

DECISION MEMORANDUM OF THE HOUSING FINANCE BOARD
ACTING WITHOUT A QUORUM

Date: October 17, 1994
No. 94-DM-39

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 Prudential Savings Bank (Prudential) on behalf of the Philadelphia Senior Center (Senior Center) for the South Street Mews project (Project). The request for approval of an additional \$18,417 in subsidy provided to the Project in July of 1994, would result in an increase from \$91,844 to \$110,661 in order to pay for changes in the method of calculating the amount of subsidy needed for a \$250,000 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 Finance Board determine which applications for AHP awards are to be funded (12 C.F.R § 960.5(f)).

On January 9, 1992, the Housing Finance Board approved an AHP application forwarded by the FHLBank for Prudential for an AHP subsidy of \$91,844 to subsidize an advance used for the Project sponsored by the Senior Center.

Subsequent to the approval of the AHP award there was an examination of the FHLBank by the Housing Finance Board. The examiner noted various discrepancies between the FHLBank and Housing Finance Directorate (HFD) reports. FHLBank management concurred and indicated that the discrepancies were largely due to revised subsidy calculations. The original and revised subsidy calculations were submitted to HFD along with a request for modification. The original method of subsidy calculation was based on present value while the revised method is based on net present value. This change in the method of calculating the subsidy for a project is the reason for the increase in the AHP subsidy.

The FHLBank is now requesting approval of a modification in the AHP subsidy award which would increase the total amount of AHP subsidy from \$91,844 to

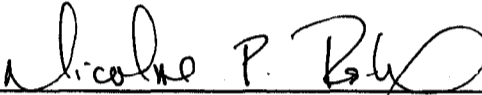
\$110,661 and the per unit subsidy from \$4,592 to \$5,533. The proposed modification will decrease the effectiveness score of the application by one point from 13 points to 12 points. This will reduce the total score of the application from 89 points to 88 points and change the rank of the application from the eleventh to the thirteenth application out of 15 applications recommended for funding.

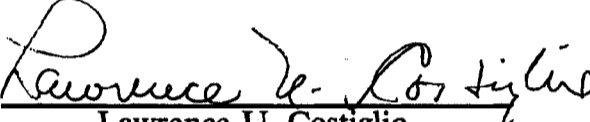
The Housing Finance Directorate staff recommends the approval of the increase in AHP subsidy from \$91,844 to \$110,661 for the Project to pay for changes in the in the financing terms of the project.

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 \$91,844 to \$110,661.


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