

# The Affordable Housing Program



Housing Assistance Council

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**The Federal Home Loan Bank (FHLBank) System consists of 12 district banks that provide lending, deposit, and other services to member mortgage-lending institutions under the oversight of the Federal Housing Finance Board. The 12 FHLBanks are instrumentalities of the federal government, but are wholly owned by their member institutions. The 12 FHLBanks reserve 10 percent of their collective net income or \$100 million, whichever is greater, for use in the Affordable Housing Program (AHP). In 2004, the AHP had \$229 million available.**

## PROGRAM BASICS

### *Purpose*

The AHP is designed to encourage members of the FHLBank System to undertake creative efforts and increase their participation in and support of efforts directed towards increasing the availability of affordable housing. To this end, the program provides below-market financing for the development of affordable housing for very low-, low-, and moderate-income families by subsidizing interest rates for advances (loans) and providing direct subsidies to FHLBank System members engaged in lending for affordable housing. The AHP subsidy may be in the form of a grant or a below-cost or subsidized interest rate.

### *Eligibility*

Applicants must be member institutions – not local organizations or government bodies. Generally, a community-based developer structures a project and seeks the involvement of a lender that is an FHLBank member. There are more than 8,000 members including federal and state chartered thrift institutions, commercial banks, credit unions, and insurance companies.

The 12 regional FHLBanks administer separate competitive funding cycles (usually two per year) for AHP funds. Each FHLBank controls the priorities set for its district and structures its own competition.

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### *Terms*

Advances under the AHP may be used with other sources of funds including other federal, state, local, and private assistance programs. The AHP funding competition provides subsidies to:

- △ finance the purchase, construction, and/or rehabilitation of rental housing in which at least 20 percent of the units will be occupied by and affordable for very low-income households (with incomes below 50 percent of area median income) for at least 15 years; or
- △ finance the purchase, construction, and/or rehabilitation of owner-occupied housing for very low-, low- and moderate-income households.

All of the FHLBanks have taken advantage of an option to set aside part of their AHP funds for homeownership assistance to low- and moderate-income buyers (with incomes below 80 percent of area median income). Each FHLBank allocates the greater of \$3 million or 25 percent of its AHP contribution for homeownership programs. In addition, each Bank sets aside, specifically for first-time low- and moderate-income homebuyers, an additional amount of up to the greater of \$1.5 million or 10 percent of its annual AHP amount. The subsidy to buyers is capped at \$15,000 per household. Like other AHP funds, these funds are available to banks and other institutions that are FHLBank members, not to community-based organizations or to homebuyers. Unlike other funds, they are distributed on a first-come, first-served basis rather than through the Banks' funding competitions.

Each FHLBank provides priority for other types of development as well, targeting special populations or specific district needs. Many of them have established such priorities for rural projects.

## COMMUNITY INVESTMENT PROGRAM

In addition to AHP, the Federal Home Loan Banks offer a separate Community Investment Program (CIP). CIP funds can be used to finance ownership or rental housing for families whose incomes do not exceed 115 percent of the area median income.

As is the case for AHP, CIP applicants must be lending institutions that are members of the FHLBank system. CIP assistance is not available in the form of grants;

unlike AHP, the CIP provides funding only as advances (loans) to members with discounted interest rates.

Members may use the proceeds of CIP funding to finance housing directly by making or purchasing mortgages. Alternatively, they can purchase eligible mortgage securities, mortgage-revenue bonds, or low-income housing tax credits, or lend funds to other lenders to make loans that meet CIP criteria. The FHLBanks discount the interest rates on CIP advances and may require a member to pass its discount through to its own borrowers.

### ADDITIONAL INFORMATION

More detailed information about AHP and CIP can be obtained from the Federal Housing Finance Board (FHFB) at 202-408-2500 or online at [www.fhfb.gov](http://www.fhfb.gov). Contact information for each regional FHLBank is also available from the FHFB. The regulations are codified in Title 12, Chapter IX, Part 960 of the Code of Federal Regulations.

HAC's publications list, all information sheets, and most full-length manuals and reports may be obtained free from HAC's web site at [www.ruralhome.org](http://www.ruralhome.org). A printed copy of the publications list is available free, and copies of manuals and reports are available for a charge to cover costs, from HAC, 1025 Vermont Avenue, N.W., Suite 606, Washington, D.C. 20005; 202-842-8600.

*This Information Sheet was prepared by the Housing Assistance Council. HAC, founded in 1971, is a nonprofit corporation that supports the development of rural low-income housing nationwide. HAC provides technical housing services, loans from a revolving fund, housing program and policy assistance, research and demonstration projects, and training and information services. HAC is an equal opportunity lender.*

