

Introduction

Self-Help requests an amendment to its NSP2 grant to allow us to modify and expand our target geographies so that we may respond to a need for our financing to support deeply targeted neighborhood stabilization efforts. As you know, Self-Help's NSP2 grant application described our proposal to carry out a financing program that would have a national scope, with initial concentration on six target geographies – Atlanta, GA; Chicago, IL; New Haven, CT; and the Bay Area, Central Valley, and Los Angeles areas of California. As you are also aware, we have put additional emphasis on multifamily financing given the various near-term challenges in providing permanent mortgage financing for single family properties that are not otherwise financed with NSP dollars. Over the past six months, Self-Help has focused our efforts on identifying opportunities for financing in the targeted census tracts submitted with our application. While we remain confident of our ability to impact these six markets in general, we now recognize that there are immediate and near-term financing needs within these markets, but outside our target tracts, that we would like to meet through our NSP2 financing program.

Progress and Prospects in Self-Help's Target Markets

Atlanta, GA: The fact that our local partner was not successful in securing an NSP2 award was a setback for them and for us in this market. Nonetheless, Self-Help remains confident we will provide needed permanent financing for single family homes acquired and rehabbed through the NSP1 program in the Atlanta metro area through our approved lease-purchase borrower the Atlanta Neighborhood Development Partnership, Inc. (ANDP). Indeed, ANDP has acquired nearly 150 homes through its NSP1 work and expects as many as 30% of these ultimately will be financed with Self-Help's lease-purchase product. Their demand for this permanent financing product may increase, as well, as NSP3 dollars expand the acquisition and rehab opportunities for them in that market, and as program income from NSP1 revolves to fund additional acquisitions. We have already begun the process of working their pipeline of single family homes through our NSP2 environmental review process, and expect to close on some lease-purchase loans under our NSP2 program in Q4 with ANDP.

In our outreach to identify nearer-term financing prospects in this target market, we have identified two NSP2-eligible transactions very close to our target census tracts.

The first is the Harbour Oaks Apartments in Marietta, GA (Tract #0310.02, Score = 18). This property is an 80-unit, garden-style apartment complex that is currently in foreclosure. Presently the property is only 28% occupied, has no active management in place, and fire damage in one of the buildings remains untouched. The property blights this otherwise primarily single-family residential neighborhood, and is in desperate need of renovation and active management. Self-Help financing for this project would enable our prospective borrower, an experienced multifamily developer, to stabilize this property and provide 80 units of affordable rental housing. We have been actively underwriting this project for acquisition, construction, and permanent financing and hope to be able to close on financing in October. The NSP2 environmental review has been approved by HUD for this project.

The second prospect is also in Cobb County (Tract #0313.11, Score = 19), which is a 348-unit rental development in foreclosure due to the dissolution of the owner/developer. This is a townhouse

development that is currently 82% occupied and affordable at incomes at or below 50% AMI. Self-Help recently received a request for financing of this project, so we have not yet moved this prospect through detailed underwriting, though our preliminary analysis suggests the property is financeable and would have a meaningful, positive impact on the stabilization of the development and the surrounding community.

We would propose to offset the addition of these tracts by swapping out census tracts 131210005.00 and 131210008.00 in Fulton County.

Central Valley and Bay Area, CA: Our expectation was to provide single-family rental mortgage financing to investors to support neighborhood stabilization efforts in these markets, near where our growing Self-Help Federal Credit Union has a branch presence. The NSP compliance requirements have made this a more challenging product than we anticipated to market to investors who are not otherwise working with the NSP program. Additionally, it has been challenging to find opportunities to leverage NSP subsidy already in properties, as the field has been largely focused on obligating NSP1 and avoiding program income. As we increase Self-Help Federal Credit Union’s direct lending presence in these markets, we hope the opportunities to leverage NSP funds through direct mortgage financing for owner- and investor-owned single family homes will grow. In the meantime, we have turned our outreach efforts in these markets to sourcing NSP2-eligible multifamily properties. The conclusion we have drawn after a comprehensive outreach to developers active in our target census tracts is there are no NSP2 eligible multifamily deals in these tracts at this time. Our outreach has, however, identified multifamily prospects in the broader Central Valley and Bay Area markets. Based on preliminary conversations with developers about these projects, we believe each presents a viable NSP2 financing opportunity and positive stabilization impact on the community. These are:

Prospect	Requested Target Tract	Score
Las Palmas, a 43-unit affordable multifamily property in Stockton, CA. \$1,500,000 rehab loan.	6077003.13	20
Drasnin Manor, a 26-unit abandoned property in desperate need of renovation in Oakland. East Bay Asian Local Development Corporation (EBALDC) is an experienced developer looking to stabilize this property, one of many in a portfolio of properties owned by now-defunct Oakland Community Housing, Inc. (OCHI)	60014062.01	15

<p>The California Hotel is another property in the OCHI portfolio that EBALDC is working to acquire and redevelop.</p>	<p>60014015.00</p>	<p>17</p>
<p>Visionary Home Builders is seeking acquisition/bridge financing for the Woodland Estates, a 53-unit property in Stockton, CA they hope to redevelop with Low-Income Housing Tax Credits to stabilize 53 units of affordable rental housing.</p>	<p>60770031.10</p>	<p>20</p>
<p>Kenneth Henry Court, a 51 unit abandoned property in Oakland. Satellite Homes, an experienced developer, is looking to stabilize the property, one of many in a portfolio of properties owned by now-defunct Oakland Community Housing, Inc. (OCHI). \$1,500,000 rehab loan.</p>	<p>60014087.00</p>	<p>20</p>
<p>La Almenara, a 20 unit affordable apartment complex. 10 units will be 50% AMI. City of Pittsburg, CA is using their NSP2 allotment to acquire the site. \$2,000,000 in Permanent financing.</p>	<p>60133090.00</p>	<p>18</p>
<p>Community Estates is a 26 unit affordable senior complex on a vacant and blighted lot. The project is being spearheaded by the City of Pittsburg, CA. \$2,000,000 construction loan.</p>	<p>60133110.00</p>	<p>20</p>

Self-Help proposes to swap out the following San Joaquin County tracts in order to offset the addition of the above tracts: 06077004902 (Score = 19); 06077005003 (Score = 20); 06077005112 (Score = 19);

06077005004 (Score = 20); 06077005122 (Score = 20); 06099002002 (Score = 20); 06077005118 (Score = 20).

Los Angeles, CA: We are actively pursuing both lease-purchase mortgage and multifamily financing prospects in this market. We are underwriting a request from the Los Angeles Neighborhood Housing Services for lease-purchase product approval, to support their NSP2 activities with this permanent mortgage financing for single-family properties. And we are in discussions with the City of Los Angeles about a multifamily financing prospect within our target tracts.

Chicago, IL: We are working with the City of Chicago and its NSP subrecipient, Mercy Portfolio Services, to provide single family rehab financing as well as lease-purchase mortgage financing for rehabbed single-family homes in our target census tracts.

New Haven, CT: Certainly the absence of any other NSP2 money in Connecticut has influenced the supply of NSP2-eligible financeable projects in this target market. In this market, NSP eligible deals cannot support debt without significant development subsidy. We are currently underwriting a \$4M prospect to redevelop a HUD foreclosed multifamily property in our target tracts, which is a priority property for the City of New Haven. We do still expect to provide a small amount of lease-purchase financing to one of the NSP1 subrecipients in New Haven and are actively seeking eligible multifamily prospects in this market. Additional acquisition and rehabilitation funding through NSP3, we hope, will increase the array of neighborhood stabilization financing opportunities for us in the New Haven market.

Requested Amendment Impact on NSP2 Scoring Factors

Factor	Requested Amendment I: Census Tract Swap (GA and CA) and Addition (CA)
1 – Need/Extent of Problem in Target Geography	Self-Help’s NSP2 application Factor 1 relied on metro area-level data that incorporated the tracts included in this requested amendment. The data driving our analysis of the market conditions and demand factors, the impact by the foreclosure crisis, and whether or not the markets are poised for recovery all incorporated the tracts we propose to add to our target geography. The need in the proposed census tracts is equivalent to that in our existing target census tracts. In fact, our work over the past six months, as described above, suggest this proposed amendment to our target geographies reflects more precisely the need for mortgage financing.
2 – Demonstrated Capacity of the Applicant	The requested amendment does not in any way impact the demonstrated capacity of Self-Help as an applicant.
3 – Soundness of Approach	The requested amendment does not in any way modify Self-Help’s proposed activities under our NSP2 program so it would not detract from the soundness of the approach. If anything, a more expansive geographic scope enables us to

	<p>expand the financing we will provide under our program by responding directly to emerging demand from developing partnerships and newly-identified NSP-eligible projects outside of our target tracts. We had originally intended for our NSP2 program to have a national scope but were compelled by the application requirements to focus in on specific geographies. In doing so we listed the census tracts where the partners we had identified at the point of application were likeliest to have need of our services. Accordingly, this request to amend our target geographies is simply an attempt to update our program to reflect a more current assessment of our market opportunities based on the resources available, partnerships involved, and other externalities that were not foreseen at the time of application. As such, we feel our proposal is entirely consistent with the soundness of our original approach.</p>
4 – Leveraging Other Funds	<p>The requested amendment does not impact Self-Help’s commitment to leverage the NSP2 funds.</p>
5 – Sustainability/ Environmental Efficiency	<p>The requested amendment does not impact Self-Help’s commitment to promote sustainable development and environmental efficiency in our NSP2 financing activities.</p>
6 – Neighborhood Transformation	<p>The requested amendment does not impact the ability of Self-Help’s NSP2 program activities from advancing neighborhood transformation. Self-Help will align its financing activities with broader neighborhood stabilization and economic transformation plans and activities in all of the communities where we work.</p>

Summary

We believe this requested amendment does not have any detrimental impact on the strength of our NSP2 financing program. In fact, by broadening our geographic scope to include additional census tracts where we can respond to a need for neighborhood stabilization financing, this change will only amplify the impact of our work. Our experience with the Neighborhood Stabilization Program to this point has taught us that demand alone is not a sufficient condition for deploying our financing to these highly-impacted areas. This need must be accompanied by the presence of capable developers proficient in dealing with HUD-funded projects, leverage in the form of local resources available for stabilization efforts, as well as an appreciation for how our financing products can add strategic value to the activities at hand. As we continue to seek out opportunities within our target markets where all of these conditions are met and where we will have the greatest likelihood of success, we are hopeful that you will grant us this flexibility to revise our targeting to reflect our current assessment of the market.