

- For rental projects utilizing the 9% Federal Low Income Housing Tax Credit (LIHTC), the member/sponsor must provide 1) evidence of a 2025 or prior LIHTC award, and 2) a letter of interest or intent for the LIHTC equity. If these two items are not available as of the 2025 AHP General Fund application deadline, then they must be submitted to the FHLBank Chicago within one calendar week of notification by the tax credit allocating agency of the LIHTC award, but not after August 1, 2025.
- For rental projects utilizing the 4% Federal LIHTC, the member/sponsor must provide 1) a bond issuing agency confirmation of intent to issue bonds, 2) an executed letter of interest or intent for the LIHTC equity, and 3) an executed letter of interest or intent to purchase the bonds or facilitate the sale of the bonds, or confirmation from the bond issuing agency that the bonds will be sold through a public offering.
- For rental projects not utilizing the 9% or 4% Federal LIHTC and for all owner-occupied projects, the member/sponsor must provide evidence of committed funding sources, exclusive of any requested AHP, that are $\geq 50\%$ of the total development cost. For projects in which the requested AHP subsidy is $\geq 50\%$ of the total development cost, 100% of the remaining funds must be committed and evidenced. An executed letter of commitment, intent or interest to provide funding is required for a source to be considered committed.
- Estimates of the market value of in-kind donations, voluntary professional labor and services, and sweat equity committed to the project should not be included as a source of committed financing.

4. Zoning

Identified sites must be appropriately zoned for the proposed use at the time of application submission. Exceptions may include unidentified sites, and projects that have either submitted an application to the zoning authority or have otherwise initiated the process via a documented request to the zoning authority to have the site appropriately zoned for the proposed use.

5. Site Control

Site control is required for all identified sites in all projects. Site control is not required for

scattered site single family units that are unidentified at the time of application. Examples of scattered site single family units that are unidentified at the time of application include rental projects utilizing these sites and consumer driven down-payment assistance and owner-occupied rehabilitation projects.

For rental projects, site control must be in the name of an individual or entity that is identified in the ownership organizational chart for the proposed project. For sponsor-driven owner-occupied projects, site control must be in the name of the project sponsor.

6. Substantially Complete Projects

A single-building project is ineligible for AHP subsidy if it has received a certificate of occupancy and/or certificate of substantial rehabilitation on or before the 2025 AHP General Fund application deadline. If it has not received a certificate of occupancy and/or certificate of substantial rehabilitation on or before the 2025 AHP General Fund application deadline, the project is eligible so long as construction work is $\leq 85\%$ complete.

A multiple-building project is ineligible for AHP subsidy if it has received a certificate of occupancy and/or certificate of substantial rehabilitation on or before the 2025 AHP General Fund application deadline for $> 85\%$ of the units. If it has not received a certificate of occupancy and/or certificate of substantial rehabilitation on or before the 2025 AHP General Fund application deadline for $> 85\%$ of the units, the project is eligible so long as construction work is $\leq 85\%$ complete.

Rental Projects: Development Budget

For projects with a material funding commitment for development financing (i.e., loan financing, grants, tax credit allocations, etc.) from a state housing financing agency or a federal or federally-subsidized source of affordable housing funding authorized by the Bank, the Bank will defer to the developmental feasibility guidelines and determinations of such funders. The Bank views the funding commitments of authorized material funders to be evidence of their feasibility approval regarding the project's development budget, and all elements contained therein. A listing of material funders and funding levels authorized by the Bank will be included within the *AHP Online: Guide for Sponsor Applicants* available on the Bank's website.

For projects without a material funding commitment for development financing from a state housing financing agency or a federal or federally-subsidized source of affordable housing authorized by the Bank, the Bank will apply the below guidelines to evaluate projects' developmental feasibility. The Bank may consider exceptions to the developmental feasibility guidelines below as follows: 1) on a case-by-case basis, based on a review of the specific facts, circumstances and information provided by the sponsor for the particular project; or 2) based on unique, identified project characteristics.

Developer Fee

The maximum developer / consultant fee as a % of development costs* excluding developer and consultant fees are as follows:

Project Size	Hard Costs as a % of total project costs	Maximum Fee
All projects	≤ 25.0%	7.5%

Project Size	Hard Costs as a % of total project costs	Maximum Fee
1 – 24 units	> 25.0%	15.0%
25 or more units	> 25.0%	12.0%

* The market value of donated or discounted land, labor, and materials will not factor into development costs for purposes of this calculation

Note: For projects involving an acquisition where there is an identity of interest between the buyer and seller, the maximum developer / consultant fee calculated as described above will be limited to 5% of the acquisition.

When the acquisition is initially arms' length but is followed by an acquisition where there is an identity of interest between the buyer and seller that is necessary to facilitate the project, the developer fee will not be limited to 5% of the acquisition.

Low Income Housing Tax Credit Pricing

The sales price for Low Income Housing Tax Credits is subject to the following guidelines:

Tax-Credit Type	Minimum	Maximum
LIHTC	\$0.84	N/A

Capitalized Reserves

The Bank will utilize the following guidelines to assess the reasonableness of the capitalized reserves level for a project.

Reserve Type	Minimum	Maximum	Of
Lease-up Reserves: Used to cover expenses prior to stabilized occupancy	\$0	75%	Total operating expenses plus replacement reserves and all debt service payments, excluding cash flow notes during the absorption period identified in the market study.

Rental Assistance Reserves: Used to offset the loss of income from a rental assistance commitment	\$0	100%	Amount required per lender / syndicator documents. A detailed explanation of how the reserve was calculated, as well as how and when it will be used, must be provided. Note the Bank will evaluate the sizing and calculation of the reserves to determine reasonableness.
The sum of all other reserves	3 months	12 months	Total operating expenses plus replacement reserves and all debt service payments excluding cash flow notes.

The Bank may consider exceptions to the maximum guidelines for capitalized reserves if the level of capitalized reserves in excess of the above guidelines is offset in full by unused developer fee, as well as on a case-by-case basis, based on a review of the specific facts, circumstances and information provided by the sponsor for the particular project.

Hard Cost Contingency

Construction Type	Minimum	Maximum
New Construction	5%	10%
Rehabilitation	8%	12%

Rental Projects: Operating Budget

For projects with a material funding commitment for development financing from a state housing financing agency or a federal or federally-subsidized source of affordable housing funding authorized by the Bank, the Bank will defer to the operational feasibility guidelines and determinations of such funders. The Bank views the funding commitments of authorized material funders to be evidence of their feasibility approval regarding the project’s operating budget, and all elements contained therein. A listing of material funders authorized by the Bank will be included within the *AHP Online: Guide for Sponsor Applicants* available on the Bank’s website.

For projects without a material funding commitment for development financing from a state housing financing agency or a federal or federally-subsidized source of affordable housing authorized by the Bank, the Bank will apply the below guidelines to evaluate projects’ operational feasibility. Bank may consider exceptions to the operational feasibility guidelines below as follows: 1) on a case-by-case basis, based on a review of the specific facts, circumstances and information provided by the sponsor for the particular project; or 2) based on unique, identified project characteristics.

Debt Coverage Ratio

The ratio of net operating income to all debt service payments **excluding** cash flow notes is subject to the following guideline throughout the 15-year operating pro-forma:

Project type	Minimum	Maximum
All projects	1.15	1.45

Expense to Income Ratio

For projects with little or no debt, the ratio of the sum of total operating expenses, replacement reserves, all debt service payments **including** cash flow notes, and deferred developer fee payments to effective gross income is subject to the following guidelines throughout the 15-year operating pro-forma:

Project type	Minimum	Maximum
All projects	85.0%	N/A

Cash Flow

The average annual per-unit cumulative cash flow throughout the 15-year operating pro-forma, net of the sum of total operating expenses, replacement reserves, all debt service payments **including** cash flow notes, and deferred developer fee payments, is subject to the following guidelines throughout the 15-year operating pro-forma:

Project type	Minimum	Maximum
All projects	\$0	\$500

Trending Factors

Annual cash-flow trending factors are subject to the following guidelines throughout the 15-year operating pro-forma:

Factor Type	Minimum	Maximum
Income	2%	3%
Expenses	3%	4%
Real Estate Taxes	3%	5%

Note: A minimum spread of 1% between the income and expenses trending factor is required.

Vacancy Rates

Annual operating income vacancy rates are subject to the following guidelines throughout the 15-year operating pro-forma:

Project type	Minimum	Maximum
All projects	5.0%	10.0%

Operating Costs per Unit

Annual per-unit operating expenses, net of real estate taxes, are subject to the following guidelines in the stabilized occupancy operating budget:

Project type	Minimum	Maximum
In-district projects	\$3,523	\$ 7,764

For out-of-district projects without a material funding commitment for development financing from a state housing financing agency or a federal or federally-subsidized source of affordable housing authorized by the Bank, the Bank will apply the operating cost-per-unit guidelines determined by the Federal Home Loan Bank for the district where the project is located.

For projects with supportive services which exceed the applicable operating cost-per-unit guideline, the Bank may apply deference to the reasonableness of the operating expenses associated with the project's supportive services, as indicated by the project sponsor.

Management Fee

The property management fee, as a percentage of Effective Gross Income (EGI), is subject to the following guidelines:

Project type	Minimum	Maximum
All projects	3.0%	7.0%

Reserve Funding

Annual per-unit reserves funded through operations are subject to the following guidelines throughout the 15-year operating pro-forma. These guidelines represent Year 1 minimums that may increase thereafter at the annual rate of expenses:

Replacement Reserves		
Construction Type	Minimum (Year 1)	Maximum (Year 1)
New Construction	\$250	\$400
Rehabilitation	\$300	\$500
Operating Reserves		
Project type	Minimum	Maximum
All projects	\$0	Amount required per lender / syndicator documents. A detailed explanation of how the reserve was calculated, as well as how and when

		it will be used, must be provided.
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Loan Interest Rates

Interest rates on financing from any source are subject to the following guidelines:

Project type	Minimum	Maximum
All projects	0%	400 basis points above the Bank's Community Advance rate on the date the application round opens

Owner-Occupied Projects: Development Budget

Developer Fee

The maximum developer / consultant fees are limited as follows:

Project Type	AHP Activity		Developer Fee Eligible	Developer Fee	Of
	Down Payment Assistance	New Construction / Rehabilitation			
Consumer	X		Yes	Up to \$500 per AHP-assisted unit	N/A
Consumer		X	Yes	12%	Hard costs
Consumer	X	X	Yes	12%	Hard costs
Sponsor		X	Yes	12%	Development costs*
Sponsor	X	X	Yes	12%	Development costs*

* Excluding developer and consultant fees. Additionally, the market value of donated or discounted land, labor, and materials will not factor into development costs for the purposes of this calculation.

Pre-purchase Homebuyer Education and Counseling Costs

Per-household pre-purchase homebuyer education and counseling costs subsidized by AHP subsidy are limited as follows:

Project type	Minimum	Maximum
Purchase of AHP-assisted units	\$0	\$500
All other projects	\$0	\$0

Loan Interest Rates

Interest rates on financing from any source are subject to the following guidelines:

Project type	Minimum	Maximum
All projects	0%	400 basis points above the Bank's Community Advance rate on the date the application round opens

All Projects: Adjusted Development Cost per Unit

For projects with a material funding commitment for development financing from a state housing financing agency or a federal or federally-subsidized source of affordable housing funding authorized by the Bank, the Bank will defer to the development cost guidelines of such funders. The Bank views the funding commitments of authorized material funders to be evidence of their determination that project development costs are reasonable and acceptable. A listing of material funders authorized by the Bank will be included within the *AHP Online: Guide for Sponsor Applicants* available on the Bank's website.

For projects without a material funding commitment for development financing from a state housing financing agency or a federal or federally-subsidized source of affordable housing authorized by the Bank, the Bank will evaluate the project's Adjusted Development Cost per Unit (ADCU) to assess the reasonableness of project costs, as outlined below.

A project's ADCU is calculated as follows:

Adjusted Development Cost Per Unit Calculation by Project and Activity Type	
Rental Projects	
Acquisition Only	The quotient of the project's building acquisition costs as the numerator and the total number of units in the project as the denominator
All Others	The quotient of the sum of the project's construction costs, rehabilitation costs, on-site improvements, demolition, contingency, builders overhead, builders profit, and general requirements as the numerator and the total number of units in the project as the denominator
Owner-Occupied Projects	
All	The quotient of the sum of the project's construction costs, rehabilitation costs, modular costs, on-site costs, demolition, contingency, builders overhead, builders profit, and general requirements as the numerator and the total number of units in the project as the denominator

In-District Projects

For all in-district projects without a material funding for development financing commitment from a state housing financing agency or a federal or federally-subsidized source of affordable housing funding authorized by the Bank, the Bank will assess the ADCU using its internal cost model. In cases where the cost model deems project costs to be excessive, Bank will consider exceptions to its ADCU cost model thresholds on a case-by-case basis, using specific facts, circumstances and information provided by the sponsor for the particular project.

Out-of-District Projects

For all out-of-district projects, the Bank will apply the ADCU guidelines established by the Federal Home Loan Bank for the district in which the project is located. If the ADCU exceeds the applicable Federal Home Loan Bank’s guideline, the Bank will further analyze costs using its internal cost model. In cases where the cost model deems project costs to be excessive, Bank will consider exceptions to its ADCU cost model thresholds on a case-by-case basis, using specific facts, circumstances and information provided by the sponsor for the particular project.

All Projects: AHP Subsidy per Unit

For all projects, the Bank will consider how effectively the project uses AHP subsidy dollars. The AHP subsidy per unit is subject to the following guideline:

Project type	Minimum	Maximum
Owner-occupied acquisition-only projects	N/A	\$10,000 of AHP Subsidy per AHP-assisted unit
All other projects	N/A	\$50,000 of AHP Subsidy per AHP-assisted unit

The calculation is based on the amount of AHP subsidy per AHP-assisted unit:

$$\frac{\text{Total AHP Subsidy Requested}}{\text{\# of AHP-Assisted Units}} = \$ \text{ AHP Subsidy per Unit}$$

The Bank will consider exceptions to its AHP Subsidy per Unit thresholds on a case-by-case basis, using specific facts, circumstances and information provided by the sponsor for the particular project.

EXHIBIT II

Scoring Guidelines for the General Fund

Projects meeting all eligibility requirements will be reviewed and scored based on scoring criteria that total 100 points. Each scoring criterion has been assigned a maximum point value. Fixed-point criteria (*i.e.*, pass/fail) are those that cannot be satisfied in varying degrees (“Fixed”). Applications meeting a fixed-point criterion will receive the maximum number of points allocated to that category. Variable-point criteria are those where there are varying degrees by which an application can satisfy the criteria (“Variable”). Applications are considered for points only in the scoring categories they attempt. For further details regarding application scoring requirements, please consult the *AHP Online: Guide for Sponsor Applicants* available on the Bank’s website.

The term “AHP-assisted unit” refers to a housing unit that is subject to an income-targeting commitment of $\leq 80\%$ AMI made to the Bank.

The term “total units” refers to the total number of units in the AHP project regardless of income targeting.

1. USE OF DONATED OR CONVEYED GOVERNMENT-OWNED OR OTHER PROPERTIES | 5 Variable Points

The creation of housing opportunities using a significant proportion, defined as $\geq 20\%$, of:

- (a) Land or units donated or conveyed by the federal government or any agency or instrumentality thereof:
 - 1) 1 point for land or units conveyed, or
 - 2) Up to 5 variable points for land or units donated or conveyed at a discount of $\geq 20\%$ below fair market value; or
- (b) Land or units donated or conveyed by any other party:
 - 1) Up to 5 variable points for land or units donated or conveyed at a discount of $\geq 20\%$ below the fair market value.

Rehabilitation-only projects that do not involve the acquisition of land or units/buildings are not eligible to receive points in this category.

Donated and/or discounted properties do not have to be conveyed prior to application; however, if they have been, the conveyance must have occurred within the 36 months prior to the AHP application deadline in order to be eligible for points in this scoring category.

With the exception of the federal government or any agency or instrumentality thereof, the property must be donated or conveyed by an entity not related to, or affiliated with, the member, sponsor, or owner through ownership or control.

Long-term leases of fifteen (15) years or longer with a rent payment of no more than \$100 annually qualify as donated.

The formula below must result in ≥ 1.00 in order for applicants to receive a score in this category. For projects with both donated and discounted land and/or units the score will be the sum of the donated and discounted calculations.

Points are awarded based on the following formula:

$$\left[\frac{B}{A} \right] \times 5 = \text{POINT(S)}$$

For land or units donated:

A = Total number of units or total square feet of land in the project

B = Number of units or total square feet of land donated to the project

For land or units conveyed at a discount:

A = Fair market value of total units and/or total square feet of land not donated in the project

B = Fair market value of total units and/or total square feet of land not donated in the project, less the total amount of conveyance

2. PROJECT SPONSORSHIP | 5 Fixed Points

Rental Projects 5 Fixed Points	
5 points	Sponsor must be a not-for-profit organization, a state or political subdivision of a state, a state housing agency, a local housing authority, a Native American Tribe, an Alaskan Native Village, or the government entity for Native Hawaiian Home Lands, <i>and</i> have an ownership interest that exceeds 50% of the managing member, general partner, or overall property ownership.

Owner-Occupied Projects 5 Fixed Points	
5 points	Sponsor must be a not-for-profit organization, a state or political subdivision of a state, a state housing agency, a local housing authority, a Native American Tribe, an Alaskan Native Village, or the government entity for Native Hawaiian Home

	Lands, and play at least one integral role in the project by (1) managing the construction or rehabilitation of 100% of the units, or (2) qualifying borrowers and providing or arranging financing for the owners of the owner-occupied units.
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3. TARGETING | 20 Variable Points

The Bank will consider the extent to which the project creates housing for very low-, low-, or moderate-income households. For purposes of this scoring criterion, applications for owner-occupied and rental projects will be scored separately. To the extent the applicable formula below returns a negative result, zero points will be awarded in this category. To the extent the applicable formula returns a result greater than 20, the maximum number of points available in this category (*i.e.*, 20) will be awarded.

Rental Projects

Points will be awarded to projects that finance the purchase, construction, and/or rehabilitation of rental housing, of which $\geq 20\%$ of the units in the project will be occupied by very low-income households with incomes $\leq 50\%$ of area median income (“AMI”). For rental projects, units must be retained as affordable for fifteen (15) years.

- Rental projects where $\geq 60\%$ of the total units will be occupied by, and affordable to, very low-income households ($\leq 50\%$ of AMI) will receive 20 points.
- Rental projects that do not meet the 60% very low-income criteria will be awarded points on a declining scale based on the percentage of units in a project that are reserved for very low-income households and on the percentage of remaining units reserved for moderate-income households. Rental projects will be scored using the following formula:

$$25 \left[\frac{B - (.20(A))}{.80(A)} \right] + 16 \left[\frac{C}{.80(A)} \right] + 8 \left[\frac{D}{.80(A)} \right] + 0 [E] = \text{POINT(S)}$$

Where: A = Total Number of Units

B = Number of Units $\leq 50\%$ of AMI

C = Number of Units $> 50\%$ and $\leq 60\%$ of AMI

D = Number of Units $> 60\%$ and $\leq 80\%$ of AMI

E = Number of Units $> 80\%$ of AMI

Owner-Occupied Projects

Points will be awarded to projects that finance the purchase, construction, and/or rehabilitation of owner-occupied homes for low- and moderate-income households, in that priority order. For owner-occupied projects, incomes cannot exceed 80% of the AMI and units must be retained as affordable for five years.

- a. Owner-occupied projects where $\geq 60\%$ of the total units will be occupied by, and affordable to, low-income households ($\leq 60\%$ of AMI) will receive 20 points.
- b. Owner-occupied projects that do not meet the 60% low-income criteria will be awarded points on a declining scale based on the percentage of units in a project that are reserved for low-income households and on the percentage of remaining units reserved for moderate-income households.

The following formula is used to determine the score:

$$25 \left[\frac{B}{A} \right] + 12.5 \left[\frac{C}{A} \right] = \text{POINT(S)}$$

Where: A = Total Number of Units

B = Number of Units $\leq 60\%$ of AMI

C = Number of Units $> 60\%$ and $\leq 80\%$ of AMI

4. UNDERSERVED COMMUNITIES AND POPULATIONS

Up to twenty points are available for projects that finance housing for underserved communities or populations, by addressing one or more of the following specific housing needs:

a. HOUSING FOR HOMELESS HOUSEHOLDS | 5 Fixed Points

Projects that (1) create rental housing, excluding overnight shelters, reserving 20% of the total units for homeless households, (2) create transitional housing permitting a minimum of six (6) months of occupancy, reserving 20% of the total units for homeless households, or (3) create permanent owner-occupied housing, reserving 20% of the total units for homeless households, are eligible to receive five points.

For purposes of this scoring criterion, homelessness is defined as:

- People who are living in a place not meant for human habitation, in an emergency shelter, in transitional housing, or are exiting an institution where they resided.
- People who are losing their primary nighttime residence.
- Families with children or unaccompanied youth who are unstably housed and likely to remain so.

- People who are fleeing or attempting to flee domestic violence, have no other residence, and lack the resources or support networks to obtain other permanent housing.

b. HOUSING FOR SPECIAL NEEDS POPULATIONS | 5 Fixed Points

The financing of housing in which 20% of the total units are reserved for occupancy by households with special needs are eligible to receive five points.

For purposes of this scoring criterion, populations with special needs are defined as:

- Persons with physical, mental, or developmental disabilities
- Persons recovering from physical abuse
- Persons recovering from substance abuse
- Victims of domestic violence, dating violence, sexual assault or stalking
- Formerly incarcerated persons

The individual with the qualifying special need(s) is not required to be the head of the household.

The commitment of units in this category may be met via a combination of units to be occupied by households with any of the Special Needs defined in this category.

c. RURAL HOUSING | 7 Fixed Points

Projects in which 50% of the total units are located in a rural area are eligible for seven points.

The Bank's definition of a rural area will be consistent with the U.S. Department of Agriculture definition. To determine if a particular location is designated as rural, please refer to: <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

d. LARGE FAMILY UNITS | 3 Fixed Points

The addition of rental units with three or more bedrooms to the housing market; this is generally accomplished via new construction, unit reconfiguration in conjunction with rehabilitation, and/or adaptive reuse. The units must generally be spread evenly across the income targeting commitments or disproportionately concentrated in the lower income targeting tiers. Only units that are not age-restricted may be considered. Rehabilitation of existing three-bedroom units will not be considered in this category.

20% of the total units in the project must meet the criteria to receive the points.

5. CREATING ECONOMIC OPPORTUNITY THROUGH MIXED-INCOME AREAS | 5 Variable Points

Projects with at least 75% of the total units located in a Census tract(s) where the median income equals or exceeds the median income for the county or metropolitan area are eligible for up to 5 points.

5 points	At least 75% of total units are located in a Census tract(s) where the median income equals or exceeds 120% of the median income for the county or metropolitan area.
4.5 points	At least 75% of total units are located in a Census tract(s) where the median income equals or exceeds 110% but is below 120% of the median income for the county or metropolitan area.
4.25 points	At least 75% of total units are located in a Census tract(s) where the median income equals or exceeds 100% but is below 110% of the median income for the county or metropolitan area.

6. COMMUNITY STABILITY | 16 Variable Points

Homeownership projects solely involving acquisition (i.e. down payment assistance) are ineligible for Community Stability points.

9 points	<p>Rehabilitation of Existing Occupied Housing</p> <p>To qualify:</p> <ul style="list-style-type: none"> • $\leq 25\%$ of the total units in the project may be new construction; • Hard rehabilitation costs must be $\geq 25\%$ of the total development cost; and <p>A project's vacancy rate at the time of AHP application must be $\leq 50\%$.</p>
7 points	<p>Construction or Preservation of Owner-Occupied Housing</p> <p>To qualify:</p> <ul style="list-style-type: none"> • 100% of the AHP-assisted beneficiaries must be homeowners of newly constructed units; or • 100% of the AHP-assisted beneficiaries must be existing homeowners of units to be rehabilitated.

7. BANK DISTRICT PRIORITIES

a. IN-DISTRICT PROJECTS | 8 Variable Points

Projects in which 100% of the total units are located within the states of Illinois and/or Wisconsin (*i.e.*, the Seventh District) are eligible for five (5) points.

Projects meeting any of the criteria below are eligible for an additional three (3) points, for a total of eight (8) points in this scoring category:

- In-District projects sponsored by a Tribal Nation are eligible for three (3) additional points.
- Single-site, In-District projects that are located within a county that has not received disbursed AHP General Fund subsidy from the Bank for housing units during any of the previous three (3) calendar years prior to the 2025 General Fund (*i.e.* any disbursement occurred during 2021 or prior) are eligible for three (3) additional points.
- Multi-site, In-District projects with at least 50% of units located within a county that has not received disbursed AHP General Fund subsidy from the Bank for housing units during any of the previous three (3) calendar years prior to the 2025 General Fund (*i.e.* any disbursement occurred during 2021 or prior) are eligible for three (3) additional points.

A list of qualifying counties will be published on fhlbc.com.

b. PROJECTS SERVING LOW-INCOME AREAS | 4 Variable Points

Projects in which 75% of the total units are located within a census tract(s) where the median income is equal to or below 80% of the median income for the county or metropolitan area are eligible for up to 4 points.

Points will be awarded as follows:

4 points	At least 75% of total units are located in a Census tract(s) where the median income is at or below 50% of the median income for the county or metropolitan area.
3.5 points	At least 75% of total units are located in a Census tract(s) where the median income exceeds 50% of the median income for the county or metropolitan area, and is at or below 60% of the median income for the county or metropolitan area.
3.25 points	At least 75% of total units are located in a Census tract(s) where the median income exceeds 60% of the median income for the county or

	metropolitan area, and is at or below 80% of the median income for the county or metropolitan area.
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c. EMERGING PROJECT SPONSORS | 4 Fixed Points

This scoring criterion supports project sponsors that are new to the affordable housing industry or to FHLBank Chicago's AHP General Fund program.

To qualify for points in this category, the sponsor must meet one of the following criteria:

- 1) Have less than or equal to five years of experience (a) developing, (b) operating, (c) managing the construction / rehabilitation process, or (d) qualifying borrowers or providing/arranging the financing for the owners of owner-occupied units for housing projects; or
- 2) Have not received an AHP General Fund award from FHLBank Chicago in any of the previous five (5) calendar years prior to the 2025 General Fund round (i.e. any AHP award occurred during the 2019 General Fund round or prior)

d. PERMANENT SUPPORTIVE HOUSING | 5 Fixed Points

Permanent supportive housing is defined as rental units that have *all* of the following characteristics:

- Rents are affordable to households at $\leq 30\%$ of area median income, *and*
- Targeted to individuals and/or families with a history of homelessness (as defined in this Plan), *and*
- At least one person in the household has a disabling condition (including if a child has a disabling condition), *and*
- Housing units are designed to allow the tenant(s) to live independently (*i.e.*, full private kitchen and bath facilities), *and*
- Supportive services are designed to increase rates of housing stability and retention, *and*
- Tenants have leases and participation in supportive services is not a condition of tenancy.

20% of the total units in the project must meet the criteria to receive the points.

e. OPERATIONAL EFFICIENCY | 3 Fixed Points

Points will be awarded to new construction and/or rehabilitation projects that include design element(s), system(s), or equipment that reduce property operating expenses for water, sewer, trash, waste, electricity, heat, or other utilities. The project must either

demonstrate that it will meet one or more eligible building standards, or that it will incorporate other eligible features that reduce operating expenses.

Building Standards

Rental new construction and/or rehabilitation projects that meet one or more of the following building standards will receive three (3) points:

- Energy Star Building Standards
- Enterprise Green Communities
- Home Energy Rating System (HERS) score of 60 or below
- Leadership in Energy and Environmental Design (LEED)
- National Green Building Standard
- Net Zero Level: United States EPA, DOE – ZERH + Solar
- Passive House Institute U.S. (PHIUS)
- Wisconsin Green Built Home Standard

Documented certification from the certifying agency must be provided upon project completion.

Alternative certifications may be allowed upon approval by the Bank.

Reduced Property Operating Expenses

Owner-occupied new construction and/or rehabilitation projects which include eligible design element(s), system(s), or equipment that reduce property operating expenses will receive three (3) points. Design element(s), system(s), and equipment eligible for points include:

- Electricity
- Heating or Cooling
- Waste services
- Water
- Other Utilities

These qualifying uses must be reflected within the Financial Feasibility Workbook.

f. PROJECTS of 24 or FEWER UNITS | 5 Fixed Points

FEDERAL HOME LOAN BANK OF CHICAGO
~~2024~~2025 AFFORDABLE HOUSING PROGRAM IMPLEMENTATION PLAN

This Implementation Plan (the “Plan”) sets forth certain policies, procedures, guidelines and requirements applicable to the Affordable Housing Program (“AHP”) of the Federal Home Loan Bank of Chicago (the “Bank”), as required by Part 1291 of the Code of Federal Regulations governing the AHP (12 C.F.R. Part 1291) (“Regulations”). While the Implementation Plan includes pertinent information pertaining to the Bank’s AHP, the Plan is not intended to be a comprehensive statement of all of the Bank’s policies and procedures applicable to the AHP. In the event of a conflict between the Plan and the Regulations, the Regulations will govern.

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Exhibits

Exhibit I: Project Feasibility and Cost Guidelines for the General Fund

Exhibit II: Scoring Guidelines for the General Fund

¹ In November 2018, the Federal Housing Finance Agency (“FHFA”) issued a Final Rule, setting forth new regulations for the Affordable Housing Program. The Final Rule provides that a Federal Home Loan Bank may establish in its discretion, up to three Targeted Funds to address specified affordable housing needs in its district, in addition to its General Fund. However, the Bank will not establish a Targeted Fund in this Plan.

I. Median Income Standard

Section 1291.13(b)(1) of the Regulations requires the Bank to adopt one or more applicable median income standards. Accordingly, the median income guidelines published annually by the U.S. Department of Housing and Urban Development are adopted as the income standard used by the Bank. Projects that serve households that are eligible for assistance from a Tribally Designated Housing Entity may use the greater of the HUD or Native American Housing Assistance and Self Determination Act (NAHASDA) income guidelines. Such income guidelines are posted on the Bank's Community Investment website at www.fhlbc.com. AHP applications will be evaluated using the income guidelines effective on the date that the application round opens.

II. Requirements for the Bank's General Fund

A. Establishment of the General Fund

The Bank's General Fund ~~(formerly, the "Competitive Program")~~ will consist of one pool of funds in an amount equal to at least 65 percent of its required annual AHP contribution. The General Fund will be established and administered by the Bank pursuant to the requirements of the Regulations and the Plan.

B. Funding Periods and Application Process

1. In ~~2024~~2025 there will be a single funding round. The application deadline ~~is 5:00 p.m. (CT)~~will be published within the *AHP Online: Guide for Sponsor Applicants* available on ~~June 14, 2024~~the Bank's website.
2. The Bank will accept applications for AHP subsidies under its General Fund only from institutions that are members of the Bank in good standing at the time of application submission; and will award subsidies only to institutions that are members of the Bank at the time of award approval.
3. General Fund applications must contain information sufficient for the Bank to:
 - a. Determine that the proposed AHP project meets the eligibility requirements pursuant to Section II.C below; and
 - b. Evaluate the application pursuant to the Scoring Guidelines for the General Fund, attached hereto as Exhibit II.

C. Regulatory Minimum Eligibility Requirements

Projects receiving AHP subsidies pursuant to the General Fund must meet the following regulatory eligibility requirements:

1. *Owner-occupied or rental housing*
The AHP subsidy must be used exclusively for:

- a. Owner-occupied housing. The purchase, construction, or rehabilitation of an owner-occupied project by or for very low-income, low-, or moderate-income households where the housing is to be used as the household's primary residence. A household must have an income meeting the income targeting commitments in the approved AHP application at the time it is qualified by the project sponsor for participation in such project. For additional information regarding acceptable timeframes for the documentation used for sponsor qualification of household income, see the Bank's Affordable Housing Program Disbursement Policy (part of the "Compiled AHP Policies").
- b. Rental housing. The purchase, construction, or rehabilitation of a rental project, where at least 20 percent of the units in such project are occupied by, and affordable for, very low-income households.

- i. Projects that are not occupied at the time of AHP application:

For a rental project that is not occupied at the time the AHP application is submitted to the Bank for approval, an eligible household must have an income meeting the income-targeting commitments in the approved AHP application upon initial occupancy of the rental unit.

- ii. Projects that are occupied at the time of AHP application:

1. Except as provided in Section II.C(1)(b)(ii)(2) of this Plan, for projects involving the purchase or rehabilitation of rental housing that is occupied at the time the AHP application is submitted to the Bank for approval, an eligible household must have an income meeting the income targeting commitments in the approved AHP application at the time of such submission.

2. Relocation Plans

- a) If an AHP application involves the purchase, rehabilitation or demolition of any property that is occupied by existing households and includes displacement, then a relocation plan is required with the AHP application. If the project has a relocation plan for current occupants that is approved by one of its federal, state, or local government funders, a household may have an income meeting the income targeting commitments upon initial occupancy of the rental unit after the completion of the purchase or rehabilitation.

- b) If an AHP application involves the purchase, rehabilitation or demolition of any property that is occupied by existing households and includes displacement, then a relocation plan is required with the AHP application. If a federal, state, or local government-approved plan is not a requirement for the project, the plan will be subject to review by the Bank and must include each of the following components: (1) Provide relocation advisory services to displaced residents; (2) Provide adequate written notice to the households that provides reasonable time for the household to relocate prior to requiring possession; (3) Provide payment to displaced households for moving expenses; (4) Provide payments for the added cost of comparable replacement housing and; (5) Include the costs associated with relocation in the project's Total Development Budget. If such a plan is deemed acceptable by the Bank, a household may have an income meeting the income targeting commitments upon initial occupancy of the rental unit after completion of the purchase or rehabilitation.

2. *Need for subsidy*

A project's estimated uses of funds must equal its estimated sources of funds, as reflected in such project's development budget. The difference between a project's sources of funds (excluding AHP subsidy) and uses of funds is the maximum amount of AHP subsidy such project may receive.

A project's sources of funds shall include:

- a. Cash contributions by the sponsor, any funds from sources other than the sponsor, and estimates of funds the sponsor has obtained, or intends to obtain, from other sources, but which have not yet been committed to such project.
- b. In the case of owner-occupied projects where the sponsor extends permanent financing to the homebuyer, the sponsor's cash contribution must include the present value of any payments the sponsor is to receive from the buyer, including any cash down payment from the buyer, plus the present value of any purchase note the sponsor holds on the unit. If the note carries a market interest rate commensurate with the credit quality of the buyer, the present value of the note equals the face value of the note. If the note carries an interest rate below the market rate, the present value of the note must be determined using the market rate to discount the cash flows.

- c. Estimates of the market value of in-kind donations, voluntary professional labor and services, and sweat equity committed to the project should not be included as a source of funds.

3. *Project costs*

- a. A project's cash uses are the actual outlay of cash needed to pay for materials, labor, and acquisition or other costs of completing such project. Cash costs do not include in-kind donations, voluntary professional labor or services, or sweat equity. Non-cash costs should not be included as a use of funds.
- b. Taking into consideration the geographic location of a project, development conditions, and other non-financial project characteristics, the Bank will determine whether a project's costs, as reflected in such project's development budget, are reasonable in accordance with the Bank's project cost guidelines, as set forth in the Bank's Project Feasibility and Cost Guidelines, attached hereto as Exhibit I.
- c. The purchase price of property or services, as reflected in the project's development budget, sold to the project by a member providing the AHP subsidy to the project, or, in the case of property upon which such member holds a mortgage or lien, may not exceed the market value of such property or services as of the date the purchase price was agreed upon. In the case of "real estate owned property" sold to a project by a member providing an AHP subsidy to such project, or property sold to the project upon which the member holds a mortgage or lien, the market value of such property is deemed to be the "as-is" or "as-rehabilitated" value of such property, whichever is appropriate, as reflected in an independent appraisal of such property performed by a state certified appraiser or licensed appraiser, as defined in 12 C.F.R. 564.2(j) and (k) respectively, within six months prior to the date the Bank disburses the AHP subsidy to a project. "As-rehabilitated" is defined as the prospective value of a property after all construction has been completed. This value reflects all expenditures for lease-up and occupancy that may be expected to have occurred at that point in time, which may or may not put the property at stabilized value.

4. *Project feasibility*

- a. Developmental feasibility. A project must be likely to be completed and occupied, based on relevant factors, as set forth in the Bank's Project Feasibility and Cost Guidelines, attached hereto as Exhibit I, including, but not limited to, the development budget, market analysis, project timeline, and the project sponsor's experience in providing the requested assistance to households.
- b. Operational feasibility of rental projects. A rental project must be able to

operate in a financially sound manner, and in accordance with the Bank's Project Feasibility and Cost Guidelines, attached hereto as Exhibit I, as projected in the project's operating *pro forma*.

- c. The Bank will evaluate the developmental and operational financial feasibility of a project and the need for AHP subsidy, as required by the Regulations, using the Project Feasibility and Cost Guidelines, attached hereto as Exhibit I.

5. *Financing costs*

The rate of interest, points, fees, and any other charges for all loans that are made for the project in conjunction with the AHP subsidy must not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms, and risk.

6. *Timing of AHP subsidy use*

At the time of application, the AHP subsidy must be likely to be drawn down by the project or used by the project to procure other financing commitments within 12 months of the date of approval of the application for AHP subsidy.

7. *Counseling costs*

AHP subsidies may be used to pay for counseling costs only where such costs are incurred in connection with counseling of homebuyers who actually purchase an AHP-assisted unit, and the cost of counseling has not been covered by another funding source, including the member.

8. *Capitalized Reserves*

AHP subsidies may not be used to fund the capitalized reserves of a project. The Bank will confirm during its review of a rental project's development budget that other sources are available to fund any capitalized reserves.

8.9. *Refinancing*

A project may use an AHP subsidy to refinance an existing single-family or multi-family mortgage loan, provided that the refinancing produces equity proceeds, and such equity proceeds up to the amount of the AHP subsidy in such project must be used only for the purchase, construction, or rehabilitation of housing units meeting the applicable eligibility requirements of Section II.B of this Plan.

9.10. *Retention*

- a. Owner-occupied units, excluding those units approved for rehabilitation-only, will be subject to a five (5) year retention agreement, as described in Section IV of this Plan.
- b. Rental projects will be subject to a fifteen (15) year retention agreement, as described in Section IV of this Plan.

10.11. *Project sponsor qualifications*

- a. Sponsor is defined as a not-for-profit or for-profit organization or public entity that (1) has an ownership interest in a rental project, or (2) is integrally involved in an owner-occupied project.
 1. Rental project: For purposes of the definition of sponsor, “ownership interest” means that (i) the sponsor is the owner of the rental project, or (ii) the sponsor has an ownership interest (including any partnership interest) in the entity that is the owner of the rental project.
 2. Owner-occupied projects: For purposes of the definition of sponsor, “integrally involved” means the sponsor (i) manages the construction or rehabilitation of 100% of the units, or (ii) qualifies borrowers and provides or arranges financing for the owners of the owner-occupied units.
 3. A project sponsor must be qualified and able to perform its responsibilities as committed to in the application for an AHP subsidy.
 4. A project sponsor must certify that it meets the project sponsor qualifications criteria and has not engaged in, and is not engaging in, covered misconduct as defined in FHFA’s Suspended Counterparty Program regulation (12 CFR part 1227).

11.12. *Fair housing*

A project, as proposed, must comply with applicable federal and state laws on fair housing and housing accessibility including, but not limited to, the Fair Housing Act, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and the Architectural Barriers Act of 1969, and the project must demonstrate how such project will be affirmatively marketed.

12.13. *Calculation of AHP subsidy*

- a. Where an AHP direct subsidy is provided to a project to write down the interest rate on a loan extended by a member, sponsor, or other party to a project, the net present value of the interest foregone from making the loan below the lender’s market interest rate must be calculated as of the date the application for the AHP subsidy is submitted to the Bank, and subject to adjustment under section 1291.30(d) of the Regulations.
- b. Where an AHP subsidized advance is provided to a project, the net present value of the interest revenue foregone from making a subsidized advance at a rate below the Bank’s cost of funds must be determined as of the

earlier of the date of disbursement of the subsidized advance or the date prior to disbursement on which the Bank first manages the funding to support the subsidized advance through its asset/liability management system, or otherwise.

13.14. District eligibility requirements

Pursuant to section 1291.24(c)(1) of the Regulations, the Bank has adopted the following district eligibility requirements:

- a. The Bank will limit the amount of subsidy for which a member applicant may apply to a maximum of 25% of the subsidy announced for each application period. For all applications submitted by member applicants that are owned by the same parent company, the sum of the subsidy requested by those member applicants cannot exceed 25% of the subsidy announced for each application period. The limit will be calculated using the following parameters: 1) the order in which applications are in “Member Approved” status in AHP Online, and 2) for applications with member consortiums, 100% of the requested subsidy will be applied toward the 25% limit of each member applicant.
- b. The Bank will limit the amount of subsidy per project to \$2,000,000 or 75% of the total project costs, whichever is less.

c. ~~Previously awarded Prior~~ AHP Applications

- i. Applications for 2025 General Fund subsidy which include a property address subject to an existing Bank AHP Retention Agreement in relation to previously funded AHP subsidy from a prior AHP award are ineligible.
- ii. For unfunded General Fund projects ~~with any previously~~ awarded by the Bank in a prior General Fund round, new applications for subsidy in the 2025 General Fund round are eligible, pursuant to the following requirements:
 - The amount of ~~committed, undisbursed~~ AHP subsidy must not exceed the maximum subsidy available per project in the 2025 General Fund round.
 - Previously approved AHP projects seeking AHP subsidy in the 2025 General Fund round must apply for the total amount AHP subsidy they need – combining the previously approved AHP subsidy award and the additional AHP subsidy amount requested;
 - The new application submitted in the 2025 General Fund round will be subject to the 2025 AHP Implementation Plan requirements (e.g., threshold eligibility, feasibility, cost, and scoring);

- If the new application is approved for subsidy, upon the opening date Award Date, the member must withdraw the previously approved AHP subsidy award to prevent the project from receiving AHP subsidy in excess of the funding round are ineligible to receive a new AHP award for the same project in the current round its need for subsidy; and
- e. • Upon the Award Date of the new application, the new award will be subject to the 2025 AHP Implementation Plan requirements in all respects including, but not limited to, the award number, reporting, and monitoring requirements.

14.15. Eligible and Ineligible uses of AHP subsidies

For information regarding eligible and ineligible uses of AHP Subsidy, see the Bank's Affordable Housing Program Eligible and Ineligible Uses of AHP Subsidy Policy (part of the "Compiled AHP Policies").

The Bank may limit or deny funds for projects submitted to more than one Federal Home Loan Bank if such projects are the same or substantially similar.

The Bank has not adopted, and does not have a program for, revolving loan funds or loan pools.

D. Scoring Guidelines

The Bank's scoring system is described in detail in the Scoring Guidelines, attached hereto as Exhibit II.

E. Approval of AHP Applications

The eligible applications receiving the highest overall scores will be reviewed by the Bank's Community Investment Officer (CIO) and presented to the Bank's President. Those applications will then be recommended to the Affordable Housing Committee of the Bank's Board of Directors for award approval. Such Committee will approve applications for AHP subsidy in descending order starting with the highest scoring application until the total subsidy amount for the particular funding round, except for any amount insufficient to fund the next highest scoring application, has been allocated.

In the event that two or more applications have identical scores in the same funding round and there is insufficient AHP subsidy to approve all of the tied applications, the Bank shall apply the following tie-breaker methodology to determine which application(s) are approved for AHP subsidy:

Step 1: Determine if any of the tied applications have a recommended subsidy amount exceeding the total AHP funds remaining to be awarded. If so, this application shall be excluded from participation in the tie-breaking event.

Step 2: Compare the remaining tied applications' scores under the Bank District Priorities scoring category (i.e., Section 7 of Exhibit II: Scoring Guidelines for the General Fund). This scoring category includes the sub-categories of: a. In-District Projects; b. Projects Serving Low-Income ~~Minority~~ Areas; c. ~~Development Team Inclusion~~Emerging Project Sponsors; d. Permanent Supportive Housing; e. ~~Energy~~Operational Efficiency ~~and Sustainability~~; and f. Projects of 24 or Fewer Units. Approve the tied applications in order of the highest scores within this scoring category until the total AHP funds remaining are exhausted. If any of the remaining applications' scores are still tied, then any application with a recommended subsidy amount exceeding the total AHP funds that remain to be awarded shall be excluded from participation in the tie-breaking event. After that determination, if any of the remaining applications' scores are still tied and the requested subsidy of each remaining application is within the amount of AHP funds that remains to be awarded, then proceed to Step 3.

Step 3: Compare the remaining tied applications' scores under the Underserved Communities and Populations scoring category (i.e., Section 4 of Exhibit II: Scoring Guidelines for the General Fund). This scoring category includes the sub-categories of: a. Housing for Homeless Households; b. Housing for Special Needs Populations; c. Rural Housing; and d. Large Family Units. Approve the tied applications in order of the highest scores within this scoring category until the total AHP funds remaining are exhausted. If any of the remaining applications' scores are still tied, then any application with a recommended subsidy amount exceeding the total AHP funds that remain to be awarded shall be excluded from participation in the tie-breaking event. After that determination, if any of the remaining applications' scores are still tied and the requested subsidy of each remaining application is within the amount of AHP funds that remains to be awarded, then proceed to Step 4.

Step 4: Compare the remaining tied applications' scores under the Creating Economic Opportunity Through ~~Residential Economic Diversity~~Mixed-Income Areas scoring category (i.e., Section 5 of Exhibit II: Scoring Guidelines for the General Fund). Approve the tied applications in order of the highest scores within this scoring category until the total AHP funds remaining are exhausted. If any of the remaining applications' scores are still tied, then any application with a recommended subsidy amount exceeding the total AHP funds that remain to be awarded shall be excluded from participation in the tie-breaking event. After that determination, if any of the remaining applications' scores are still tied and the requested subsidy of each remaining application is within the amount of AHP funds that remains to be awarded, then proceed to Step 5.

Step 5: Compare the remaining tied applications' scores under the Use of Donated or Conveyed Government-Owned or Other Properties scoring category. Approve

the tied applications in order of the highest scores within this scoring category until the total AHP funds remaining are exhausted.

F. AHP Applications: Post Approval

1. Project Changes

An AHP Project is approved based on the information provided in the Application. The Bank must be notified of any proposed changes to the AHP Project.

For information regarding changes to an approved AHP Project see the Bank's Affordable Housing Program Project Change Policy (part of the "Compiled AHP Policies").

2. Disbursements of AHP Subsidy

Following Application approval, AHP Projects may request disbursement of the AHP Subsidy as set forth in the Bank's Affordable Housing Program Subsidy Disbursement Policy (part of the "Compiled AHP Policies").

3. Monitoring AHP Projects

Following Application approval, AHP Projects will be subject to Bank monitoring. For additional information regarding the monitoring of AHP Projects, see the Bank's Affordable Housing Program Monitoring Policy (part of the "Compiled AHP Policies").

4. Non-Compliant AHP Projects

Following Application approval, AHP Projects will be monitored to determine compliance with the AHP Regulations, the Subsidy Agreement, the Retention Agreement, the AHP Implementation Plan for the applicable Funding Round under which the AHP Project was approved, and Bank policies and procedures. For additional information on the areas for which the Bank may determine there is non-compliance, the remedies available for resolution of non-compliance and the implication of non-compliance, see the Bank's Affordable Housing Program Non-Compliance Policy (part of the "Compiled AHP Policies").

III. Requirements for the Bank's Homeownership Set-Aside Program

A. Establishment of Set-Aside Program

The Bank's Homeownership Set-Aside Program will consist of two funding pools: a general pool (referred to as Downpayment Plus® or DPP®) and a restricted pool (referred to as Downpayment Plus Advantage® or DPP Advantage®). In 20242025, the Bank will allocate 35% of its required annual AHP contribution to the Set-Aside Program. At least one-third of the Bank's aggregate set-aside allocation will assist

first-time homebuyers, as required in section 1291.12(b) of the Regulations.

Members participating in DPP may access set-aside subsidies on behalf of eligible homebuyers or homeowners to whom they are providing first mortgages. Members participating in DPP Advantage may access set-aside subsidies on behalf of eligible homebuyers with first mortgage financing from a not-for-profit organization.

Unless otherwise noted, eligibility, funding, and monitoring requirements set forth below for the Set-Aside Program apply to both DPP and DPP Advantage.

B. Eligible Applicants – Member Enrollment

The Bank may only accept applications (i.e., Program Agreements) for its Set-Aside Program from institutions that are members of the Bank at the time of application submission.

C. Minimum Eligibility Requirements

The Bank's Set-Aside Program eligibility requirements include the following:

1. Member allocation criteria

The Bank will accept reservations after the allocation for the program year has been announced to the Bank's members. Any member seeking to reserve funds in the program must have first executed a Program Agreement. At the time of program enrollment and at reservation, the Bank will verify that the institution is a member and is not restricted from utilizing Community Investment programs. Funds will be available on a first-come, first-served basis, until the member limit has been reached or the program funds have been fully reserved, whichever occurs first.

The member limit for DPP is \$1,000,000 for the 20242025 program year. The member limit for DPP Advantage funds is \$1,000,000. Parent holding companies owning two or more Bank Members are limited to a maximum of \$2,000,000 in DPP funds. The holding company limit for DPP Advantage funds is \$2,000,000. Program utilization will be monitored throughout the year, and if Bank management determines that the funds allocated to the Set-Aside Program are not likely to be reserved prior to program year-end, the CIO, based on an evaluation of needed down payment assistance within the Seventh District, is authorized to increase the member limit to an amount up to double the existing member limit effective on or after August 1, 20242025. The CIO will inform the Affordable Housing Committee of the Board of Directors, and the Bank will notify participating members, of any such change to the member limit for 20242025.

2. Eligible households

Members must ensure the following requirements are satisfied:

- a. Subject to the Bank's review and approval, the member will determine that the household's income does not exceed 80% of the median income for the area in which the property is located (as set forth in the AHP and DPP Income Calculation Guidelines and DPP Program Guide) and will apply to the Bank for a reservation of funding for the homebuyer. The date on which the member determines that the household is income eligible for DPP assistance based on the income documents submitted to the Bank will be deemed the enrollment date.
 - b. All households using the set-aside subsidy must complete a homebuyer education and counseling program provided by a Counseling Agency or an online platform approved by the Bank, listed within the Bank's DPP Program Guide.
 - c. A minimum of one-third of households accessing set-aside funds must be first-time homebuyers, pursuant to the first-time homebuyer requirement in section 1291.12(b) of the Regulations. A first-time homebuyer is defined by the Bank as a household meeting any one of the following criteria:
 - i. An unmarried individual, or an individual and his or her spouse, who has/have not owned a home during the three-year period prior to the date of purchase of a home with AHP assistance.
 - ii. A divorced, legally separated, or widowed individual who has only owned with a (former) spouse.
 - iii. An unmarried individual, or an individual and his or her spouse, who has/have only owned a property that was not in compliance with state, local, or model building codes, and which cannot be brought into compliance for less than the cost of constructing a permanent structure.
3. *Maximum grant amount*
- a. Grants to households cannot exceed \$10,000, except as provided below.
 - b. For DPP, homebuyers must contribute a minimum of \$1,000 (net) toward the purchase of the home.
 - c. For DPP Advantage, there is no required homebuyer contribution. The grant amount is the lesser of 25% of the first mortgage amount or \$10,000.
 - d. Program utilization will be monitored throughout the year, and if Bank management determines that the funds allocated to the Set-Aside Program are not likely to be reserved prior to program year-end, the CIO, based on an evaluation of needed down payment assistance within the Seventh District, is authorized to increase the maximum grant amount per household to up to \$15,000, effective on or after August 1, ~~2024~~2025, for either DPP, DPP Advantage, or both. The minimum borrower contribution

shall remain \$1,000 for DPP.

- e. At any time during the year, the CIO will have the discretion to allow a maximum grant amount per household not to exceed the amount annually authorized by the FHFA per the Regulations, as well as other concessions or exceptions permitted by the Regulations, for grants made through the Set-Aside Program, as authorized by the Bank's Board of Directors and announced on the Bank's public website. The CIO will inform the Affordable Housing Committee of the Board of Directors and the Bank will notify participating members of any such change to the maximum grant amount per household for 20242025.

4. *Eligible uses of AHP direct subsidy*

Households must use the subsidy to pay for down payment, closing costs, counseling, or rehabilitation assistance in connection with the household's purchase or rehabilitation of an owner-occupied unit, including a condominium or cooperative housing unit or manufactured housing, to be used as the household's primary residence.²

5. *Retention Agreement*

An owner-occupied unit using set-aside funds for purchase, or purchase and rehabilitation, will be subject to a five- (5) year retention agreement per Section IV of this Plan. A retention agreement should not be recorded for owner-occupied units approved for rehabilitation-only.³

6. *Financing costs*

The rate of interest, points, fees, and any other charges for loans made to households using the set-aside subsidy for purchase or rehabilitation must not exceed a reasonable market rate of interest, points, fees, and other charges for loans of similar maturity, terms, and risk.

7. *Counseling costs*

Set-aside funds may be used to pay for pre-purchase homebuyer education and counseling costs only where such costs are incurred in connection with educating and counseling homebuyers who actually purchase an AHP-assisted unit, and the cost of education and counseling has not been covered by another funding source, including the member. Homebuyer education and counseling costs reimbursed by the set-aside funds may not exceed \$500 per household.

8. *Cash back to household*

A member may provide cash back to a household at closing on the mortgage loan in an amount not exceeding \$250. If the amount of set-aside subsidy that exceeds what is needed for closing costs and the approved mortgage amount is

² The Bank's Set-Aside Program does not currently support the use of subsidy for rehabilitation-only.

³ The Bank's Set-Aside Program does not currently support the use of subsidy for rehabilitation-only.

more than \$250, the member must use the amount in excess as a credit to reduce the principal of the mortgage loan.

D. Procedure for Funding Set-Aside Subsidies

1. *Reservation of set-aside subsidies*

The Bank will accept reservations after the allocation for the program year has been announced to the Bank's members. Any member seeking to reserve funds in the program must have first executed a Program Agreement. The member will determine household eligibility subject to the Bank's review and approval and will apply to the Bank for a reservation of funding for the homebuyer. Funds will be available on a first-come, first-served basis, until the member limit has been reached or the program funds have been fully reserved, whichever occurs first.

2. *Progress toward use of set-aside subsidies*

The Bank requires reservations for its set-aside funds to be initiated by December 31 of the allocation year. While allocated funds are still available, the reserved amount of any cancelled reservations will be returned to the set-aside program round in which it was originally reserved.

3. *Disbursement of Set-Aside Subsidies*

a. Members accessing DPP set-aside funds for purchase must fund or originate the first mortgage. The first mortgage may be funded or originated by a subsidiary of the member provided the member has greater than 50% ownership interest in the subsidiary, or by a subsidiary of the member's parent company provided the parent company has greater than 50% ownership interest in the subsidiary. The first mortgage may also be funded or originated by a member's parent company if the parent company has greater than 50% ownership interest in the member.

b. At closing, the member will disburse its own funds and submit loan documentation and verification of eligibility to the Bank for review and reimbursement to the member. The Bank will:

- i. Verify that the requesting institution is a member at the time of disbursement;
- ii. Verify that the requesting institution is not restricted from utilizing Community Investment programs;
- iii. Verify that there is an executed Program Agreement between the Bank and the member, pursuant to the Regulations; and
- iv. Review each loan for certification of eligibility pursuant to the Regulations prior to member reimbursement.

c. The member will be required to assume the liability for any:

- i. Subsidies made to an ineligible household, or

- ii. Subsidies used for an ineligible purpose.

E. Monitoring Requirements for Set-Aside Program

1. The Bank will require the member to certify, prior to each disbursement for each set-aside transaction, that:
 - a. The set-aside subsidy was provided to a household meeting all applicable eligibility requirements of section 1291.42(b) of the Regulations and the Bank's Set-Aside Program policies; and
 - b. All other applicable eligibility requirements in section 1291.42 of the Regulations and the Bank's Set-Aside Program policies are met.
2. The Bank will require the member to maintain, for the Bank's review, any documentation necessary for the Bank to determine whether assisted households meet all applicable eligibility requirements of section 1291.42 of the Regulations and the Bank's Set-Aside Program policies, including that the AHP-assisted units are subject to retention agreements as required under section 1291.15(a)(7).
3. The Bank will review certifications provided by the member for each set-aside transaction prior to disbursement of the set-aside subsidy.

IV. Retention Agreement Requirements

A. Retention Agreements

The Bank will require retention agreements for its General Fund and Set-Aside Programs consistent with the requirements of the Regulations ("the Retention Vehicle"). For rental units, those requirements are set forth in section 1291.15(a)(8). For owner-occupied units, those requirements are set forth in section 1291.15(a)(7). Pursuant to section 1291.15(a)(7), retention agreements should not be recorded for owner-occupied units approved for rehabilitation-only.

1. Rental projects

For rental projects, members are required to execute and record a Retention Vehicle that enumerates the requirements of section 1291.15(a)(8) of the Regulations including:

- a. The rental units, or applicable portion thereof, must remain occupied by, and affordable for, households with incomes at or below the levels committed to be served in the approved AHP application for the duration of the 15-year retention period;
- b. The Bank, and in its discretion any designee of the Bank, shall be given

notice of any sale, transfer, assignment of title or deed, or refinancing of the project by the project owner occurring during the retention period;

- c. In the case of a sale, transfer, assignment of title or deed, or refinancing of the project by the project owner during the retention period, the full amount of the AHP subsidy received by the project owner must be repaid to the Bank, unless (i) the project continues to be subject, for the duration of the AHP 15-year retention period, to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the approved AHP application, or (ii) if authorized by the Bank, in its discretion, the households are relocated, due to the exercise of eminent domain, or for the expansion of housing or services, to another property that is made subject, for the remainder of the AHP 15-year retention period, to a deed restriction or other legally enforceable retention agreement or mechanism incorporating the income-eligibility and affordability restrictions committed to in the approved AHP application; and
- d. The income-eligibility and affordability restrictions applicable to the project terminate after any foreclosure.
- e. The member's agreement shall also include an agreement by the project owner to provide prompt written notice to the Bank if the project also received LIHTC and the project is in material and unresolved noncompliance with the LIHTC income targeting or rent requirements at any time during the AHP 15-year retention period.

Members are further required to ensure the Retention Vehicle is enforceable under applicable law, is in the proper form for recording under applicable law, and is properly recorded. The Bank has provided its preferred forms of Retention Vehicle on its website at www.fhlbc.com.

Members are also required to secure the subsidy for rental projects via a mortgage or other appropriate real property security instrument, naming the member as the secured party. Members are further required to ensure that the mortgage or other appropriate real property security instrument is enforceable under applicable law, is in the proper form for recording under applicable law, and is properly recorded.

2. Owner-occupied units

For owner-occupied units, excluding those units approved for rehabilitation-only, members are required to execute and record a Retention Vehicle that enumerates the requirements of section 1291.15(a)(7) of the Regulations including:

- a. The Bank, and in its discretion any designee of the Bank, shall be given notice of any sale, transfer, assignment of title or deed, or refinancing of

the unit by the household occurring during the AHP five- (5) year retention period;

- b. In the case of a sale, transfer, assignment of title or deed, or refinancing of the unit by the household during the retention period, the amount of AHP subsidy calculated in accordance with Section IV(A)(2)(e) of this Plan (below) shall be repaid to the Bank, unless one of the following exceptions applies:
 - i. The unit was assisted with a permanent mortgage loan funded by an AHP subsidized advance;
 - ii. The subsequent purchaser, transferee, or assignee is a low- or moderate-income household, as determined by the Bank. Unless documentation demonstrating the subsequent household's actual income is available, for all sales, transfers, or assignments, the Bank or its designee shall determine the subsequent household's income using a Bank approved sales price proxy based on the [HOME and Housing Trust Fund homeownership value limits published by HUD](#);
 - iii. The amount of the AHP subsidy that would be required to be repaid per the calculation in Section IV(A)(2)(e) of this Plan (below) is \$2,500 or less; or
 - iv. Following a refinancing, the unit continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism.
- c. The amount of AHP subsidy required to be repaid per the calculation in Section IV(A)(2)(e) of this Plan shall be repaid to the Bank in full. AHP Subsidy that is returned via Repayment cannot be re-used in the same AHP Project.
- d. The obligation to repay an AHP subsidy to the Bank will terminate after any event of foreclosure, transfer by deed-in-lieu of foreclosure, an assignment of a Federal Housing Administration first mortgage to HUD, or death of the AHP-assisted homeowner.
- e. The Bank shall be repaid the lesser of: (i) the AHP subsidy, reduced on a *pro rata* basis per month until the unit is sold, transferred, or its title or deed transferred, or is refinanced, during the AHP five- (5) year retention period; or (ii) any net proceeds from the sale, transfer, or assignment of title or deed of the unit, or the refinancing, as applicable, minus the AHP-assisted household's investment.

Members are further required to ensure the Retention Vehicle is enforceable under applicable law, is in the proper form for recording under applicable law, and is properly recorded. The Bank has provided its preferred forms of Retention Vehicle on its website at www.fhlbc.com.

Members should not secure the subsidy for owner-occupied projects with a mortgage or other real property security instrument.

3. Inception of Retention Period:

- a. For rental projects, the date of project completion will be considered the inception of the fifteen- (15) year retention period. The date of project completion is the later of: 1) the date the project reports an 90% occupancy rate, 2) the date when construction or rehabilitation is complete, or 3) the date of the final disbursement of AHP subsidy.
- b. For owner-occupied units subject to a retention agreement, the inception of the five- (5) year retention period will begin on the retention agreement execution date, which must correspond to the closing/settlement date set forth on the final closing disclosure for that unit.

Approved by the Board of Directors
on the ~~27th~~12th day of ~~September, 2023~~December, 2024
and amended on the ~~24th~~31st day of ~~October, 2023~~January, 2025
and amended on the ~~8th~~28th day of March, ~~2024~~2025

Its Corporate Secretary

EXHIBIT I

Project Feasibility and Cost Guidelines for the General Fund

The Bank has established requirements and guidelines for determining project feasibility and the need for the requested AHP subsidy pursuant to section 1291.23(b) of the Regulations. Project feasibility includes an evaluation of the sponsor's experience, as well as requirements such as financing commitments, zoning, and site control that ensure the project is likely to be completed and occupied. The determination of project feasibility and need for subsidy also ~~include~~includes a ~~policy on substantially complete projects and guidelines for review of~~ developmental and operational feasibility, based on established guidelines. These guidelines ~~serve as a benchmark for evaluating projects and~~ may be used as a basis for evaluating, adjusting and/or rejecting requests for a subsidy in the application, modification, and pre- and post-disbursement stages of a project. ~~Exceptions to these guidelines will be considered by the Bank on a case-by-case basis based on an evaluation of information and supporting data justifying the need for such exception. Bank staff will make recommendations to the Affordable Housing Committee of the Bank's Board of Directors.~~

All projects will be evaluated for ~~reasonableness~~operational and ~~a~~developmental feasibility, as well as need for AHP subsidy. Projects with values outside of the ~~following established~~ guidelines must provide an explanation for why such values are reasonable. ~~Additionally; explanations will be evaluated by the Bank for acceptability. Exceptions to the guidelines for maximum values below will be utilized as a benchmark for determining over subsidization must be approved by the Affordable Housing Committee of the Bank's Board of Directors.~~

Unless otherwise indicated, the following feasibility guidelines apply to both in-district as well as out-of-district (i.e., not in Illinois or Wisconsin) projects. For further details regarding project feasibility requirements, please consult the AHP Online: Guide for Sponsor Applicants available on the Bank's website.

All Projects: Project Feasibility

Applicants requesting AHP subsidies pursuant to the General Fund must meet the following requirements:

1. Status and Authority of Sponsor
 - a. All sponsor applicants must submit a Certificate of Good Standing or Status (or equivalent) from the state in which the sponsor is incorporated. If the proposed project is located in a state other than the state of sponsor incorporation, a Certificate of Authority (or equivalent) from that state must also be submitted.
 - b. Sponsor applicants attempting Project Sponsorship points should refer to the Guide for Sponsor Applicants for additional documentation requirements.
2. Sponsor Experience

- a. Sponsors must demonstrate the capacity to fulfill all roles, responsibilities, and obligations throughout the entire AHP retention period. If the sponsor has little or no previous affordable housing development experience, the sponsor and its development and property management team will be evaluated to determine whether adequate development and compliance experience exists to successfully complete the project.
 - b. In addition to previous development and management experience, sponsors of previously approved AHP projects will be evaluated on:
 - i. AHP project milestones, including subsidy disbursement, project completion, and timely submission of compliance reporting;
 - ii. Event(s) of non-compliance, including type and frequency of event(s), timeliness of communication by sponsor, and remediation efforts; and,
 - iii. Progress toward meeting project commitments.
3. Committed Financing
- Committed financing refers to any financing source for which a project has received a preliminary or firm funding commitment.
- For rental projects utilizing the 9% Federal Low Income Housing Tax Credit (LIHTC), the member/sponsor must provide 1) evidence of a 20242025 or prior LIHTC award, and 2) a letter of interest or intent for the LIHTC equity. If these two items are not available as of the June 142025 AHP General Fund application deadline, then they must be submitted to the FHLBank Chicago within one calendar week of notification by the tax credit allocating agency of the LIHTC award, but not after August 1, 20242025.
 - For rental projects utilizing the 4% Federal LIHTC, the member/sponsor must provide 1) a bond issuing agency confirmation of intent to issue bonds, 2) an executed letter of interest or intent for the LIHTC equity, and 3) an executed letter of interest or intent to purchase the bonds or facilitate the sale of the bonds, or confirmation from the bond issuing agency that the bonds will be sold through a public offering.
 - For rental projects not utilizing the 9% or 4% Federal LIHTC and for all owner-occupied projects, the member/sponsor must provide evidence of committed funding sources, exclusive of any requested AHP, that are $\geq 50\%$ of the total development cost. For projects in which the requested AHP subsidy is $\geq 50\%$ of the total development cost, 100% of the remaining funds must be committed and evidenced. An executed letter of commitment, intent or interest to provide funding is required for a source to be considered committed.
 - Estimates of the market value of in-kind donations, voluntary professional labor and services, and sweat equity committed to the project should not be included as a source of committed financing.
4. Zoning
- Identified sites must be appropriately zoned for the proposed use at the time of application submission. Exceptions may include unidentified sites, and projects that have either submitted an application to the zoning authority or have otherwise initiated the process via a documented

request to the zoning authority to have the site appropriately zoned for the proposed use.

5. Site Control

Site control is required for all identified sites in all projects. Site control is not required for scattered site single family units that are unidentified at the time of application. Examples of scattered site single family units that are unidentified at the time of application include rental projects utilizing these sites and consumer driven down-payment assistance and owner-occupied rehabilitation projects.

For rental projects, site control must be in the name of an individual or entity that is identified in the ownership organizational chart for the proposed project. For sponsor-driven owner-occupied projects, site control must be in the name of the project sponsor.

6. Substantially Complete Projects

A single-building project is ineligible for AHP subsidy if it has received a certificate of occupancy and/or certificate of substantial rehabilitation on or before ~~June 14, 2024~~ the 2025 AHP General Fund application deadline. If it has not received a certificate of occupancy and/or certificate of substantial rehabilitation on or before ~~June 14, 2024~~ the 2025 AHP General Fund application deadline, the project is eligible so long as construction work is $\leq 85\%$ complete.

A multiple-building project is ineligible for AHP subsidy if it has received a certificate of occupancy and/or certificate of substantial rehabilitation on or before ~~June 14, 2024~~ the 2025 AHP General Fund application deadline for $> 85\%$ of the units. If it has not received a certificate of occupancy and/or certificate of substantial rehabilitation on or before ~~June 14, 2024~~ the 2025 AHP General Fund application deadline for $> 85\%$ of the units, the project is eligible so long as construction work is $\leq 85\%$ complete.

Rental Projects: Development Budget

For projects with a material funding commitment for development financing (i.e., loan financing, grants, tax credit allocations, etc.) from a state housing financing agency or a federal or federally-subsidized source of affordable housing funding authorized by the Bank, the Bank will defer to the developmental feasibility guidelines and determinations of such funders. The Bank views the funding commitments of authorized material funders to be evidence of their feasibility approval regarding the project's development budget, and all elements contained therein. A listing of material funders and funding levels authorized by the Bank will be included within the *AHP Online: Guide for Sponsor Applicants* available on the Bank's website.

For projects without a material funding commitment for development financing from a state housing financing agency or a federal or federally-subsidized source of affordable housing authorized by the Bank, the Bank will apply the below guidelines to evaluate projects' developmental feasibility. The Bank may consider exceptions to the developmental feasibility guidelines below as follows: 1) on a case-by-case basis, based on a review of the specific facts, circumstances and information provided

by the sponsor for the particular project; or 2) based on unique, identified project characteristics.

Developer Fee

The maximum developer / consultant fee as a % of development costs* excluding developer and consultant fees are as follows:

Project Size	Hard Costs as a % -of total project costs	Maximum Fee
All projects	≤ 25.0%	7.5%

Project Size	Hard Costs as a % -of total project costs	Maximum Fee
1 – 24 units	> 25.0%	15.0%
25 or more units	> 25.0%	12.0%

* The market value of donated or discounted land, labor, and materials will not factor into development costs for purposes of this calculation

Note: For projects involving an acquisition where there is an identity of interest between the buyer and seller, the maximum developer / consultant fee calculated as described above will be limited to 5% of the acquisition.

When the acquisition is initially arms' length, but is followed by an acquisition where there is an identity of interest between the buyer and seller that is necessary to facilitate the project, the developer fee will not be limited to 5% of the acquisition.

~~In instances where the developer/consultant fee exceeds the Bank's guideline, deference may be given to the maximum established by the majority funder of the project, such as the state housing finance agency for the state in which the project is located.~~

Low Income Housing Tax Credit Pricing

The sales price for Low Income Housing Tax Credits is subject to the following guidelines:

Tax-Credit Type	Minimum	Maximum
LIHTC	\$0.84	N/A

Capitalized Reserves

The Bank will utilize the following guidelines to assess the reasonableness of the capitalized reserves level for a project.

Reserve Type	Minimum	Maximum	Of
Lease-up Reserves: Used to cover expenses prior to stabilized occupancy	\$0	75%	Total operating expenses plus replacement reserves and all debt service payments, excluding cash flow notes during the absorption period identified in the market study.
Rental Assistance Reserves: Used to offset the loss of income from a rental assistance commitment	\$0	100%	Amount required per lender / syndicator documents. A detailed explanation of how the reserve was calculated, as well as how and when it will be used, must be provided. Note the Bank will evaluate the sizing and calculation of the reserves to determine reasonableness.
The sum of all other reserves	3 months	12 months	Total operating expenses plus replacement reserves and all debt service payments excluding cash flow notes.

The Bank may consider exceptions to the maximum guidelines for capitalized reserves if the level of capitalized reserves in excess of the above guidelines is offset in full by unused developer fee, as well as on a case-by-case basis, based on a review of the specific facts, circumstances and information provided by the sponsor for the particular project.

Hard Cost Contingency

Construction Type	Minimum	Maximum
New Construction	5%	10%
Rehabilitation	8%	12%

Rental Projects: Operating Budget

For projects with a material funding commitment for development financing from a state housing financing agency or a federal or federally-subsidized source of affordable housing funding authorized by the Bank, the Bank will defer to the operational feasibility guidelines and determinations of such funders. The Bank views the funding commitments of authorized material funders to be evidence of their feasibility approval regarding the project's operating budget, and all elements contained therein. A listing of material funders authorized by the Bank will be included within the *AHP Online: Guide for Sponsor Applicants* available on the Bank's website.

For projects without a material funding commitment for development financing from a state housing financing agency or a federal or federally-subsidized source of affordable housing authorized by the

Bank, the Bank will apply the below guidelines to evaluate projects’ operational feasibility. Bank may consider exceptions to the operational feasibility guidelines below as follows: 1) on a case-by-case basis, based on a review of the specific facts, circumstances and information provided by the sponsor for the particular project; or 2) based on unique, identified project characteristics.

Debt Coverage Ratio

The ratio of net operating income to all debt service payments **excluding** cash flow notes is subject to the following guideline throughout the 15-year operating pro-forma:

Project type	Minimum	Maximum
All projects	1.15	1.45

Expense to Income Ratio

For projects with little or no debt, the ratio of the sum of total operating expenses, replacement reserves, all debt service payments **including** cash flow notes, and deferred developer fee payments to effective gross income is subject to the following guidelines throughout the 15-year operating pro-forma:

Project type	Minimum	Maximum
All projects	85.0%	N/A

Cash Flow

The average annual per-unit cumulative cash flow throughout the 15-year operating pro-forma, net of the sum of total operating expenses, replacement reserves, all debt service payments **including** cash flow notes, and deferred developer fee payments, is subject to the following guidelines throughout the 15-year operating pro-forma:

Project type	Minimum	Maximum
All projects	\$0	\$500

Trending Factors

Annual cash-flow trending factors are subject to the following guidelines throughout the 15-year operating pro-forma:

Factor Type	Minimum	Maximum
Income	2%	3%

Expenses	3%	4%
Real Estate Taxes	3%	5%

Note: A minimum spread of 1% between the income and expenses trending factor is required.

Vacancy Rates

Annual operating income vacancy rates are subject to the following guidelines throughout the 15-year operating pro-forma:

Project type	Minimum	Maximum
All projects	5.0%	10.0%

Operating Costs per Unit

Annual per-unit operating expenses, net of real estate taxes, are subject to the following guidelines in the stabilized occupancy operating budget:

Project type	Minimum	Maximum
In-district projects	\$3,420523	\$ 7,538764

~~For out-of-district projects, Bank staff~~ For out-of-district projects without a material funding commitment for development financing from a state housing financing agency or a federal or federally-subsidized source of affordable housing authorized by the Bank, the Bank will apply the operating cost-per-unit guidelines determined by the Federal Home Loan Bank for the district where the project is located.

For projects with supportive services which exceed the applicable operating cost-per-unit guideline, the Bank may apply deference to the reasonableness of the operating expenses associated with the project's supportive services, as indicated by the project sponsor.

Management Fee

The property management fee, as a percentage of Effective Gross Income (EGI), is subject to the following guidelines:

Project type	Minimum	Maximum
All projects	3.0%	7.0%

Reserve Funding

Annual per-unit reserves funded through operations are subject to the following guidelines throughout the 15-year operating pro-forma. These guidelines represent Year 1 minimums that may increase thereafter at the annual rate of expenses:

Replacement Reserves

Construction Type	Minimum (Year 1)	Maximum (Year 1)
New Construction	\$250	\$400
Rehabilitation	\$300	\$500
Operating Reserves		
Project type	Minimum	Maximum
All projects	\$0	Amount required per lender / syndicator documents. A detailed explanation of how the reserve was calculated, as well as how and when it will be used, must be provided. Note the Bank will evaluate the sizing and calculation of reserves to determine reasonableness.

Loan Interest Rates

Interest rates on financing from any source are subject to the following guidelines:

Project type	Minimum	Maximum
All projects	0%	400 basis points above the Bank's Community Advance rate on the date the application round opens

Owner-Occupied Projects: Development Budget

Developer Fee

The maximum developer / consultant fees are limited as follows:

Project Type	AHP Activity		Developer Fee Eligible	Developer Fee	Of
	Down Payment Assistance	New Construction / Rehabilitation			
Consumer	X		Yes	Up to \$500 per AHP-assisted unit	N/A
Consumer		X	Yes	12%	Hard costs
Consumer	X	X	Yes	12%	Hard costs
Sponsor		X	Yes	12%	Development costs*
Sponsor	X	X	Yes	12%	Development costs*

* Excluding developer and consultant fees. Additionally, the market value of donated or discounted land, labor, and materials will not factor into development costs for the purposes of this calculation.

Pre-purchase Homebuyer Education and Counseling Costs

Per-household pre-purchase homebuyer education and counseling costs subsidized by AHP subsidy are limited as follows:

Project type	Minimum	Maximum
Purchase of AHP-assisted units	\$0	\$500
All other projects	\$0	\$0

Loan Interest Rates

Interest rates on financing from any source are subject to the following guidelines:

Project type	Minimum	Maximum
All projects	0%	400 basis points above the Bank's Community Advance rate on the date the application round opens

All Projects: Adjusted Development Cost per Unit

For ~~all~~ projects with a material funding commitment for development financing from a state housing financing agency or a federal or federally-subsidized source of affordable housing funding authorized by the Bank, the Bank will ~~analyze the~~ defer to the development cost guidelines of such funders. The Bank views the funding commitments of authorized material funders to be evidence of their determination that project development costs are reasonable and acceptable. A listing of material funders authorized by the Bank will be included within the AHP Online: Guide for Sponsor Applicants available on the Bank's website.

For projects without a material funding commitment for development financing from a state housing financing agency or a federal or federally-subsidized source of affordable housing authorized by the Bank, the Bank will evaluate the project's Adjusted Development Cost per Unit (ADCU) to assess the reasonableness of project costs. The, as outlined below.

A project's ADCU is calculated as follows:

Adjusted Development Cost Per Unit Calculation by Project and Activity Type	
Rental Projects	
Acquisition	The quotient of the project's building acquisition costs as the numerator and the

Only	total number of units in the project as the denominator
All Others	The quotient of the sum of the project’s construction costs, rehabilitation costs, on-site improvements, demolition, contingency, builders overhead, builders profit, and general requirements as the numerator and the total number of units in the project as the denominator
Owner-Occupied Projects	
All	The quotient of the sum of the project’s construction costs, rehabilitation costs, modular costs, on-site costs, demolition, contingency, builders overhead, builders profit, and general requirements as the numerator and the total number of units in the project as the denominator

In-District Projects

For all in-district projects without a material funding for development financing commitment from a state housing financing agency or a federal or federally-subsidized source of affordable housing funding authorized by the Bank, the Bank will assess the ADCU using its internal cost model, ~~except for projects where one of the District’s two state housing finance agencies — Illinois Housing Development Authority (IHDA) or Wisconsin Housing and Economic Development Authority (WHEDA) — either serves as the majority funder or provides the tax credit allocation.~~ In those cases, the Bank will defer to where the cost guidelines of IHDA and WHEDA, which have been approved by the Bank. A financing commitment from IHDA or WHEDA is considered evidence that a project’s model deems project costs are acceptable per their guidelines, and therefore within the Bank’s guidelines to be excessive, Bank will consider exceptions to its ADCU cost model thresholds on a case-by-case basis, using specific facts, circumstances and information provided by the sponsor for the particular project.

Out-of-District Projects

For all out-of-district projects, the Bank will apply the ADCU guidelines established by the Federal Home Loan Bank for the district in which the project is located. If the ADCU exceeds the applicable Federal Home Loan Bank’s guideline, the Bank will further analyze costs using its internal cost model. In cases where the cost model deems project costs to be excessive, Bank will consider exceptions to its ADCU cost model thresholds on a case-by-case basis, using specific facts, circumstances and information provided by the sponsor for the particular project.

All Projects: AHP Subsidy per Unit

For all projects, the Bank will consider how effectively the project uses AHP subsidy dollars. The AHP subsidy per unit is subject to the following guideline:

Project type	Minimum	Maximum
Owner-occupied acquisition-only projects	N/A	\$10,000 of AHP Subsidy per AHP-assisted unit
All other projects	N/A	\$50,000 of AHP Subsidy per AHP-assisted unit

The calculation is based on the amount of AHP subsidy per AHP-assisted unit:

$$\frac{\text{Total AHP Subsidy Requested}}{\text{\# of AHP-Assisted Units}} = \$ \text{ AHP Subsidy per Unit}$$

The Bank will consider exceptions to its AHP Subsidy per Unit thresholds on a case-by-case basis, using specific facts, circumstances and information provided by the sponsor for the particular project.

EXHIBIT II

Scoring Guidelines for the General Fund

Projects meeting all eligibility requirements will be reviewed and scored based on scoring criteria that total 100 points. Each scoring criterion has been assigned a maximum point value. Fixed-point criteria (*i.e.*, pass/fail) are those that cannot be satisfied in varying degrees (“Fixed”). Applications meeting a fixed-point criterion will receive the maximum number of points allocated to that category. Variable-point criteria are those where there are varying degrees by which an application can satisfy the criteria (“Variable”). Applications are considered for points only in the scoring categories they attempt. For further details regarding application scoring requirements, please consult the AHP Online: Guide for Sponsor Applicants available on the Bank’s website.

The term “AHP-assisted unit” refers to a housing unit that is subject to an income-targeting commitment of $\leq 80\%$ AMI made to the Bank.

The term “total units” refers to the total number of units in the AHP project regardless of income targeting.

1. USE OF DONATED OR CONVEYED GOVERNMENT-OWNED OR OTHER PROPERTIES | 5 Variable Points

The creation of housing opportunities using a significant proportion, defined as $\geq 20\%$, of:

- (a) Land or units donated or conveyed by the federal government or any agency or instrumentality thereof:
 - 1) 1 point for land or units conveyed, or
 - 2) Up to 5 variable points for land or units donated or conveyed at a discount of ~~2)~~ $\geq 20\%$ below fair market value; or
- (b) Land or units donated or conveyed by any other party:
 - 1) Up to 5 variable points for land or units donated or conveyed at a discount of $\geq 20\%$ below the fair market value.

Rehabilitation-only projects that do not involve the acquisition of land or units/buildings are not eligible to receive points in this category.

Donated and/or discounted properties do not have to be conveyed prior to application; however, if they have been, the conveyance must have occurred within the 36 months prior to the AHP application deadline in order to be eligible for points in this scoring category.

With the exception of the federal government or any agency or instrumentality thereof, the property must be donated or conveyed by an entity not related to, or affiliated with, the member, sponsor, or owner through ownership or control.

Long-term leases of fifteen (15) years or longer with a rent payment of no more than \$100 annually qualify as donated.

The formula below must result in ≥ 1.00 in order for applicants to receive a score in this category. For projects with both donated and discounted land and/or units the score will be the sum of the donated and discounted calculations.

Points are awarded based on the following formula:

$$\left[\frac{B}{A} \right] \times 5 = \text{POINT(S)}$$

For land or units donated:

A = Total number of units or total square feet of land in the project

B = Number of units or total square feet of land donated to the project

For land or units conveyed at a discount:

A = Fair market value of total units and/or total square feet of land not donated in the project

B = Fair market value of total units and/or total square feet of land not donated in the project, less the total amount of conveyance

2. PROJECT SPONSORSHIP | 5 Fixed Points

Rental Projects 5 Fixed Points	
5 points	Sponsor must be a not-for-profit organization, a state or political subdivision of a state, a state housing agency, a local housing authority, a Native American Tribe, an Alaskan Native Village, or the government entity for Native Hawaiian Home Lands, and have an ownership interest that exceeds 50% of the managing member, general partner, or overall property ownership.

Owner-Occupied Projects 5 Fixed Points	
5 points	Sponsor must be a not-for-profit organization, a state or political subdivision of a state, a state housing agency, a local housing authority, a Native American Tribe,

	an Alaskan Native Village, or the government entity for Native Hawaiian Home Lands, and play at least one integral role in the project by (1) managing the construction or rehabilitation of 100% of the units, or (2) qualifying borrowers and providing or arranging financing for the owners of the owner-occupied units.
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3. TARGETING | 20 Variable Points

The Bank will consider the extent to which the project creates housing for very low-, low-, or moderate-income households. For purposes of this scoring criterion, applications for owner-occupied and rental projects will be scored separately. To the extent the applicable formula below returns a negative result, zero points will be awarded in this category. To the extent the applicable formula returns a result greater than 20, the maximum number of points available in this category (*i.e.*, 20) will be awarded.

Rental Projects

Points will be awarded to projects that finance the purchase, construction, and/or rehabilitation of rental housing, of which $\geq 20\%$ of the units in the project will be occupied by very low-income households with incomes $\leq 50\%$ of area median income (“AMI”). For rental projects, units must be retained as affordable for fifteen (15) years.

- Rental projects where $\geq 60\%$ of the total units will be occupied by, and affordable to, very low-income households ($\leq 50\%$ of AMI) will receive 20 points.
- Rental projects that do not meet the 60% very low-income criteria will be awarded points on a declining scale based on the percentage of units in a project that are reserved for very low-income households and on the percentage of remaining units reserved for moderate-income households. Rental projects will be scored using the following formula:

$$25 \left[\frac{B - (.20(A))}{.80(A)} \right] + 16 \left[\frac{C}{.80(A)} \right] + 8 \left[\frac{D}{.80(A)} \right] + 0 [E] = \text{POINT(S)}$$

Where: A = Total Number of Units

B = Number of Units $\leq 50\%$ of AMI

C = Number of Units $> 50\%$ and $\leq 60\%$ of AMI

D = Number of Units $> 60\%$ and $\leq 80\%$ of AMI

E = Number of Units $> 80\%$ of AMI

Owner-Occupied Projects

Points will be awarded to projects that finance the purchase, construction, and/or rehabilitation of owner-occupied homes for low- and moderate-income households, in that

priority order. For owner-occupied projects, incomes cannot exceed 80% of the AMI and units must be retained as affordable for five years.

- a. Owner-occupied projects where $\geq 60\%$ of the total units will be occupied by, and affordable to, low-income households ($\leq 60\%$ of AMI) will receive 20 points.
- b. Owner-occupied projects that do not meet the 60% low-income criteria will be awarded points on a declining scale based on the percentage of units in a project that are reserved for low-income households and on the percentage of remaining units reserved for moderate-income households.

The following formula is used to determine the score:

$$25 \left[\frac{B}{A} \right] + 12.5 \left[\frac{C}{A} \right] = \text{POINT(S)}$$

Where: A = Total Number of Units

B = Number of Units $\leq 60\%$ of AMI

C = Number of Units $> 60\%$ and $\leq 80\%$ of AMI

4. UNDERSERVED COMMUNITIES AND POPULATIONS

Up to twenty points are available for projects that finance housing for underserved communities or populations, by addressing one or more of the following specific housing needs:

a. HOUSING FOR HOMELESS HOUSEHOLDS | 5 Fixed Points

Projects that (1) create rental housing, excluding overnight shelters, reserving 20% of the total units for homeless households, (2) create transitional housing permitting a minimum of six (6) months of occupancy, reserving 20% of the total units for homeless households, or (3) create permanent owner-occupied housing, reserving 20% of the total units for homeless households, are eligible to receive five points.

For purposes of this scoring criterion, homelessness is defined as:

- People who are living in a place not meant for human habitation, in an emergency shelter, in transitional housing, or are exiting an institution where they resided.
- People who are losing their primary nighttime residence.

- Families with children or unaccompanied youth who are unstably housed and likely to remain so.
- People who are fleeing or attempting to flee domestic violence, have no other residence, and lack the resources or support networks to obtain other permanent housing.

b. HOUSING FOR SPECIAL NEEDS POPULATIONS | 5 Fixed Points

The financing of housing in which 20% of the total units are reserved for occupancy by households with special needs are eligible to receive five points.

For purposes of this scoring criterion, populations with special needs are defined as:

- Persons with physical, mental, or developmental disabilities
- Persons recovering from physical abuse
- Persons recovering from substance abuse
- Victims of domestic violence, dating violence, sexual assault or stalking
- Formerly incarcerated persons

The individual with the qualifying special need(s) is not required to be the head of the household.

The commitment of units in this category may be met via a combination of units to be occupied by households with any of the Special Needs defined in this category.

c. RURAL HOUSING | 7 Fixed Points

Projects in which 50% of the total units are located in a rural area are eligible for seven points.

The Bank's definition of a rural area will be consistent with the U.S. Department of Agriculture definition. To determine if a particular location is designated as rural, please refer to: <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

d. LARGE FAMILY UNITS | 3 Fixed Points

The addition of rental units with three or more bedrooms to the housing market; this is generally accomplished via new construction, unit reconfiguration in conjunction with rehabilitation, and/or adaptive reuse. The units must generally be spread evenly across the income targeting commitments or disproportionately concentrated in the lower income targeting tiers. Only units that are not age-restricted may be considered. Rehabilitation of existing three-bedroom units will not be considered in this category.

20% of the total units in the project must meet the criteria to receive the points.

5. CREATING ECONOMIC OPPORTUNITY THROUGH ~~RESIDENTIAL ECONOMIC DIVERSITY~~MIXED-INCOME AREAS | 5 Variable Points

Projects with at least 75% of the total units located in a Census tract(s) where the median income equals or exceeds the median income for the county or metropolitan area are eligible for up to 5 points.

5 points	At least 75% of total units are located in a Census tract(s) where the median income equals or exceeds 120% of the median income for the county or metropolitan area.
4.5 points	At least 75% of total units are located in a Census tract(s) where the median income equals or exceeds 110% but is below 120% of the median income for the county or metropolitan area.
4.25 points	At least 75% of total units are located in a Census tract(s) where the median income equals or exceeds 100% but is below 110% of the median income for the county or metropolitan area.

6. COMMUNITY STABILITY | 16 Variable Points

Homeownership projects solely involving acquisition (i.e. down payment assistance) are ineligible for Community Stability points.

9 points	<p>Rehabilitation of Existing Occupied Housing</p> <p>To qualify:</p> <ul style="list-style-type: none"> • $\leq 25\%$ of the total units in the project may be new construction; • Hard rehabilitation costs must be $\geq 25\%$ of the total development cost; and • A project's vacancy rate at the time of AHP application must be <u>$\leq 50\%$</u>. <p>$\leq 50\%$.</p> <p>Homeownership projects involving acquisition are ineligible for points in this category.</p>
7 points	<u>Construction or</u> Preservation of Homeownership <u>Owner-Occupied Housing</u>

	<p><u>To qualify:</u></p> <ul style="list-style-type: none"> • <u>100% of the AHP-assisted beneficiaries must be homeowners of newly constructed units; or</u> • <u>100% of the AHP-assisted beneficiaries must be existing homeowners of units to be rehabilitated.</u>
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7. BANK DISTRICT PRIORITIES

a. IN-DISTRICT PROJECTS | 8 Variable Points

Projects in which 100% of the total units are located within the states of Illinois and/or Wisconsin (*i.e.*, the Seventh District) are eligible for five (5) points.

Projects meeting any of the criteria below are eligible for an additional three (3) points, for a total of eight (8) points in this scoring category:

- In-District projects sponsored by a Tribal Nation are eligible for three (3) additional points.
- Single-site, In-District projects that are located within a county that has not received disbursed AHP General Fund subsidy from the Bank for housing units during any of the previous three (3) calendar years prior to the ~~2024~~2025 General Fund (*i.e.* any disbursement occurred during ~~2020~~2021 or prior) are eligible for three (3) additional points.
- Multi-site, In-District projects with at least 50% of units located within a county that has not received disbursed AHP General Fund subsidy from the Bank for housing units during any of the previous three (3) calendar years prior to the ~~2024~~2025 General Fund (*i.e.* any disbursement occurred during ~~2020~~2021 or prior) are eligible for three (3) additional points.

A list of qualifying counties will be published on fhlbc.com.

b. PROJECTS SERVING LOW-INCOME ~~MINORITY~~ AREAS | 4 ~~Fixed~~Variable Points

Projects ~~serving low-income minority areas that: 1) meet the low-income area definition below and 2) meet at least one of the minority area criteria:~~

- ~~1) Low income area—At least 51 percent of all households in the census tract(s) earn equal to or less than 80 percent of the area median income~~
- ~~2) Minority area—the which 75% of the total units are located within a census tract(s) where the project is located meets at least one of the following criteria: (a) The census tract's total percentage of minority persons is at least 20 points higher than the total percentage of minority persons in median income is equal to or below 80% of the median income for the county where the project is located; or (b) Has a non-white population of 50 percent or more.~~

~~To qualify for points, at least 75 percent of the total units must be located in low-income minority census tracts as defined above.~~

~~In instances where sites are not yet known or identified, the sponsor must certify that at least 75 percent of the properties in the project will be located in low-income minority census tracts.~~

~~**c. DEVELOPMENT TEAM INCLUSION | 4 Variable Points**~~

~~This scoring criterion measures the extent to which one or more Minority Business Enterprises (MBE) or Women's Business Enterprises (WBE) or metropolitan area are included within the development team of the project. For each MBE or WBE development team member, applicants must demonstrate that the entity meets the criteria to be considered an MBE or WBE for the purposes of this scoring criterion, and must also demonstrate that each MBE or WBE is engaged in an eligible development team role. As used within this scoring criterion, the term minority carries the same meaning as defined by the Office of Minority and Women Inclusion, which means any Black (or African) American, Native American (or American Indian), Hispanic (or Latino) American, or Asian American for up to 4 points.~~

~~To qualify as an MBE or WBE, a for-profit entity that is a member of the development team must demonstrate at least 51% ownership by minorities or women via self-certification and a current MBE and/or WBE certification issued by a state government, or a political subdivision, public agency or instrumentality thereof, provided at the time of application.~~

~~To qualify as an MBE or WBE, not-for-profit entities who are members of the development team must demonstrate one of the following via self-certification and a Development Team Inclusion Organizational Chart:~~

- ~~1) MBE or WBE Leadership—a minimum of 35 percent of director-level employee leadership are minority or women including the Executive Director and a share of those employees reporting directly to the Executive Director OR;~~

~~2) MBE or WBE Governance: a non-profit with a Board Chair and a Board composition of minorities or women of at least 30 percent, or, whose overall Board composition of minorities or women is at least 40 percent.~~

Rental Projects—Eligible Roles & Point Allocations

~~To qualify for points, each MBE or WBE development team member for a Rental Project must perform an eligible development team role. Each role must be performed by a separate eligible MBE or WBE entity. If any single entity is performing more than one eligible development team role, points will only be awarded for the performance of a single eligible role performed by that entity. Eligible development team roles are:~~

- ~~• Developer (with $\geq 49\%$ stake in all aspects of the development, including but not limited to ownership, cash flow, and voting rights).~~
- ~~• Co-Developer (with $\geq 24\%$ stake in all aspects of the development, including but not limited to ownership, cash flow, and voting rights).~~
- ~~• General Contractor~~
- ~~• Property Manager~~

Points will be awarded as follows:

Point Allocations <u>points</u>	At least 75% of total units are located in a Census tract(s) where the median income is at or below 50% of the median income for the county or metropolitan area.	
	Development Team	Points
	1	1.25
23.5 points		2.5 At least 75% of total units are located in a Census tract(s) where the median income exceeds 50% of the median income for the county or metropolitan area, and is at or below 60% of the median income for the county or metropolitan area.
3 or more .25 points		4 At least 75% of total units are located in a Census tract(s) where the median income exceeds 60% of the median income for the county or metropolitan area, and is at or below 80% of the median income for the county or metropolitan area.

Owner Occupied Projects—Eligible Role & Point Allocation

c. EMERGING PROJECT SPONSORS | 4 Fixed Points

This scoring criterion supports project sponsors that are new to the affordable housing industry or to FHLBank Chicago's AHP General Fund program.

To qualify for points, ~~the MBE or WBE development team member for an Owner Occupied project in this category, the sponsor must perform an eligible development team role. The sole eligible development team role~~meet one of the following criteria:

- 1) Have less than or equal to five years of experience (a) developing, (b) operating, (c) managing the construction / rehabilitation process, or (d) qualifying borrowers or providing/arranging the financing for the owners of owner-occupied units for Owner Occupied housing projects, is performing as the project Sponsor.; or Successful Owner Occupied applicants for this scoring category will be awarded two (2) points.
- 2) Have not received an AHP General Fund award from FHLBank Chicago in any of the previous five (5) calendar years prior to the 2025 General Fund round (i.e. any AHP award occurred during the 2019 General Fund round or prior)

d. PERMANENT SUPPORTIVE HOUSING | 5 Fixed Points

Permanent supportive housing is defined as rental units that have *all* of the following characteristics:

- Rents are affordable to households at $\leq 30\%$ of area median income, and
- Targeted to individuals and/or families with a history of homelessness (as defined in this Plan), *and*
- At least one person in the household has a disabling condition (including if a child has a disabling condition), *and*
- Housing units are designed to allow the tenant(s) to live independently (*i.e.*, full private kitchen and bath facilities), *and*
- ~~Rents are affordable to households at $\leq 30\%$ of area median income, and~~
- Supportive services are designed to increase rates of housing stability and retention, *and*
- Tenants have leases and participation in supportive services is not a condition of tenancy.

20% of the total units in the project must meet the criteria to receive the points.

e. ~~ENERGY~~OPERATIONAL EFFICIENCY ~~AND SUSTAINABILITY~~ | 3 Fixed Points

~~Points will be awarded to projects which meet the following criteria:~~

Points will be awarded to new construction and/or rehabilitation projects that include design element(s), system(s), or equipment that reduce property operating expenses for

water, sewer, trash, waste, electricity, heat, or other utilities. The project must either demonstrate that it will meet one or more eligible building standards, or that it will incorporate other eligible features that reduce operating expenses.

Building Standards

Rental new construction and/or rehabilitation projects ~~must indicate the project will that~~ meet one or more of the following building standards ~~to~~will receive three (3) points:

- Energy Star Building Standards
- Enterprise Green Communities
- Home Energy Rating System (HERS) score of 60 or below
- Leadership in Energy and Environmental Design (LEED)
- National Green Building Standard
- Net Zero Level: United States EPA, DOE – ZERH + Solar
- Passive House Institute U.S. (PHIUS)
- Wisconsin Green Built Home Standard

Documented certification from the certifying agency must be provided upon project completion.

~~Alternatively,~~ Alternative certifications may be allowed upon approval by the Bank.

Reduced Property Operating Expenses

~~Owner-Occupied projects which include occupied~~ new construction and/or rehabilitation ~~activity~~projects which include eligible design element(s), system(s), or equipment that reduce property operating expenses will receive three (3) points ~~if the project has one of the above listed certifications, or if the new construction. Design element(s), system(s), and/or rehabilitation work will~~ equipment eligible for points include improved weatherization, improved water conservation, improved energy efficiency, use sustainable building materials, or will provide the household with use of alternative (i.e. non-fossil fuel) energy for at least 50% of project units.:

- Electricity
- Heating or Cooling
- Waste services
- Water
- Other Utilities

These qualifying uses must be reflected within the Financial Feasibility Workbook.

~~Alternative certifications may be allowed upon approval by the Bank.~~

f. PROJECTS of 24 or FEWER UNITS | 5 Fixed Points