

Policy Title: Affordable Housing Program Project Change Policy
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I. Introduction

The FHLBC has established and implemented this Affordable Housing Program Project Change Policy (this “Policy”), which describes the nature and impact of changes to 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.

The FHLBC must be notified of potential changes to an AHP Project to determine whether such changes are reasonable and acceptable and to ensure the Project Approval Record contains current and accurate information about the AHP Project.

A change to the Project Approval Record that, had the change been reflected in the Application, would have impacted the scoring or eligibility of the AHP Project within the Funding Round for which it received an award of AHP Subsidy, is a Modification.

Any time there are changes in the amount of AHP Subsidy for an AHP Project, the amount of any De-Obligation, Repayment, or Recapture will be returned to the FHLBC’s AHP fund, while the amount of any increase in AHP Subsidy will be drawn first from any currently uncommitted or repaid AHP Subsidy, and then from the FHLBC’s required AHP contribution for the next year. AHP Subsidy that is De-Obligated or returned via Repayment or Recapture, cannot be re-used in the same AHP Project.

Changes to an AHP Project are processed differently depending on the nature and extent of the change. As further defined below, changes are either processed as Modifications, updates to the AHP Project's financial feasibility, updates to information in the Project Approval Record, or changes in the amount of AHP Subsidy. The FHLBC will review all changes in an AHP Project and determine whether they rise to the level of a Modification, as well as how the change should be documented and processed.

Prior to the Initial Disbursement of AHP Subsidy, changes to an AHP Project arising to such a level that the FHLBC determines it is no longer the same project may result in De-Obligation. In all cases, the FHLBC reserves the right to determine that a change is unacceptable, which may result in Non-Compliance.

II. Project Changes

Sponsors and Members must notify the FHLBC of any of the following changes:

A. Modifications

A Modification is a change to the Project Approval Record that, had the change been reflected in the Application, would have impacted the scoring or eligibility of the AHP Project within the Funding Round for which it received an award of AHP Subsidy.

Modifications must be requested by the Sponsor, approved by the Member, and submitted with supporting documentation to the FHLBC.

Modification requests must demonstrate the following:

- The AHP Project continues to meet the minimum eligibility requirements per the Regulations and the AHP Implementation Plan
- The AHP Project continues to score high enough to have been approved in the Funding Round during which it was originally scored and approved
- There is good cause for the Modification including whether the Commitment could be met with additional time.

The FHLBC may require additional documentation from the Sponsor or Member in order to complete its review. The FHLBC will document its analysis and justification for approval or denial of the Modification in writing and will provide written notification to the Sponsor and Member.

1) Modifications to Commitments

If an AHP Project is unable to fulfill its Commitments, the FHLBC may approve a Modification to the AHP Project's Commitments.

Failure to fulfill a Commitment is an event of Non-Compliance. For additional information regarding events of Non-Compliance and their remedies, see the Non-Compliance Policy.

As set forth in the Monitoring Policy, Commitments, with the exception of those related to income targeting and rent affordability, are fulfilled at PCR Completion. Once a Commitment has been fulfilled, changes to the AHP Project that impact the Commitment will not be considered Modifications.

2) Modifications to Increase AHP Subsidy

For Rental Projects only, prior to the Initial Disbursement of AHP Subsidy, the FHLBC will consider a Modification request to increase the amount of AHP Subsidy for the AHP Project that demonstrates all of the following:

- a) The AHP Project is not financially feasible without additional AHP Subsidy (note that failure to demonstrate financial feasibility is an event of Non-Compliance. For additional information regarding events of Non-Compliance and their remedies, see the Non-Compliance Policy); and
- b) The Sponsor has explored alternatives to an increase in AHP Subsidy, including changes to the AHP Project size and scope; and
- c) All other options to secure additional financing have been exhausted; and
- d) An increase in AHP Subsidy will fully fund the gap in sources needed to complete the AHP Project

The combined total of the original award of AHP Subsidy plus any increases in the amount of AHP Subsidy for the AHP Project cannot exceed the lesser of the following:

- a) The maximum AHP Subsidy per AHP Project in the grant round during which the AHP Project was originally approved; or
- b) The maximum AHP Subsidy per AHP Project in the AHP Implementation Plan for the current calendar year.

The decision to increase the AHP Subsidy is at the sole discretion of the FHLBC, and must be approved by the AHC.

3) Eligibility Modifications

Other changes to an AHP Project that may rise to the level of a Modification include, but are not limited to:

- A change in the AHP Project Sponsor
- A change in the AHP Project Member
- A change in the total number of units in the AHP Project
- A change in the location or site of the AHP Project (applicable to Rental Projects only)
- A significant change in the AHP Project's financial structure

In connection with a request to change the Sponsor for an AHP Project, the FHLBC will review the capacity of the proposed replacement Sponsor.

If there is a change to the Sponsor or Member for an AHP Project prior to the execution of the Subsidy Agreement, the replacement Sponsor or Member will be the signatory to the Subsidy Agreement.

If there is a change to the Sponsor or Member for an AHP Project following the execution of the Subsidy Agreement, the FHLBC will require the execution of an assignment and assumption of the Subsidy Agreement which will not constitute a novation.

Any time there is a change to the Sponsor or Member for an AHP Project, the Member must ensure that the Retention Agreement and security instrument are properly assigned and assumed.

B. Changes in Financial Feasibility

When reviewing and approving an Application, the FHLBC reviews the AHP Project for compliance with the financial feasibility guidelines set forth in the AHP Implementation Plan for the applicable Funding Round under which the AHP Project was approved.

The FHLBC conducts additional reviews of the AHP Project's financial feasibility and compliance with feasibility guidelines as set forth in the Disbursement Policy and the Monitoring Policy.

Subsequent changes impacting the financial feasibility of an AHP Project may require additional information and clarification. Depending on the nature and extent of the change, and the overall analysis of financial feasibility, the FHLBC may or may not approve an exception to a financial feasibility indicator that is outside of the applicable guideline, determine that the change rises to the level of a Modification, or conclude that there is Non-Compliance as set forth in the Non-Compliance Policy.

C. Updates to Project Information

The FHLBC requires notification of changes to other information in the Project Approval Record. Such changes may or may not rise to the level of a Modification, as defined above, and may or may not result in Non-Compliance as set forth in the Non-Compliance Policy. Examples include, but are not limited to:

- Contact information for the AHP Project, Sponsor, or Member
- Change in the property manager
- Legal actions involving the Sponsor or Owner, including, but not limited to violations of fair housing laws
- Legal or administrative investigations or charges, including, but not limited to investigations or charges regarding the conduct of the Sponsor's or Owner's personnel
- Bankruptcy of the Sponsor or Owner
- A disaster in the market area of the AHP Project causing major property damage
- Casualty damage to the AHP Project
- Refinancing the AHP Project
- A change in the ownership structure of the AHP Project

D. Repayments

A Repayment is a return to the FHLBC of a portion of the AHP Subsidy that was previously disbursed to an AHP Project. Repayments that are initiated by the FHLBC as a remedy to Non-Compliance are Recaptures, as set forth in the Non-Compliance Policy.

E. De-Obligation of AHP Subsidy

A De-Obligation is a reduction in the amount of the unfunded portion of the AHP Subsidy that is not necessary for completion of the AHP Project. The FHLBC may also utilize a De-Obligation in connection with a remedy for Non-Compliance. For additional information regarding the De-Obligation of AHP Subsidy as a remedy for Non-Compliance, see the Non-Compliance Policy.

A partial De-Obligation is a reduction of less than the full amount of FHLBC-approved AHP Subsidy available to the AHP Project.

A full De-Obligation is the elimination of the full amount of FHLBC-approved AHP Subsidy available to the AHP Project.

The effect of a full De-Obligation is the elimination of the AHP Project.