

# Welcome to Layering Funding Sources

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Carlos Muralles – HAC – SHOP Funding

Eric Leonard – FHLP – AHP Funding

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# Self-Help Homeownership Opportunity Program (“SHOP”)

# SHOP History

- Authorized by the Housing Opportunity Program Extension Act of 1996 (P.L. 104-102)
- Administered by HUD (through Office of Rural Housing and Economic Development)
- Recipients are selected through national competitive process and are those who:
  - Are national or regional organizations and consortia
  - Have experience in providing or facilitating self-help housing homeownership opportunities

# Goals of the Program

- Facilitate homeownership opportunities through the provision of self-help housing
  - where the homeowner contributes sweat equity toward the construction of the new dwelling
- Help with Land Acquisition and Infrastructure Improvements
- Must be quality units that comply with local building and safety codes & standards
  - Must be available at below the prevailing market prices.

# Goals of the Program

- Partnership between the Federal Government and organizations and consortia
  - Result in efficient development of affordable housing with minimal or limited governmental intervention or regulation
  - Include significant involvement by private entities
- Involves community participation
  - Volunteers assist in construction
- Must be geographically diverse and include
  - High housing cost areas
  - Rural areas
  - Other underserved areas of low-income families

# Current Grantees

- National
  - HAC
  - Habitat for Humanity
- Regional
  - Community Frameworks (WA, OR, ID, MT)
- Consortium
  - Tierra del Sol (AZ, NM, CO)

# Elements of SHOP Program: Recipients

- Funds are passed through to eligible affiliates or member organizations
  - public non-profit or private non-profit organizations under federal or state law and certain agencies with a 501.c.3 entity
- Targeted to low-income families (*80% below AMI*)
- \$15,000 per unit
- Must include additional leveraged funds

# Elements of SHOP Program: Leverage

- Must include additional leveraged funds
  - Private
  - State
  - Local
  - Federal Programs
    - Warning: If you plan to use SHOP in conjunction with USDA 523/502 programs: participant families must meet HUD income guidelines which may conflict with income banding used by USDA



# Elements of SHOP: Eligible Uses

- Site acquisition and infrastructure improvement
  - Land acquisition costs eligible for reimbursement must not have been incurred prior to NOFA date
  - Recipient may use non-SHOP funds for acquisition prior to the successful completion of the environmental review process but at their own risk of a) not receiving SHOP funds or environmental issues arising
  - Site development costs cannot be incurred prior to NOFA date or successful completion of the environmental review process

# Program Requirements: Environmental Review

- Must comply with 24 CFR part 50 or 58 procedures
  - Part 58 procedures: the environmental review done by the unit of local government within which the project is located. (part 58)
  - Part 50 procedures: when the above declines or is unable to perform the review procedure under part 58
  - HEROS system will be coming for responsible entities and partners



# Environmental Review (ER)

- Environmental review process
  - May acquire land prior to ER; however, affiliate assumes all risk if the ER is not cleared or an award is not made
  - ER Process must be completed prior to doing any site development.
  - ER process for SHOP may differ from other programs
    - Third party entity certification of environmental clearance
    - HUD precede other funders in publication when other funders are in project
    - Other regional differences

# HEROS

- HUD's online system for developing, documenting, and managing environmental reviews.
- Covers all levels of environmental reviews for both Part 50 and Part 58 projects
- Available to HUD staff for Part 50 and to Responsible Entities (local government) for Part 58 but not available to SHOP grantees (HAC)



# Program Requirements

- Sweat equity-based homeownership with volunteer contribution component
  - 100 hours of sweat equity labor (50 if single headed household)
  - Volunteer labor from community involvement and non-homebuyer residents

# Program Requirements: Schedule

- Time to access funds
  - 24 months if developing less than 5 units
  - 36 if developing 5 or more units
- Time to complete units
  - 24 units = 5 years
  - 36 units = 6 years

# Other SHOP Requirements

- Energy Star Certification
  - Mandatory SHOP 2008 to 2015
  - Strongly Encouraged 2016 forward
  - Energy Star appliances are mandatory where available
- WaterSense Products
  - Mandatory where available
  - There must be a method to document that this requirement is met

# HAC's Program - Snapshot

- Recoverable grants (90%); May be used
  - To create affiliates' own revolving development fund
  - Used for Acquisition
  - Used for Infrastructure or
  - Granted homebuyer as a direct subsidy
- SHOP requirements incorporated into agreements with borrowers (communicated to affiliates during application)



# Program Requirements: Reporting

- HUD requires annual and semi-annual reporting
  - HAC uses data gathered from affiliates to HUD
  - HAC requires quarterly reports and an annual supplemental report to capture additional data.
- Some items are required on a quarterly basis and some on an annual basis
  - Amounts and uses of drawn funds (acquisition or infrastructure) and unit progress - quarterly
  - Sec. 3 – annual

# SHOP Reporting – Data points

- Number of environmental reviews
- Number of lots acquired, started construction, and completed.
- AMI served
- Ethnic/Racial data
- Average sales price
- Sweat equity (homebuyer/volunteer)
- Female headed households
- Children in households
- Additional leveraged funds
- Section 3 compliance

# HAC Accomplishments

- Deployment
  - 156 affiliates
  - 41 states + Puerto Rico
- Units completed = 9,649

# Reported Challenges

- Qualifying homebuyers
  - Credit issues, loss of businesses, unemployment
- Availability or cost of land
- Competition for contractors
  - SHOP funds may have put requirements that private sector does not
- Appraised Value
  - At times program requirements may add costs that do not reflect on the appraised values (HERS)



**FHLBANK**  
DALLAS



# Affordable Housing Program with the Federal Home Loan Bank of Dallas

Eric Leonard

# About the Federal Home Loan Bank

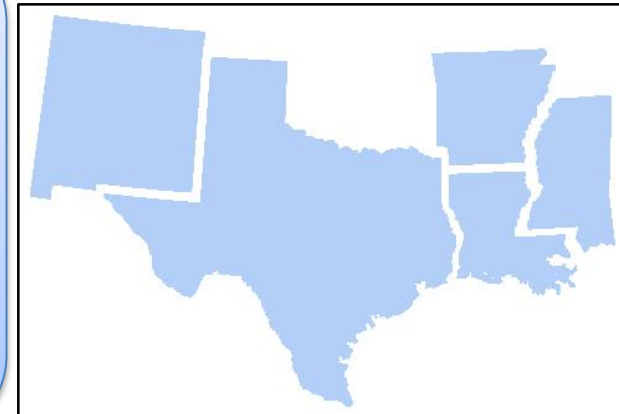
- FHLB System was created by an Act of Congress under the Hoover administration in July 1932
- Organized as a cooperative and owned by our approximately 825 members and associated institutions
- Operates independently as a GSE, receiving no taxpayer assistance

## FHLB System members are:

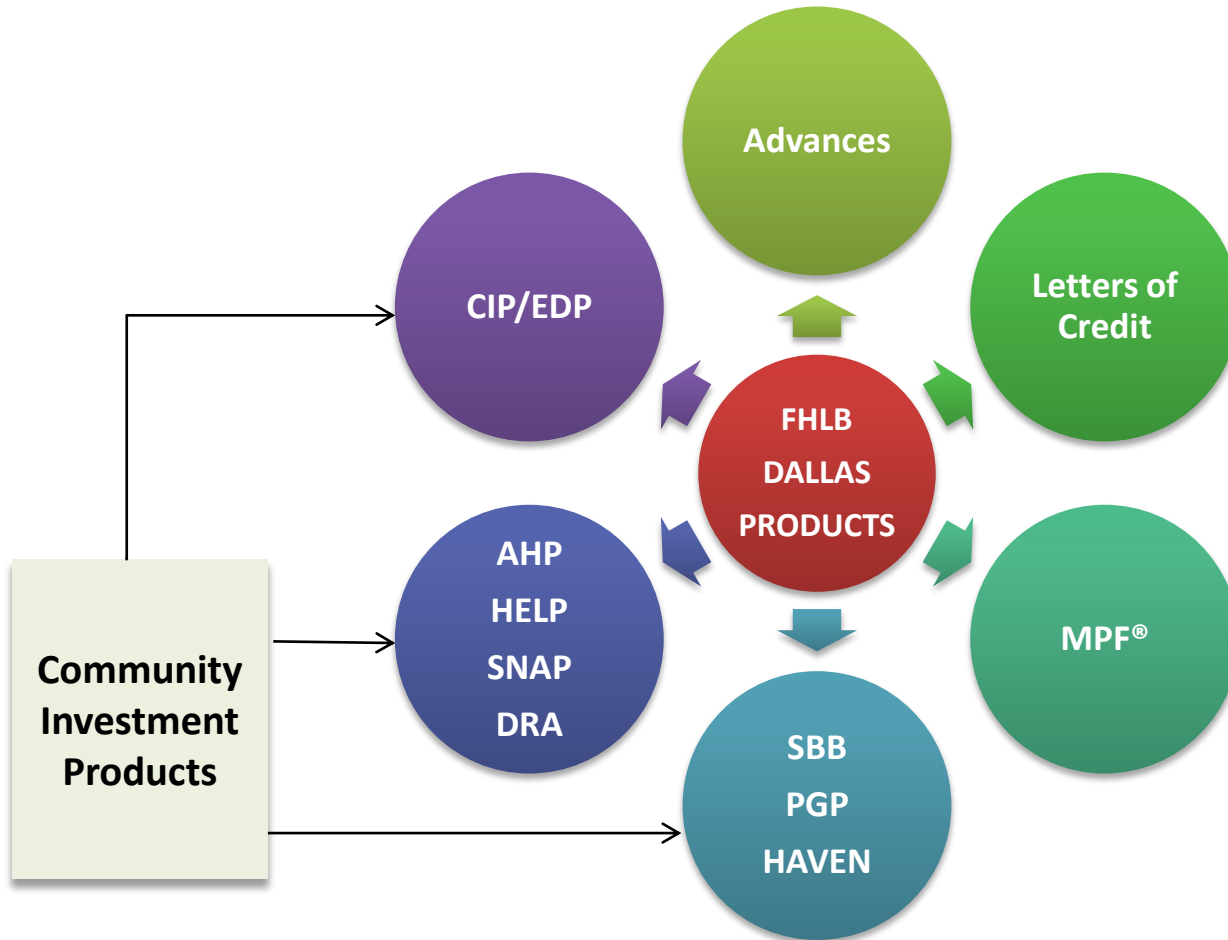
- Banks
- Credit unions
- Community development financial institutions
- Thrifts
- Insurance companies

## How many members are there?

- Arkansas 88
- Louisiana 128
- Mississippi 76
- New Mexico 44
- Texas 473



# Community Investment Products



FHLB Dallas has a range of products to help member financial institutions improve their liquidity positions, risk management and Community Investment goals.

# Program Specifics

- Application window: **April 1, 2020** through **May 16, 2020**
- **Maximum AHP grant is \$750,000**
- Maximum AHP subsidy per AHP unit is **\$40,000**

## 2019 Received

81 applications  
\$36.9 million

## 2019 Approved

35 applications  
\$17 million  
27 rental  
8 owner-occupied  
2,122 units

FHLB Dallas

Sponsor

Member  
Institution





# Why Apply for AHP?

Equity-like Funding	Interest Free	Fully Forgiven Funding	Affordable Projects	Closes Funding "Gap"
<p>AHP is a direct grant up to \$750,000 per project.</p>	<p>AHP grants are interest free funding.</p>	<p>If project remains in compliance, the AHP grant will be forgiven.</p>	<p>The amount of debt and other funding needed to complete the project is reduced.</p>	<p>Ensures that the money you need meets the money coming in.</p>

# What can I do with AHP?

**Rental Rehabilitation/New Construction (LIHTC)**

**HUD Rental Assistance Demonstration (RAD)**

**Supportive or Shelter Housing**

**Down Payment/Closing Cost Assistance**

**Habitability Home Repair**

## How does AHP work with other funding?

- AHP grants are gap financing that can be used with other sources.
- FHLB Dallas requires documentation to track the disbursement and usage of our grant.

AHP policies can vary between Federal Home Loan Banks.

# 2020 Project Scoring Overview

Scoring Criteria	Points
Donated Property	5
Nonprofit or Government Sponsorship	5
Income Groups Targeting	25
Empowerment Services/Programs	5
First District Priority	25
Second District Priority	7
Homeless Housing	5
AHP Subsidy Per Unit	10
Community Stability	13
<b>Total</b>	<b>100</b>

100-point scoring system based on 9 criteria

Found in Attachment D of the FHLB Dallas AHP **Implementation Plan**

Income qualification is through HUD

Applications are funded from the highest score until all AHP funds are exhausted

# First District Priority Definitions

## First-Time Homebuyer

Homebuyers haven't owned a home in 3 years\*

## Economic Diversity

Census tract is under 80% AMI:

- 20% of units must be market-rate
  - Almost always in rental projects

Census tract is over 100% AMI:

- 20% of units must be for very low,- low- or moderate-income households
  - Used in rental and owner-occupied

## Within District

Units located in Arkansas, Louisiana, Mississippi, New Mexico and Texas

## Rural

Units are in a rural area defined as:  
An area eligible for USDA Rural Development housing programs

<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

## Special Needs

One individual in the household is:

- Elderly (over 55)
- Physically or mentally disabled
- Recovering from physical, alcohol or drug abuse
- Persons with HIV/AIDS

**\*Detailed definitions are in Attachment A of Implementation Plan**

# Project Scoring – Last Three Years

AHP Round	Grant Funds Available	Scoring			Total Apps	Approved	
		Cut off	High	Spread		Number	Percent
2019	\$17,003,966	67.00	80.00	13.00	81	35	43.2%
2018	\$14,145,060	69.50	78.00	8.50	100	29	29.0%
2017	\$7,007,684	70.00	78.00	8.00	86	19	22.1%
2016	\$7,676,097	69.00	76.00	7.00	102	27	26.5%

**The “cut-off” or “lowest approved” score depends on annual demand, the dollar amount of approved AHP applications and the amount of AHP funds available.**

# 2020 AHP Timeline

## Application Process

- April 1: 2020 AHP application round opens
- May 16: 2020 AHP application round closes
- May through October: CID reviews applications

## Approval

- October: FHLB Dallas Board of Directors approves applications
- Award letters mailed
- Member/Sponsor/FHLB Dallas execute the AHP Tri-Party Agreement

## Progress

- Semi-annual progress report (until project completion)
- AHP disbursement request submitted (need for subsidy exists)
- Extensions and modifications

## Monitoring

- Before November 2023: Completion: construction or rehabilitation (rental)/homes sold/repared (owner-occupied)
- AHP initial monitoring initiated and completed
- Long-term monitoring (rental only)

# Where do I Begin?

Utilize FHLB  
Dallas

Attend Trainings  
Call or email CID with questions  
Request review of scoring before application submission

Study FHLBD  
Directions

Review the following documents:

2020 Implementation Plan  
2020 AHP Funding Manual  
AHP Application Guide

[Found at fhlb.com/community](https://www.fhlb.com/community)

Secure a  
Member

Find an FHLB Dallas member to submit your application

# 2020 AHP Set Asides

	HELP	Disaster	PGP	HAVEN	SNAP
What is it?	Down Payment / Closing Costs	Home Repair in FEMA Disaster Areas	Operating Cost Matching Grant	Home Repair or DPA for Disabled Veterans	Home Repair
How much?	<b>\$4.5 million</b> Up to \$10,000 per household	<b>\$400,000</b> Up to \$10,000 per household	<b>\$300,000</b> 3:1 match up to \$12,000 per member	<b>\$300,000</b> Up to \$10,000 per household	<b>\$2.5 million</b> Up to \$7,000 per household
Eligibility	-80% AMI -First Time Homebuyer	-80% AMI -FEMA Ind. Assistance -Homeowner in disaster	-501c3 nonprofit -<\$600,000 revenue	-165% AMI -Disabled Post-9/11 Veteran	-55 and over -Disabled -Recovering from Abuse or Addiction



## For More Information

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Additional information is available online at [fhlb.com/community](https://www.fhlb.com/community)

# USING OTHER PEOPLE'S MONEY



TOM COLLISHAW - SELF-HELP ENTERPRISES  
NATIONAL SELF-HELP HOUSING CONFERENCE  
ALBUQUERQUE, NM  
FEBRUARY, 2020

# WHY WE NEED IT



- Gap financing – what things cost vs. what our families can afford
- Project feasibility – when costs are too close to value of the home
- When RD loans are not available – due to geography or scarcity

# SOURCES



- Federal – SHOP, HOME
- State – CalHome, Farmworker
- Local – includes in lieu fees, impact fee deferrals

# SHOP



- Pass through
- SHE uses to build up development capital (only occasionally for subsidy)

# OTHER FEDERAL SOURCES

- AHP
- HOME



# LOCAL ASSISTANCE EXAMPLES

- Housing Trust funds
- Redevelopment
- In lieu fees
- Fee waivers or deferrals



# LOAN TERMS AND DEED RESTRICTIONS

- Affordability gap determination
- Deferred zero interest – due on sale
- Interest bearing loans (with or without interest)
- Equity Sharing
- Forgiveness clauses
- Resale Restrictions – long term affordability





# THINGS TO REMEMBER

- Primary lender approval required
- Distinction between home ownership and occupancy
- Beware of conflict of interest
- Monitoring responsibilities



# Thank you for your Participation

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Enjoy the Reception