

DECISION MEMORANDUM OF THE HOUSING FINANCE BOARD  
ACTING WITHOUT A QUORUM

Date: October 12, 1994  
No. 94-DM-37

ISSUE:

The Federal Home Loan Bank of Pittsburgh (FHLBank) has requested Federal Housing Finance Board (Housing Finance Board) approval of an increase in Affordable Housing Program (AHP) funds awarded to First Capitol Bank on behalf of September House Senior Center (September House) for the Pullman Building project (Project). The request for approval of an additional \$27,960 in subsidy provided to the Project would increase the awarded subsidy from \$62,677 to \$90,637 in order to pay for changes in the subsidized advance.

FACTORS CONSIDERED:

Subsection 10(j) of the Federal Home Loan Bank Act (Bank Act) (12 U.S.C. § 1430 (j)) requires that each Federal Home Loan Bank (Bank) establish an AHP.

The Housing Finance Board has adopted a regulation for the operation of the AHP by each Bank, codified at 12 C.F.R. Part 960. The AHP regulation requires that the Housing Finance Board determine which applications for AHP awards are to be funded (12 C.F.R § 960.5(f)).

On March 23, 1994 the Housing Finance Board approved an AHP application forwarded by the FHLBank for First Capitol Bank for \$62,677 in AHP subsidy to subsidize a \$350,000 advance used for the Project sponsored by September House.

Subsequent to the approval of the AHP award, there have been unanticipated changes in the sources of financing which decreased the equity available to the Project as well as increasing some of the operating expenses. The FHLBank, First Capitol, and September House have requested a modification in the AHP award made to the Project to maintain the feasibility of the project. First Capitol has requested a reduction in the subsidized advance from \$350,000 to \$280,000 and a reduction in the interest rate for the subsidized advance from 4 percent to 3.25 percent. The interest rate on the \$280,000 loan to the Project will be reduced from 6.5 percent to 5.75 percent. These changes, combined with an increase in the cost of funds as of July 28, 1994, will increase the AHP subsidy needed by \$27,960 to a total of \$90,637.

The proposed modification would result in the average AHP subsidy per unit for the Project increasing from \$2,411 to \$3,486 per unit. The AHP subsidy increase would reduce the effectiveness score of the application from 13.5 to 12 points and

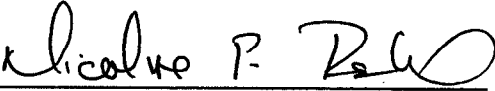
would reduce the total score of the application from 89 points to 87.5 points. This would reduce the rank of this application from the tenth to the sixteenth application out of twenty-five applications recommended for funding in Round One of 1994.

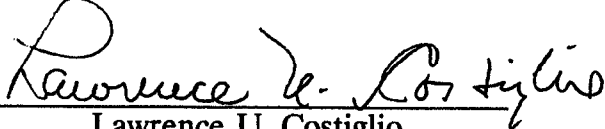
The Housing Finance Directorate staff recommends the approval of the increase in AHP subsidy from \$62,677 to \$90,637 for the Project.

The Housing Finance Board has determined that the request to increase the AHP award was in accordance with the Bank Act, the AHP regulation, and existing policy.

DECISION:

Based on the factors set forth above and the authority provided in 12 C.F.R. § 960.5(f), the increase in AHP funds from \$62,677 to \$90,637 is approved.

  
Nicolas P. Retsinas

  
Lawrence U. Costiglio