

Policy Title: Affordable Housing Program Eligible and Ineligible Uses of AHP Subsidy
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I. Introduction

The FHLBC has established and implemented this Affordable Housing Program Eligible and Ineligible Uses of AHP Subsidy policy, (this “Policy”) which outlines the eligible and ineligible uses of AHP Subsidy in an AHP Project under the Competitive Application Program.

Capitalized terms shall have the meaning set forth for such terms in the Affordable Housing Program Definitions unless otherwise defined in this Policy.

Project Sponsors and Members should use sound and prudent judgment when analyzing and determining the capital needs of the AHP Project.

New-construction, repair, and rehabilitation work should be done to ensure and improve the health, safety, and energy efficiency of the AHP Project, and to ensure safe and habitable dwellings.

The non-exhaustive lists below are to be used as a guideline, and include, but are not limited to, the items listed.

Sponsors and Members are encouraged to contact the FHLBC prior to incurring costs if they have any questions regarding eligible and ineligible uses of AHP Subsidy.

The FHLBC will not disburse AHP Subsidy for the reimbursement of costs determined to be for an ineligible use.

II. All Projects: Ineligible Uses

For all Projects, ineligible uses of AHP Subsidy are as follows:

- Prepayment fees imposed by the FHLBC on a Member for a subsidized advanced that is prepaid, unless:
 - The Project is in financial distress that cannot be remedied through a project modification pursuant to §1291.5(f) of the Regulations and the Project Change Policy;
 - The prepayment of the subsidized advance is necessary to retain the Project's affordability and income targeting Commitments;
 - Subsequent to such prepayment, the Project will continue to comply with the terms of the approved Application and the requirements of the Regulations for the duration of the original Retention Period;
 - Any unused AHP Subsidy is returned to the FHLBC and made available for other AHP Projects; and
 - The amount of AHP subsidy used for the prepayment fee may not exceed the amount of the Member's prepayment fee to the FHLBC.
- Cancellation fees and penalties imposed by the FHLBC on a Member for a subsidized advance commitment that is canceled.
- Processing fees charged by a Member providing AHP Subsidy to a Project

III. Owner-Occupied Projects

For Owner-Occupied Projects, the non-exhaustive list of eligible and ineligible uses of AHP Subsidy are as follows:

A. Eligible Uses

- Down payment assistance (except as noted below for FHA insured financing)
- Homebuyer counseling costs incurred in connection with the purchase of an AHP-Assisted Unit that have not been covered by another funding source
- Closing cost assistance

Examples of eligible closing costs include:

- home inspection fees
- underwriting fees
- documentation preparation fees
- courier fees
- attorney fees for the borrower
- recording fees
- Repair or rehabilitation work to correct code deficiencies, weatherize, or ensure the habitability of the housing structure

Examples include, but are not limited to:

- Roof repair/replacement

- Structural repairs
- Lead-based paint hazard reduction
- Accessibility modifications
- Mold remediation
- Repair/replacement of major housing systems
- Repair/replacement of windows, gutters, or siding
- Repair/replacement of porches necessary for ingress and egress to fix code or safety violation(s)
- Repair/replacement of basic carpeting or floors
- Electrical or plumbing work needed to maintain habitability
- Repair/replacement of basic light fixtures
- Drywall, painting, fixtures, and flooring, only if related to other necessary repairs
- Interior painting needed as a result of necessary or eligible rehabilitation
- Exterior lighting, only if safety- or hazard-related necessity
- Exterior painting, if related to fixing code or safety violation(s)
- New construction of owner-occupied housing

B. Ineligible Uses

- The provision of AHP Subsidy in connection with a homeowner purchase when the closing / settlement date set forth on the final closing disclosure is prior to the Award Date
- The provision of AHP Subsidy in connection with rehabilitation work when all rehabilitation work was completed prior to the Award Date
- Down payment assistance in conjunction with Federal Housing Administration (FHA) insured financing
- Use with any other AHP subsidy for the same homebuyer in the same transaction
- More than \$250 cash back to the homebuyer at closing
- Reimbursement of earnest money, deposits, or costs paid outside of closing (in excess of the above-mentioned \$250 cash back)
- Fees for homebuyer counseling provided by Members
- Counseling fees that have been covered by another funding source
- Counseling fees in transactions that do not include a homebuyer purchase of an AHP-Assisted Unit
- Points and fees related to an interest rate buy-down
- Home warranty plans

- Payment of property taxes or utility bills incurred by the seller, or other expenses unrelated to the purchase transaction that are owed by the seller
- Payment of non-housing-related costs, including, but not limited to:
 - Prepaid life insurance
 - Debt collections,
 - Credit card bills
 - Child-support payments
 - Federal or state income taxes
- New construction, repair, or rehabilitation work unrelated to correcting code deficiencies, weatherizing a home, or ensuring its habitability

Examples include, but are not limited to:

- Decks not necessary for ingress and egress
- Finished attics or basements
- Fences and gates
- Garages, sidewalks, and driveways
- Awnings and shutters
- Landscaping
- Swimming pools
- Furniture and appliances
- Window treatments
- Additions or extensions
- Security alarm systems
- Homeowner's personal labor
- Exterior work, unrelated to fixing a code violation

IV. Rental Projects

For Rental Projects, the non-exhaustive list of eligible and ineligible uses of AHP Subsidy are as follows:

A. Eligible Uses

- Acquisition of land and/or property
- Hard construction costs
- Soft costs

B. Ineligible Uses

- Capitalized reserves
- Pre-development expenses to determine if a project is feasible
- Points and fees related to an interest rate buy-down
- Sole uses related to:
 - Decks not necessary for ingress and egress
 - Fences and gates
 - Garages, sidewalks, and driveways
 - Awnings and shutters
 - Landscaping
 - Swimming pools
 - Furniture and appliances
 - Window treatments
 - Security alarm systems
 - Exterior work, unrelated to fixing a code violation