


Michigan Credit Union League & Affiliates
Annual Convention and Exposition
Helping Credit Unions Serve, Grow and Remain Strong #mculace

**Aging in Place and Other
Funding through FHLBI**
June 7, 2014 | 11:45 a.m. – 12:45 p.m.
Marjorie Green

 www.mcul.org  www.uniteforgood.org

What is FHLBI? 

- ▶ **Federal Home Loan Bank system created in 1932 by Congress to help nation and savings and loan industry provide liquidity for housing**
- ▶ **FHLBI is one of 12 FHLBanks**
- ▶ **Members are federally insured financial institutions (banks, thrifts, credit unions and insurance companies) chartered in Indiana or Michigan**
- ▶ **Regulated by Federal Housing Finance Agency**

Community Investment Programs 2

“Community Dividend” We Deliver



- ▶ FHLBI annually reinvests at least 10 percent of our net earnings into affordable housing in partnership with our members
- ▶ Like every “dividend,” this contribution is predicated on earnings
- ▶ FHLB’s Affordable Housing Program (AHP) constitutes the largest single source of private “capital” for affordable housing in the country
- ▶ No other provider of liquidity pays this dividend

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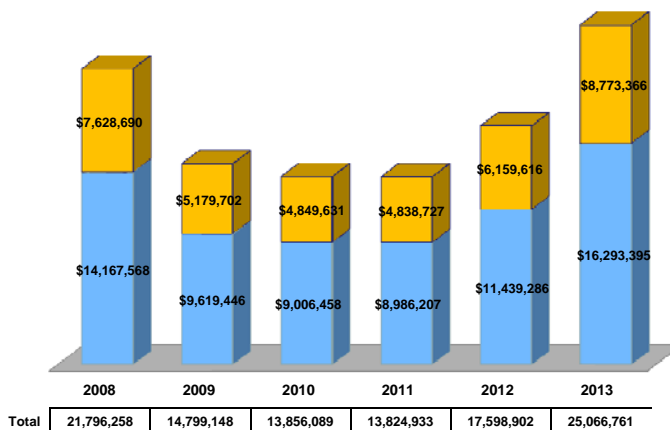
Community Dividend



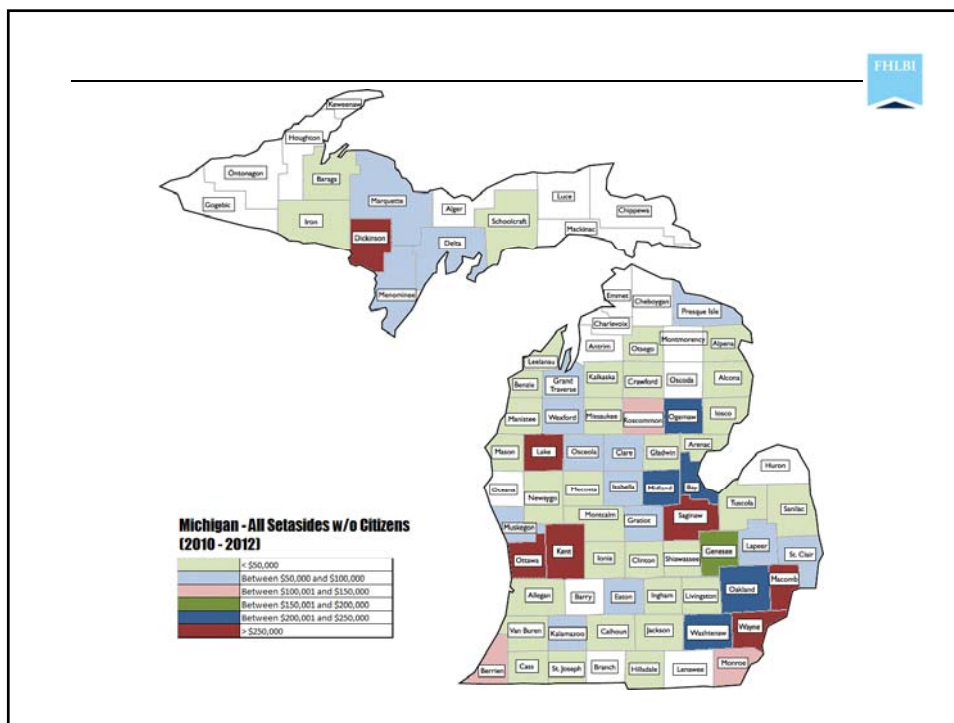
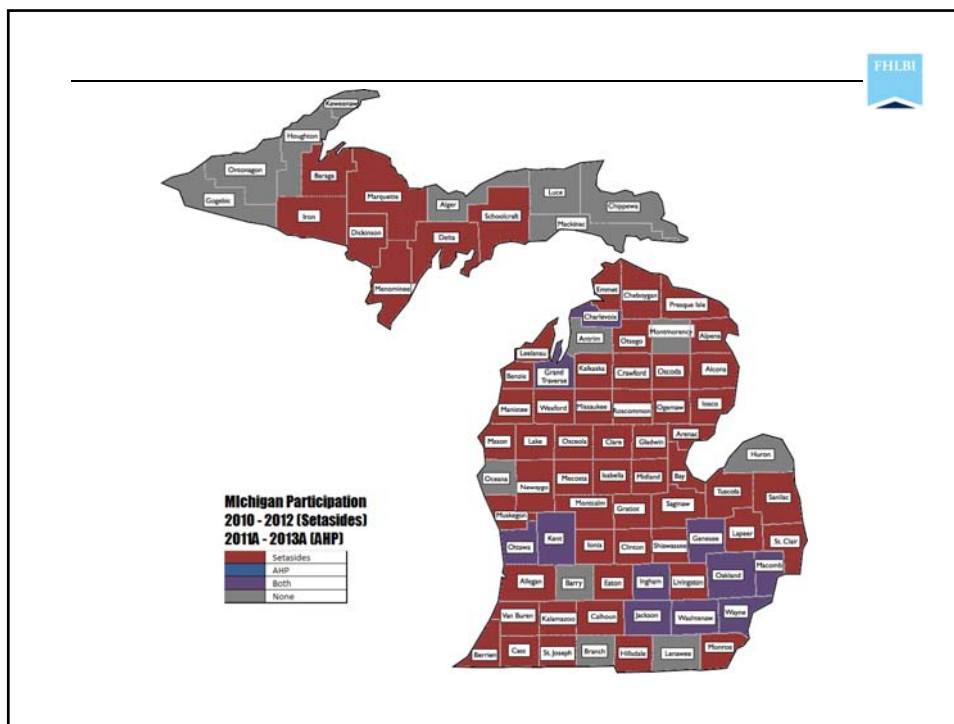
AHP Statutory Contribution

\$ in millions

■ AHP ■ Setasides



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Program Years 2010-2013 - State Results



- ▶ **Indiana AHP 2010 - 2013A - \$25,558,109**
- ▶ **Michigan AHP 2010 - 2013A- 10,919,432**
- ▶ **Indiana Set-asides 2010-2012 - \$6,115,541**
- ▶ **Michigan Set-asides 2010-2102 - \$9,387,257**
- ▶ **Indiana Total - \$31,673,650**
- ▶ **Michigan Total - \$20,306,689**

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FHLBI Community Investment Programs

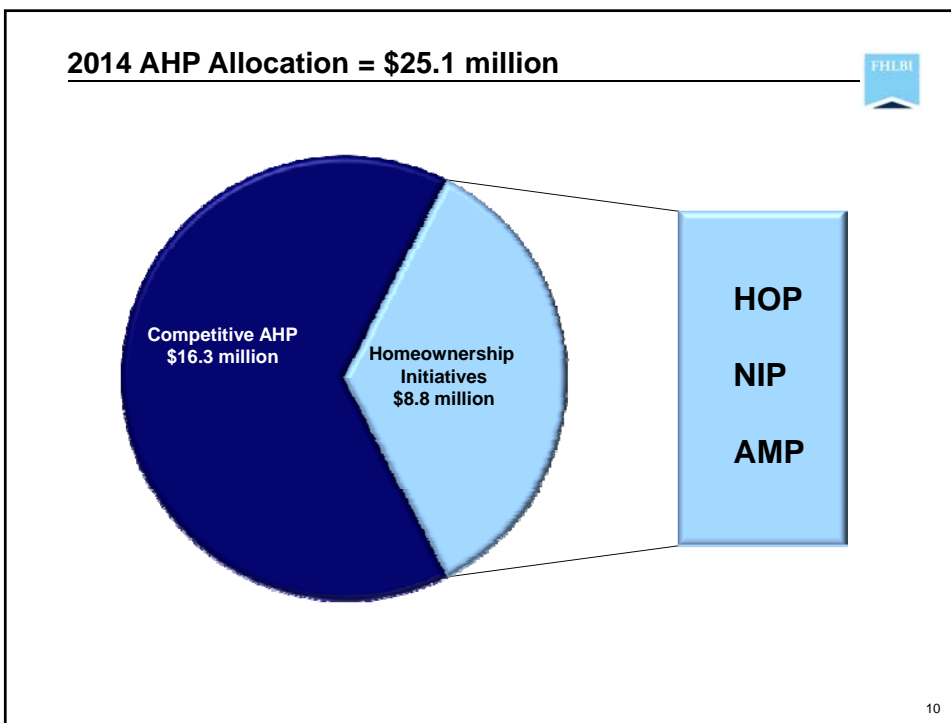


- ▶ **Affordable Housing Program (AHP)** – grant funding to create rental and homeownership opportunities for low- and moderate-income households
- ▶ **Homeownership Initiatives Programs (HOP, NIP and AMP)** – grant funding for down payment, closing cost assistance and owner-occupied rehabilitation and accessibility modification assistance to income-eligible households
- ▶ **Community Investment Program (CIP) Advances and Letters of Credit** – discounted advances and letters of credit available to members to support targeted housing and economic development

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Herkimer Apartments, a historic hotel in Grand Rapids, MI, was completely restructured from 122 units of studio and one-bedroom units into 55 rent-subsidized, permanent supportive housing units, retaining its major architectural details. The existing commercial space was transformed into 7 market-rate live/work spaces. Adjacent and connected to Commerce Apartments, replacement of 67 units and new commercial space and parking garage. The sponsor is Heartside Nonprofit Housing Corporation, which received a \$369,258 AHP grant from Founders Bank & Trust.





Affordable Housing Program (AHP)



- ▶ Provides a direct subsidy (grant) for acquisition, rehabilitation or construction of affordable housing of various types
- ▶ Only FHLBI members may apply for this grant funding
- ▶ Project sponsors are non-profit or for-profit housing developers who partner with FHLBI member



Typical AHP Projects



- ▶ Senior or family rental projects (not assisted living, hospice or nursing homes)
- ▶ Scattered site single family homes for homeownership, lease purchase or rental
- ▶ Emergency shelters
- ▶ Transitional housing
- ▶ Permanent supportive housing
- ▶ Habitat for Humanity projects
- ▶ Group homes and congregate living plans




Turning Point in Macomb County, MI received a \$500,000 AHP award from Talmer Bank and Trust. It serves the Detroit metro area, providing shelter and services for victims of domestic violence. The project incorporates the rehabilitation of an older, existing structure, along with construction of new space. The new shelter provides more private living environment for families, along with space for medical treatment, case management, community space and a playground and green space.

Eligible AHP Uses



- ▶ **Land or building acquisition**
- ▶ **Down payment and closing costs for homebuyers**
- ▶ **Construction or rehabilitation costs**
- ▶ **Owner-occupied rehabilitation (Aging in Place only)**
- ▶ **Some soft costs (developer fee, architectural, legal, survey, engineering)**







FHLBI

Benjamin's Hope is the first phase of a campus designed for autistic persons, with 2 group homes for 8 residents in Holland, MI. Each home contains 4 efficiency units, with common living space and kitchen, staff space and a 2-car garage and was partially funded with a \$750,000 AHP award from the Bank of Holland.

Ineligible AHP Uses



- ▶ Operating or administrative costs of sponsor
- ▶ Infrastructure costs
- ▶ Processing fees charged to administer AHP
- ▶ Replacement or operating reserves including investor service fees or investor reserves

Pasture Lane Rehab was the rehabilitation of a foreclosed home in a higher income neighborhood in Muncie IN. An AHP award of \$15,000 from Mutual Bank allowed the Habitat for Humanity of Greater Muncie to acquire and rehabilitate the home for a new family and eliminate a potentially blighting vacant property.

2014 AHP



- ▶ **A single funding round in 2014 with applications due on April 9**
- ▶ **Competitive application process**
- ▶ **Maximum grant \$500,000 per project**
- ▶ **Maximum subsidy per unit of \$75,000**
- ▶ **No limit on how many AHP projects a member can apply for or be awarded per round**

Key 2014 Scoring Categories



- ▶ **Comprehensive community development**
- ▶ **Aging in place for seniors and permanent supportive housing**
- ▶ **Green building and rehabilitation standards continue to be a focus**
- ▶ **Readiness to proceed**
- ▶ **Economic diversity**
- ▶ **Subsidy per unit**

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Retention Requirement



- ▶ **Legal mechanism recorded to ensure property is used for affordable housing during retention period**
- ▶ **15 years for rental, 5 years for homeownership**
- ▶ **Generally a deed restriction, second mortgage 'soft' second**
- ▶ **Specific language is required by Regulation to be included in the retention mechanism**

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AHP Monitoring



- ▶ **Sponsor prepares reports and submits to member semi-annually during development phase; member submits reports to FHLBI**
- ▶ **Initial monitoring at completion**
- ▶ **Long-term monitoring for rental projects**
 - Project is habitable
 - Rents and incomes are in compliance with targeting commitments

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Pauline Apartments is a supportive housing project in Ann Arbor MI which involved the demolition of obsolete housing and reconstruction of a 32-unit apartment building for special needs tenants. The rehabilitation includes an extensive Green Building Initiative with an environmentally-friendly landscaping project that recycles/reuses rainwater for the plantings. Avalon Housing received a \$750,000 AHP award from Chelsea State Bank to help fund this project.

2014 Homeownership Initiatives Programs



- ▶ **HOP – Homeownership Opportunities Program**
 - Down payment and closing cost assistance for eligible first-time homebuyers (\$500,000 per member cap)
- ▶ **NIP – Neighborhood Impact Program**
 - Owner-occupied rehabilitation for eligible homeowners (\$300,000 per member cap)
- ▶ **AMP – Accessibility Modifications Program**
 - Homeowner accessibility modifications and rehabilitation for eligible senior or disabled households (\$300,000 member cap)
- ▶ **DRP – Disaster Relief Program**
 - Homeowner rehabilitation or down payment assistance necessary to respond to a state or federally declared disaster (must be approved by FHLBI Board of Directors)

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Homeownership Initiatives Programs Requirements



- ▶ **Member (primary or secondary contact) must complete workshop training or webinar training**
- ▶ **Training is available and recommended for *anyone* planning to use Homeownership Initiatives Programs funding**
- ▶ **Member institution must complete and submit Master Agreement and Registration Form (covers HOP, NIP, and AMP)**
- ▶ **Registered Members may have contact information posted on FHLBI website**

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Homeownership Initiatives Requirements



- ▶ **Income limit of 80% or less of AMI**
- ▶ **FHLBI provides \$3 per \$1 of matching funds**
- ▶ **If counseling is required, it must be face-to-face with state or HUD-certified counselor, or FHLBI-approved online counseling permitted when face-to-face unavailable**
- ▶ **Member cap of \$300,000-500,000 per program**
- ▶ **5 year retention recorded to property title, prorated recapture over the 5 years**
- ▶ **Funding on a first come – first served basis**
- ▶ **Available balance posted on FHLBI Website and updated regularly**

Accessibility Modifications Program (AMP)



- ▶ **FHLBI's newest Homeownership Initiative**
- ▶ **All Homeownership Initiatives are accepting disbursement requests**
- ▶ **Members can design or limit to certain market segments, such as seniors, veterans, or other households with disability income**
- ▶ **Household must be in Indiana or Michigan and customer of member**
- ▶ **Member cap of \$300,000**

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AMP Recipient Requirements



- ▶ **Up to \$10,000 with no match requirement**
- ▶ **Three eligible household types:**
 - Households with all members 62 years of age or older;
 - Households 62 years of age or older with custody of household members 17 years of age or younger; or
 - Households of any age with a permanently disabled household member
- ▶ **Own and occupy property for minimum of 18 months**

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AMP Eligible Improvements



▶ Eligible improvements (not an exhaustive list)

- Ramps/zero step entries
- Handrails
- Levered door handles
- Widening doorways
- Grab bars
- Roll-in showers or easy-entry bathtubs
- Chair-lifts
- Up to 25% of AMP funding may be used for non-accessibility repairs

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The Henkel family received a \$5000 HOP grant for down payment and closing cost assistance to acquire a Habitat for Humanity home in Marine City, MI. This family was the first assisted using HOP funding from an insurance company member through a unique partnership with Auto-Owners Insurance Company and Habitat for Humanity of Michigan.

HOP Requirements



- ▶ **First-time homebuyer**
- ▶ **Up to \$10,000 for member originated mortgages**
- ▶ **Up to \$5,000 for non-member mortgages with 3:1 eligible matching funds**
- ▶ **\$1,000 cash contribution from homebuyer**
- ▶ **Approved homebuyer counseling (up to \$150 of HOP funds allowed toward cost)**
- ▶ **No more than \$250 cash back to buyer at closing**
- ▶ **Member Cap of \$500,000**

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NIP Requirements



- ▶ **Up to \$10,000 with required 3:1 eligible matching funds or member current or previous first lien-holder**
- ▶ **Up to \$7,500 with no match**
- ▶ **Funding must be used toward eligible repairs, i.e.:**
 - roofing
 - gutters
 - siding
 - windows
 - doors
 - HVAC
- ▶ **Own and occupy property for minimum of 18 months**
- ▶ **Member Cap of \$300,000**

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Community Investment Program (CIP)



Help improve a member's bottom line...

- ▶ **Community Investment Program advances are FHLBI's lowest cost funding!**
- ▶ **Flexible terms/structure**
 - Variable and fixed to 20 year
 - Up to 30 year amortization
- ▶ **Same collateral, prepayment terms, and activity-based stock requirements as traditional advances**
- ▶ **Available at FHLBI's cost of funds, plus a nominal administrative fee (non-competitive)**

CIP Rate Indications

FHLBI Advance Indications

as of 4/21/14

Maturity	Traditional Advances < 10 Mill	CIP Advances
Overnight Variable	0.42	0.07
6 Month	0.35	0.16
1 Year	0.39	0.22
2 Year	0.67	0.48
3 Year	1.15	0.96
4 Year	1.63	1.44
5 Year	2.00	1.81
10 Year	3.34	3.11
20 Year		4.07
10 Yr Amortizing*	2.76	2.54

Letter of Credit	37.5 bps fee	20 bps fee
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NOTE: Actual rates on advances may be different from the indications above, depending on the market conditions at the time of issuance. Please contact FHLBI at 1-800-442-2568 for bullet advance indications beyond 10 years or for structured advance indications.
 * Amortizing rate indication based on annual payments, assuming 4% WAC, 15 Yr WAM, and 6% CPR

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CIP Housing Project Qualification

- ▶ **Ownership Residential**
 - Individual owner-occupied units owned or purchased
 - All household incomes <=115% of Area Median Income (AMI)

Documentation Required: List of originated mortgages

- ▶ **Rental Residential**
 - Financing of rental units and cooperatives
 - At least 51% of resident incomes <=115% of AMI or
 - Rents affordable to at least 51% residents whose incomes are <=115% AMI

Documentation Required: Rent roll, FHLBI Rent Schedule or Income Roll

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In partnership with First Bank of Berne, local entrepreneur Quad Properties has been developing market rate rental housing in Berne, IN. A total of 60 two bedroom units have been developed since 2007 using CIP advances and owner equity. The most recent phase of 12 units was completed with a \$760,000, ten year loan. Rents on the units are \$500.

CIP Commercial and Economic Development



Project Qualification:

▶ **Small Business Concern**

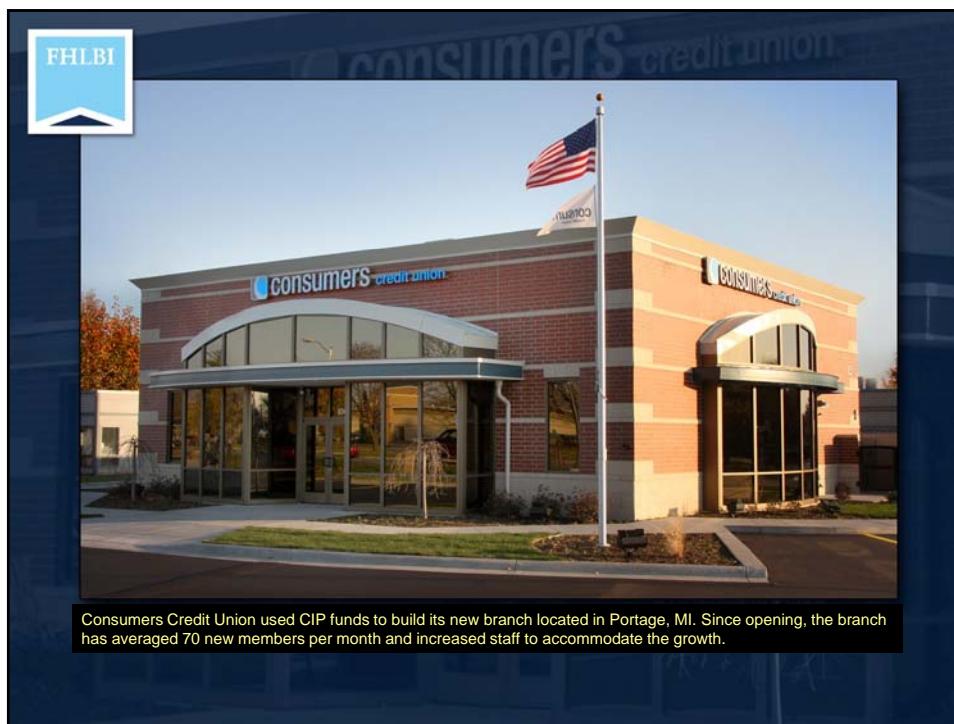
- Small Business Administration revenue/size standards (North American Industry Classification System Codes (NAICS))

Documentation Required: Proof of revenue

▶ **Job creation/retention at qualified wage levels**

- At least 51% of job salaries \leq 115% AMI for rural
- At least 51% of job salaries \leq 100% AMI for urban

Documentation Required: FHLBI Job Information Form



Consumers Credit Union used CIP funds to build its new branch located in Portage, MI. Since opening, the branch has averaged 70 new members per month and increased staff to accommodate the growth.

CIP Commercial and Economic Development



▶ Services and benefits to a qualified area

- Project provides services/benefits to urban or rural area
 - ✓ ≤100% AMI for urban areas
 - ✓ ≤115% AMI for rural areas
- Project location in targeted area (income exemption)
 - ✓ Rural/urban Champion Community/Empowerment Zone or Enterprise Community
 - ✓ Native American area
 - ✓ Federal Brownfield Tax Credit
 - ✓ Area affected by a federal military base closing or realignment
 - ✓ State of Michigan Renaissance Zone
 - ✓ State of Indiana Enterprise Zone
 - ✓ Federally declared disaster area

Documentation Requirement: Verification of AMI or Targeted Area



CIP Mixed Use Project Qualification



- ▶ **Combination of housing project and economic development**
- ▶ **Project only required to qualify as economic development**
 - Small Business Concern
 - Job creation/retention at qualified wage levels
 - Services and benefits to income targeted location or targeted area



Common CIP Uses

Industrial and manufacturing initiatives

- Factories
- Bakeries
- Warehouses
- Assembly Plant

Commercial initiatives

- Shopping Centers
- Office Buildings
- Hotels
- Retail Stores
- Member Branches

Public-facility initiatives

- Buildings /vehicles for police and fire departments

Social-service initiatives

- Office space for nonprofits
- Day-care Centers
- Hospitals
- Nursing Homes

Infrastructure projects

- Roads
- Sidewalks
- Utilities

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Thank you!

FOR MORE INFORMATION CONTACT:

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Community Investment Staff

Contact Directory is available at www.fhlbi.com