July 31, 2024

Ms. Naa Awaa Tagoe
Deputy Director
Division of Housing Mission and Goals
Federal Housing Finance Agency
400 7th St SW
Washington, DC 20024

Ms. Tagoe,

The Affordable Housing Advisory Council (AHAC) of the Federal Home Loan Bank of Des Moines (FHLB Des Moines or Bank) applauds the Federal Housing Finance Agency (FHFA) for its ongoing efforts to understand the administrative complexities of the competitive Affordable Housing Program (AHP) application process.

Our AHAC is composed of a diverse group of 15 affordable housing practitioners with representation from each of the 13 states in the Bank's district as well as two at large positions, one of which serves as a voice for Native communities and the other for homeless households.

Several AHAC members have successfully completed the AHP application process and received AHP awards that have provided financing essential for the production and preservation of affordable housing. Others have hired a consultant to complete the AHP application or have not applied because, while they have staff with experience delivering affordable housing, they do not have staff with the experience or capacity to manage the AHP application and the AHP award's reporting requirements. It is noteworthy that the organizations that are new to AHP, whether or not they are members of the AHAC, are important future partners for the Bank to expand its reach to new stakeholders.

Our AHAC is also comprised of funders and other stakeholders who partner on AHP-financed projects. It is from these collective perspectives as mission-driven affordable housing practitioners serving vulnerable populations that we respectfully request the FHFA to thoughtfully consider our input about ways to improve the efficiency and effectiveness of the AHP.

We submit that addressing two centrally important items will advance the FHFA's goal of improving the efficiency and effectiveness of the AHP application process; specifically the FHFA's:

- Appreciation for how AHP fits into the broader context of affordable housing
- Treatment of the need for AHP subsidy

These two central themes, which are captured in our responses to the questions posed in the Request for Input (RFI), echo feedback that the FHLB System's AHAC Leadership provided through collaborative dialogue with the FHFA that formalized in 2014 and continued through the process leading to the AHP regulatory changes of 2018. They are also reflected in the FHFA's publication of the *FHLBanks System at 100: Focusing on the Future* report and aligned with formal and informal feedback provided by the FHLBanks beginning in 2013.

The consistency of this input by the FHLBanks and the diverse representation of affordable housing practitioners of their AHACs underscores the strength of consensus about these topics. Importantly, these themes are also consistent with input the FHFA received during its roundtable discussions and public listening sessions that helped to inform its report referenced above.

We look forward to continuing collaborative dialogue with the FHFA to find safe, sound, and meaningful ways to simplify the AHP process so that this important source of capital is accessible to a broad range of organizations to support their efforts to increase supply and preserve existing affordable housing.

Sincerely,
Sean Hubert, Chair, Oregon
Mike Akerlow, Vice Chair, Utah
Chris Perez, Alaska
Heather Piper, Hawaii
Sunny Shaw, Idaho
Lance Henning, Iowa
Amanda Novak, Minnesota
Kevin Bryant, Missouri
Don Sterhan, Montana
Brent Ekstrom, North Dakota
Angie Marshall, South Dakota
Bob Peterson, Washington
Wendy Martinez, Wyoming

Questions posed in the RFI

Q 1. Are there particular components of the FHLBanks' AHP application processes that could be made more effective or efficient, and if so, how? Are any of the FHLBanks' specific documentation requirements for AHP applications unnecessary for verifying that the applicant meets the AHP eligibility requirements and scoring criteria? Are there ways to streamline the application process while maintaining the FHLBanks' ability to verify applicants' compliance with the AHP eligibility requirements and scoring criteria?

AHP's greatest pain point is its level of appreciation for how it fits into the broader context of affordable housing, stemming from which is its approach to calculating the need for AHP subsidy. In particular, AHP's treatment of need for subsidy results in frequent instances whereby AHP operates at odds with industry standards as well as the interest of the project and the people who call it home.

To clarify, the regulatory rules for evaluating need for subsidy are clear, reasonable, and appropriate. The regulations define the need for subsidy as "(The) difference between the project's sources of funds…and uses of funds…" However, FHFA examination and supervisory expectations have interpreted these requirements in such a way that adds complexity and resulted in worthy projects not being awarded funds.

Specifically, FHFA examinations have resulted in de facto requirements for the FHLBanks to expand the scope of the need for subsidy evaluation to include an analysis of the operating pro forma and enforce a standard whereby excess cash flow, defined as cash flow beyond what is allowed per

AHP's feasibility benchmarks: (1) cannot be used for supportive services even when those services are fundamental to the project's viability, sustainability, and operational feasibility; and/or (2) is evidence of a project's ability to service debt, thereby negating the need for the AHP as a source of funds.

Otherwise eligible projects that serve some of the most vulnerable populations have been denied AHP for failing to meet this treatment of need for subsidy. Other applications may demonstrate adherence to the expectation by providing documentation. However, that documentation should be unnecessary because not allowing supportive services to be paid from a rental project's operations is unique to AHP and, therefore, outside industry norms. Additionally, it is not reasonable to conclude that excess cash flow is evidence of a project's ability to service debt because that assumption omits the practical realities of the credit approval process. Also, as discussed over of the course of collaborative dialogue with the FHFA, the FHFA's requirement for the FHLBanks' analysis of the need for AHP subsidy is contradictory to the AHP regulation.

The process of providing documentation to satisfy an expectation that is contrary to both AHP regulation and a reasonable understanding of the needs of the project and its residents is inherently unnecessary and, therefore, onerous. Further, the effort expended to ensure that the documentation is specific, thorough and otherwise meets standards for evidencing compliance is costly for the organizations that can afford it and a barrier for the organizations that cannot. Typically, organizations that do not have capacity to adhere to these documentation requirements meet one or more of the characteristics of being located in a rural or tribal area, a provider of small projects including group homes and homeless housing, new applicants to the AHP and/or accustomed to private donations vs. federally regulated funds.

Examples of how projects can fail a need for subsidy test are offered below:

Example 1 – A project that serves the needs of behavior health residents may wish to apply excess cash flow, defined as cash flow that exceeds a FHLBanks' feasibility benchmark, to the provision of supportive services, which are necessary for ensuring the safety and wellbeing of residents and staff as well as the long-term operational feasibility of the project. Additionally, other funders consider these supportive services to be standard and expect the project's cash flow to support the associated expense because it is so central to the project's viability. This type of project clearly meets both the spirit and intent of the AHP as well as AHP's requirements for eligibility and development and operational feasibility. However, it is also at risk for failing the FHFA's current interpretation of need for subsidy because it applies excess cash flow to supportive services. Even if the project can demonstrate compliance with the need for subsidy test, it will be required to provide documentation to clear that hurdle and justify a need that is inherently evident.

Example 2 – A project that receives Fair Market Rents (FMR) from Section 8 rental assistance vouchers may generate excess cash flow that the project will apply to supportive services that are integral for meeting the needs of its special needs residents. By virtue of being a beneficiary of this scarce source of rental subsidy, the project meets the spirit and intent of the AHP as well as its income requirements. However, this project is likely to fail the FHFA's current interpretation of need for subsidy, thereby putting it in conflict with the needs of the residents and policies of other public funders.

For additional information, we have attached our comment letter to Director Thompson dated March 13, 2023. We also encourage the FHFA to reference the AHAC Leadership's presentation of 2014 as well as other materials previously provided by the FHLBanks.

Q2. How do the FHLBanks' AHP application processes compare to those of other providers of gap funding with respect to scope, complexity and documentation requirements?

AHP has requirements that are unique to it, which puts it in conflict with other funders. For example:

1. An assessment of need for AHP subsidy as described above and in our March 13, 2023, letter to Director Thompson.
2. Rental projects must separate the budget for supportive services from the operating budget. This requirement is related to the FHFA's requirements for the FHLBanks' assessment of the need for AHP subsidy.
3. Homeownership projects in which the sponsor is providing mortgage subsidy to show the present value of any mortgage payments the sponsor is to receive as a source of funds on the capital budget. This requirement assumes that income from the mortgage is immediately available to be used to construct the project. This is not accurate. The income from those mortgages is collected after the units are complete, however, the project is not eligible to apply to AHP for construction or rehabilitation after that work has been completed. Projects sponsored by Habitat for Humanity are particularly impacted even though it is widely understood that those projects meet the intent and income requirements of the AHP.
4. A methodology for breaking ties in AHP scores that has the potential for large amounts of AHP to be unused in a particular funding round.

Additionally, AHP has unique philosophical approaches that create friction, for example:

5. Skepticism about a project's need for healthy capitalized reserves that creates friction and excessive documentation for justifying the need for those reserves, particularly with projects financed by Low Income Housing Tax Credits (LIHTCs) where the reserves are being required by investors. As projects seek to address operating gaps caused by increasing insurance premiums and other expenses, the need for these capitalized reserves is likely to increase.
6. A view that if a project's development costs decrease, the AHP subsidy should likely also decrease.
7. Relatively low tolerance and flexibility for changes between the time of application through the monitoring period.

It is important to note that in the areas where other funders' requirements are similar, the complexity of applying for AHP derives from its expectations for robust documentation. For example, exceptions to AHP development cost benchmarks may require detailed explanations about site conditions or local infrastructure requirements, even when other funders have already accepted that the increased costs associated with those scenarios are reasonable. Additionally, there may be projects where AHP is the primary or only source of funds such as rehabilitation projects.

Philosophically, AHP should allow those projects to provide a reasonable narrative explanation of increased costs versus a detailed accounting of the additional costs with supporting documentation to substantiate it. This extra documentation is time consuming to assemble, which adds costs for the applicant. It also often requires additional documentation to explain differences between what is represented as a point in time of the AHP applications versus an earlier point in time when the supporting documentation was created; all of which is to be expected as part of the natural evolution of the project. This documentation process can repeat several times and, at its conclusion, simply reinforces what was originally represented in the application. Thus, it is unnecessary.

As providers of affordable housing, the AHAC appreciates value of ensuring that what is represented in the application is accurate. We also appreciate the intent to protect the integrity of the AHP. However, in light of the successful record of both the affordable housing industry and AHP, we urge the FHFA to adopt an approach to and model for AHP that is not, in the words of the Federal Reserve Bank of San Francisco and Low Income Investment Fund's 2017 publication *Investing in What Works for America's Communities*, "designed for the one percent or fewer who might abuse the system, (but) rather (for) than the 99 percent who are in compliance."

Q 3. Do the FHLBanks' AHP application processes leverage other funders' applications/requirements? Are the AHP application processes duplicative or complementary of other funders' underwriting requirements and processes? Do the AHP application processes create the need for additional information and documentation?

Because AHP cannot defer to other funders, it cannot leverage other funders' applications/requirements and is inherently duplicative. As noted above, AHP also unnecessarily creates the need for additional information and documentation.

The expenses associated with this added complexity are borne by affordable housing developers, the majority of which are nonprofit organizations that must allocate scarce resources to cover this expense. While this dynamic is inefficient, organizations are compelled to participate in it due to a mission-driven determination for addressing the nation's growing affordable housing crisis.

Q 4. Should the AHP regulation allow the FHLBanks to differentiate their AHP application requirements for projects requesting subsidy that constitutes a small percentage of the total funding in the project? If yes, why? Do other gap funders differentiate their application requirements for smaller projects?

All projects, regardless of their size and the percentage of AHP represented as total funding in the project, should benefit from correcting past treatment of calculating the need for AHP subsidy and a change in philosophy about documentation requirements and reliance on other funders. It is reasonable for AHP to be particularly accommodating to other funders' requirements and assessments of development and operational feasibility when AHP represents a relatively small portion of the total development costs.

In all cases, the project's competitiveness for the AHP award would be determined solely by the AHP scoring criteria established by each FHLBank. Additionally, each FHLBank would have discretion to enforce its own requirements even if those requirements do not align with other funders.

In short, the FHLBanks would not blindly surrender their authority over the AHP. Rather, they would work collaboratively with other funders through a shared interest in investing in viable and impactful affordable housing.

This change in philosophy is aligned with the comment in our cover letter encouraging appreciation for how AHP fits into the broader context of affordable housing.

Q 5. What role do consultants provide in applying for AHP funds? What are the reasons that an AHP applicant may use a consultant? To the extent that applicants are using the services of consultants to apply for AHP subsidy, how does the practice compare to the use of consultants for other sources of gap funding?

Consultants provide smaller organizations that have limited affordable housing portfolios or experience using federally regulated funds with the expertise to meet AHP's need for subsidy and documentation requirements. The associated expense can be a barrier for grass roots and emerging organizations. If the AHP application were simplified, organizations that chose to employ consultants could redirect resources for community impact.

We emphasize that organizations such as these may excel at providing affordable housing for targeted populations in local communities. It is the complexity of AHP expectations discussed in this letter that is the barrier.

Q 6. Are there effective practices the FHLBanks could implement to coordinate the underwriting review process across multiple funding sources in a project? For the FHLBanks to coordinate underwriting across multiple funders, the philosophy for AHP would need to change. For example, AHP would need to be prepared to accept other funders' assessment of sponsor capacity, market demand, and development and operational feasibility. Additionally, AHP would need to correct its problematic approach to evaluating need for subsidy.
Q 7. What is the single most important change you would recommend for improving the AHP application process? We think that a change in philosophy around how AHP is evaluated is critical. This includes correcting the problematic approach to evaluating need for AHP subsidy and the resulting restrictions around allowing supportive service expenses to be included on the operating pro forma, which can be accomplished simply by adhering to the existing AHP regulation's requirements.
Q 8. What concrete steps would you recommend for simplifying the AHP application process and why? We recommend a change in a philosophical approach for AHP to being one in which AHP is a collaborative, supportive, and mission-driven source of funds vs. being overly technical, skeptical, and documentation-focused. We also recommend that an adherence to the existing AHP regulation's requirements for need for subsidy will address many of AHP's complexities and align its review of a rental project's operating pro forma with industry practice.

March 13, 2023

Dear Director Thompson,

The Federal Home Loan Bank Des Moines's (FHLB Des Moines) Affordable Housing Advisory Council (AHAC) has watched with interest the comments provided to the Federal Housing Finance Agency (FHFA) during its *FHLBank System at 100: Focusing on the Future* initiative.

Throughout the various events associated with the FHFA's initiative, we have been particularly encouraged by stakeholders' calls for a simplification of the Affordable Housing Program (AHP).

The FHLB Des Moines's AHAC is comprised of several members who have received AHP awards. These AHP funds have provided critical financing that has been essential for the production and preservation of affordable housing. Our AHAC is also comprised of funders and other stakeholders who partner on AHP-financed projects. It is from these collective perspectives that we offer our comments, and respectfully request that the FHFA consider these recommendations for simplifying the AHP.

Adhere to the Regulation's Requirements for Need for Subsidy

1. The AHP regulation defines a project's need for subsidy as "(The) difference between the project's sources of funds . . . and uses of funds . . . ." 12 CFR § 1291.24(a)(3)(i). This definition is reasonable, appropriate, efficient, and clearly aligned with the statutory requirements. Additionally, the regulation's requirements that the project is developmentally and operationally feasible are also reasonable, appropriate, and efficient. *See* 12 CFR § 1291.23(b).
   However, throughout the administration of the AHP, these requirements have been interpreted by FHFA in such a way that has added complexity and resulted in worthy projects not being awarded funds.

   Outside the AHP, industry practice is to include supportive services in a project's operating pro forma. The text of the AHP regulation also conforms to this industry practice because definition of need for subsidy is based on the project's capital sources and uses of funds, not on its operating pro forma. However, FHFA has created a standard whereby supportive service expenses must not be included in the operating pro forma, even though it is understood that, but for those supportive services, the project cannot reasonably meet the needs of its residents. In other words, but for those supportive services, the project is not operationally feasible. When AHP omits a central project expense, the project's operating pro forma shows an artificially high cash flow that often exceeds the AHP benchmark. This standard has the effect of eliminating projects for failing the need for subsidy test based on cash flow in excess of the AHP cash flow benchmark.

   FHFA also presumes that cash flow in excess of the AHP benchmark is evidence that the project can service debt. Therefore, FHFA asserts that a loan should be reflected on the project's sources of funds and the AHP reduced commensurately. In practice, however, the project may not be eligible for debt financing because it does not meet the lender's credit requirements. The project finds itself proving a negative whereby it would need to demonstrate it has been denied debt financing to establish that debt financing is not available.

   Complications also arise when an AHP sponsor lends funds to the project with an expectation that AHP will be a source of repayment. FHFA views this as the sponsor having the financial capacity to contribute to the project on a permanent basis, and generally expects the AHP to be reduced accordingly. However, the sponsor intends to provide those funds on a temporary basis with the expectation that AHP or another source will provide permanent financing. From the sponsor's perspective, they are being penalized for a willingness to commit temporary funding needed to launch the project.

Recommendation: Adhere to the existing AHP regulation's requirements for need for subsidy to align AHP with industry practice by including supportive services in the operating pro forma, eliminate the assumption that projects with excess cash flow can sustain ongoing loan funding, and clear the way for eligible projects to be awarded AHP funds.

Streamline AHP Administration

2. Coordinate with Federal Funders to reduce compliance burden.
   We applaud the FHFA for its ongoing efforts to coordinate AHP's requirements with other federal or federally-subsidized affordable housing activities. Currently, AHP projects financed by Low Income Housing Tax Credits (LIHTCs), HUD 202, HUD 811, and USDA 515 and 514 are afforded streamlined monitoring.

   We also encourage the FHFA to expand AHP's ability to rely on other federal, and state funders, for application review and monitoring. For example, if a project has been underwritten or is being monitored by a credible federal or state funder with requirements equal to or more restrictive than the AHP, it is duplicative for the AHP to repeat that underwriting and monitoring.

   Currently, 12 CFR 1291.50(b) allows FHLBanks to rely on other governmental monitoring for certain projects so long as four conditions are met. However, those four conditions are at least as operationally intensive as monitoring the project directly. The AHP statute requires the FHFA to coordinate AHP activities with other federal affordable housing activities "to the maximum extent possible." 12 U.S.C. § 1430(j)(9)(G). We believe the FHFA could go further in its regulations to align with other federal monitoring requirements and provide relief from the AHP ongoing monitoring compliance burden.

   Recommendation: Minimize the cost of compliance to affordable housing providers by amending 12 CFR 1291.50(b) to allow FHLBanks to rely on federal or state funders when those funders' restrictions are reasonably equal to AHP's.

3. Streamline operational requirements for Targeted Funds.
   Currently, a project may apply simultaneously to both the AHP General Fund and, if offered by a FHLBank, its Targeted Fund. While this is a desirable feature for a particular project, it also complicates program administration.

   Recommendation: Amend 12 CFR § 1291.28(d) and 12 CFR § 1291.13(b)(4) to allow a Bank, in its discretion, to permit or not permit a project to apply to both the General Fund and Targeted Fund.

4. Streamline Determination of Income Eligibility

   Currently, the AHP regulation allows household income to be determined, "at the time (the household) is qualified by the project sponsor for participation in the project. Similarly, the regulations that govern income qualification for the Set Aside program allow for income to be determined, "at the time the household is accepted for enrollment by the member…with such time of enrollment by the member defined by the Bank in its AHP Implementation Plan." These are desirable program features that allow for household income to be determined at a point in time, which may be before occupancy of a rental unit or purchase of an owner-occupied unit. This enhances AHP's flexibility and should be maintained.

   Calculation of household income, however, is complex. A household may have multiple jobs in a single year, either sequentially or simultaneously. Seasonal employment, overtime, bonuses, child support, tribal dividends and disbursements, and other circumstances further complicate the assessment of income eligibility. Additionally, different funders have different requirements for what income is to be included or excluded. Furthermore, members follow a methodology for qualifying buyers for a mortgage assisted by a Set Aside grant that may exclude some income types, thereby creating a methodology that is, albeit appropriate for extending mortgage financing, fundamentally different than the methodology the FHLBanks use to qualify the household for down payment assistance.

Recommendation: Amend 12 CFR § 1291.23(a)(1) and 12 CFR § 1291.42(b)(1) to allow a Bank, in its discretion, to accept a previous year's income tax return to be used to determine a household's income eligibility. This will streamline program administration and, particularly for the Set Aside program, increase member participation in the important objective of building wealth and long-term economic security for low- and moderate-income households.

Allow AHP to Adapt to Diverse Markets and Changing Circumstances

5. Allow a FHLBanks' AHP Subsidy Limits to Differ
   Currently, a FHLBank must have the same AHP subsidy limits per member, per project sponsor, per project, and per project unit in a single AHP funding round. While it is appropriate and reasonable for the AHP subsidy limit to be the same for each member and project sponsor, AHP could better serve the needs of diverse markets if it were permissible to have a different subsidy limit per project and per unit.

   For example, the FHLB Des Moines' district includes 13 states and three U.S. territories. This large area includes diverse markets ranging from remote rural areas to high-cost urban centers. FHLB Des Moines would be significantly better positioned to meet the diverse needs of this range of markets if the maximum AHP subsidy could be adjusted to meet regional needs.

   Specifically, Hawaii is known to be among the least affordable states in the U.S., whereas housing in Iowa is relatively more affordable. By allowing a larger AHP subsidy limit to be available for high cost areas such as Hawaii, the FHLB Des Moines could attract AHP applications from that state while, at the same time, right-sizing the maximum AHP subsidy for other states.

   Similarly, different projects have different needs. For example, often times new construction projects require a certain scale of development in order to be feasible, whereas rehabilitation projects, particularly owner-occupied rehabilitation projects, expenses are driven by a capital needs assessment and scope of work.

   Recommendation: Amend 12 CFR § 1291.24(c)((1) to allow for different AHP subsidy limits within the General Fund and any Targeted Fund. This approach would better enable the Bank to meet FHFA expectations that AHP is awarded in each state and U.S. territory on an annual basis because the Bank would be better able to distribute AHP funds relative to regional and project needs.

6. Remove the Cure First Requirement Before a Modification can be Approved

   Between the time of application approval and the end of the retention period, which for rental projects is 15 years from the date of project completion, predictably, circumstances change. For example, a household who is outside the AHP application's income targeting commitments, but who is otherwise AHP-eligible, may occupy an AHP-assisted unit. A multitude of other possible scenarios may arise that, albeit a technical change to a particular project feature, do not materially impact the project's provision of affordable housing to low- and moderate-income households.

The AHP regulation allows a project to be modified so long as the modified score is high enough for the project to have been approved in its particular funding round. This is a reasonable requirement for protecting the integrity of the competitive process and should be maintained. However, a 2018 regulatory revision requires a project to first attempt to cure what the regulation characterizes as noncompliance before a modification may be approved. Further, the regulation states explicitly that the modification may not be for a purpose that is "solely remediation of noncompliance."

This requirement provides an example for why stakeholders consider AHP to be onerous, operationally inefficient, and out of touch with industry practice.[1] If revisions to the project are such that the project can score high enough to have been approved in its funding round, it would seem that the label noncompliance is not applicable. The project's compliance should be considered in its entirety rather than on an individual scoring criterion basis. As such, the efficient and reasonable path forward would be to modify the project without first requiring it to cure, what has been characterized as, noncompliance. Housing groups' resources are required to provide information to enable the Bank's "analysis and justification of the modification, including why a cure of noncompliance was not successful or attempted…"
Recommendation: Amend 12 CFR § 1291.29(a) to allow for modification without the requirement to cure noncompliance.

7. Enhance AHP's Responsiveness to Natural Disasters
   When a natural disaster strikes, a community is traumatized. AHP sponsors are placed in a position of providing support to project residents and, often, to the community at large. If an AHP project is rendered not habitable by the natural disaster, AHP commitments should be forgiven. Currently, the sponsor would be expected to cure the noncompliance and finish the AHP retention period. This is not a reasonable expectation for this circumstance.

   Recommendation: Amend 12 CFR § 1291.60(c)(2) to allow Banks to forgive the AHP commitments if a project is not habitable due to a natural disaster.

8. Remove 2018's Regulatory Requirement to Consider Sponsor's or Owner's Assets before Granting Settlement for Failed Projects.
   If a project fails to meet all or a portion of its commitments, the AHP regulation allows a Bank, under prescribed conditions, to settle or forgive all or a portion of the AHP award. It is noteworthy that the AHP statute contemplates the possibility for these circumstances in section 1430(j)(9)(D), which states that the regulations shall, at a minimum, "ensure that the ***preponderance of assistance*** (emphasis added) provided under this subsection is ultimately received by the low- and moderate-income households."

   In 2018, the section of the AHP regulation that governs AHP settlements was expanded to require a FHLBank to first consider the sponsor's financial capacity and assets as part of the settlement evaluation. This requirement has a chilling effect on sponsor's willingness to participate in AHP and deters participation, particularly among emerging housing groups and those with limited staff. It may disproportionality impact rural and tribal areas.

[1] Another scenario could be an AHP sponsor that may have determined that project ownership is no longer appropriate for its organization and, therefore, wishes to sell the property and repay the AHP

The increased focus on strict compliance with administrative and punitive requirements deters participation by non-profit housing groups, which are the very organizations the AHP statute intended to serve.

Recommendation: Amend 12 CFR § 1291.60(c)(2)(i) to remove the requirement that FHLBanks must consider project and owner financial condition and assets before reaching a settlement on a failed project.

Amend AHP Retention

9. Discontinue Homeownership Retention

   The current requirement that AHP-assisted owner-occupied units must be subject to a five-year retention period, as well as the related requirements for repayment of the AHP if the unit is sold before the end of the five-year retention period, are well-intentioned program features. However, in practice, these requirements unnecessarily delay the important objective of building household wealth.

   Recommendation: Amend 12 CFR § 1291.15(a)(7) to remove Homeownership Retention for all projects.

10. Remove Retention on Tribal Lands for Rental Projects and Owner-occupied units
    Indigenous lands such as Tribal land, the Department of Hawaiian Homelands, lands subject to the Alaska Native Claims Settlement Act, and the native lands of the U.S. territories have a legal construct that complicates the execution of the AHP deed restriction. This creates a perceived barrier for Native lands to receive investments from the AHP and its down payment Set Aside program. While the FHLB Des Moines has been very successful at directing AHP to meet the needs of Native communities, removing this requirement would elevate AHP's impact on Native lands.

    Recommendation: Amend 12 CFR §§ 1291.15(a)(7) and1291.15(a)(8) to remove retention requirements on Tribal Lands for Rental Projects and Owner-occupied units.

The national affordable housing crisis has placed significant pressure on housing providers and their development pipelines. In a climate where every effort needs to be made to support those organizations and their ability to serve low- and moderate-income communities, seemingly benign requirements, in fact, add complexity and cost – all of which create barriers to providing more housing.

It is in this climate that we respectfully request the FHFA to adopt the forgoing proposed recommendations to the AHP, so that it can be the source of funds the affordable housing industry needs it to be.

Sincerely,
Heather Piper, Chair
Sean Hubert, Vice Chair
Michelle Griffith
Brent Ekstrom
Amanda Novak
Juel Burnette
Renee Stevens
Gary Lozano
Christopher Perez
Kevin Bryant

Andrea Davis
Wendy Martinez
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