HomeSource east tennessee has received six AHP awards in the last ten years. We find the program to be an excellent source of capital for both single family and multifamily properties. However, we would like to suggest some improvements to the program.

**Question 1:** When a criteria exists to prove the scoring of points in a project, it is the expectation of the Sponsor to “prove” their ability to meet that scoring criteria. This is standard practice in grant funding. However, we have found that we can often provide a document to show that we can meet the requirements, only to have the Bank reject it and not score the points because it was not the exact document in the exact format they were requesting. The program would be better served if the Sponsor had more leeway in proving the ability to meet the scoring criteria. Example: Our main brochure states that we provide financial education and mentions some of the areas that entails. We lost out on points one year because FHLB wanted very specific language in the document. The next year, we had to re-write this brochure, which we use across the organization, to add that very specific language regarding what financial education subjects we cover. Any documentation that adequately shows the ability to meet the scoring criteria should be accepted, even if it isn’t he Bank’s preferred documentation. Documentation should not require very specific language, unless it is a legal or financial document.

**Question 2:** Each funder has their own idiosyncrasies, and comparing can be difficult. The application process isn’t specifically more difficult, other than the documentation issue above. The biggest difference in the AHP Gap funding is in the time it takes to get reimbursed. This usually happens long after the project is completed.

**Question 3:** Whenever multiple funding sources are used in a project, underwriting becomes more difficult. It is not unusual for a project to have multiple budgets, which add up to the same amount, but show a different way to get to that point. FHLB budgets are laid out in a very specific way, and often do not fit the categories and line items in other funding budgets. Sometimes, numbers have to be moved around to meet criteria like cost per unit, max soft costs, etc… It can make the project confusing to have multiple budget formats for multiple grants.

**Question 4:** I do not know of any gap funders that adjust their requirements based on the percentage of the subsidy. We usually use smaller amounts of subsidy per unit, but we never considered having less compliance on it. We have no particular opinion on this.

**Question 5:** We have not used a consultant in many years, so we have no answer for this.

**Question 6:** Not sure. It would be difficult with all the funding sources out there. As an organization that doesn’t utilize tax credits, it often feels like AHP funds are built around LIHTC projects. There seems to be a lot of coordination between those two sources. However, there isn’t any coordination (as far as I can tell) around HOME. Also worth noting- we recently tried to provide DPA from AHP funds to a homebuyer receiving a Section 8 Homeownership voucher, and never could get on the same page as the bank on how to apply it. We final took the AHP dpa out of the project.

**Question 7:** This isn’t specific to the application process, but it is part of it. FHLB needs to understand that development, especially low-income housing, is a fluid process. Costs increase or decrease, new opportunities arise, situations change during development. Our experience with the Federal Home Loan Bank is that they want a detailed account of exactly what you plan to do and how you plan to finance it. If anything changes, they want you to reapply. For example:

1. We had a situation with an AHP grant in 2015 where we had a project and found money to add 5 more units to the project mid-development. FHLB indicated that this was a “material” change in the project, and that we would have to reapply. We couldn’t stop the project until the next round, so we didn’t end up building the additional units. That’s five desperately needed units that didn’t get developed because of our AHP funding.

2. We provide a very realistic budget on another project, but soil issues caused the project to be way over budget. Our other funders didn’t care, so long as we found the money and completed the project that we promised to do. We almost lost our AHP award because we were more then10% over. Again, we were not asking FHLB for more funding, but the cost increase almost cost us the AHP award.

3. On another project, we agreed on the front end to a deferred developer fee to balance out the sources and uses. The project came in ~$200,000 under budget, and FHLB reduced our disbursement the amount of the difference. We could have used those funds to increase our debt service ratio and improve the cash flow of the property, or we could have paid ourselves the full developer fee we earned, but the money went back to the bank, because the deferred dev. fee was a funding source in the grant and the bank held us to it, as they did the debt service ratio. Sponsors should have leeway to modify their projects in scope and cost, as long as they meet the minimum requirements of the AHP award, without having to request a modification or re-apply for funding. Most funders provide X amount of money to develop X units, and as long as those X units are built, they provide the full amount. Only FHLB make a developer prove they needed every dollar.

**Question 8:** As mentioned above, either less detail on the front end or more leeway to change the scope of the project on the back end is the biggest issue. More leeway on documentation on the application is another major issue.