



July 12, 2024

Federal Housing Finance Agency
Constitution Center
400 7th Street, SW
Washington, DC 20219

Re: FHFA Request for Comments on the Mission Activities and Mission Achievement of the Federal Home Loan Banks

To Whom It May Concern:

Please accept the following comments on behalf of Travois, Inc. in response to the request for public input on the updates to the mission statement, methods for measuring and evaluating mission achievements, and financial incentives for members in connection to the Federal Home Loan Bank (FHLBanks) System.

Travois is a certified B Corporation focused exclusively on promoting housing and economic development for American Indian, Alaska Native, and Native Hawaiian communities. Since its establishment in 1995, Travois has consulted on more than 225 affordable housing developments totaling over 6,400 homes with Indigenous nations and Tribally Designed Housing Entities (TDHE) across the country. Ninety-one (91) of these developments also included AHP grant funding. Travois has helped Tribes and TDHEs secure over \$47.1 million in AHP funds from the seven FHLBank districts (most recently, Des Moines, San Francisco, Indianapolis, and Chicago). Our involvement includes AHP applications, disbursements, SAPR reporting, Project Completion Reporting, and ongoing compliance reporting.

Because our expertise is in the AHP program, we have focused on our comments on the mission from the perspective of housing and community development on Tribal land. We appreciate the opportunity to be able to provide feedback on this program.

MISSION

Mission Question One: How should the mission statement for the FHLBanks reflect the connection between the liquidity provided by the FHLBanks and their support for housing and community development?

At a moment when housing development costs are historically high and available affordable housing is historically low, FHLBanks has a unique opportunity to be a change maker in this scenario. Today's national housing landscape reflects the housing crisis of the Great Depression, the period that led to the FHFA's creation and the foundational cornerstone of its mission. This connection across time creates an opportunity for the FHFA to go deeper and broader with this foundational mission. It was an innovative program at its birth and deserves to have new innovative measures incorporated as it approaches its centennial.

Travois would like the FHLBanks mission statement to include:

1. The prioritization of funding for affordable housing in the mission statement. While it has always been a key element of the FHLBanks' mission, affordable housing should receive

even greater emphasis with an expanded effort in not only voluntarily funding affordable housing beyond the federal minimum requirements but also to station itself as a meaningful partner on the national stage in addressing this critical societal issue.

2. A dedication to significant increases in funding to affordable housing programs. In the *FHLBank System at 100* report, it was noted that approximately \$800 million was saved by the FHLBanks due to tax exemptions in 2022 and that this amount was triple the Affordable Housing Program (AHP) contribution in the same year.¹ In 2023, FHLBanks paid \$3.4 billion to their members in dividends and only \$395 million to the AHP. Travois would like to see the FHLBanks dedicate **a minimum of 30 percent** of annual net income to the AHP programs.
3. Actively creating and testing new opportunities to support affordable housing in the current environment. In FHLB's *Systems to 100* report, it was noted that there may be a consideration for new programs that could fund unanticipated cost overruns or final gap funding sources, emergency funding, or pre-development activities.² These are real issues facing affordable housing development that can have devastating impacts on projects when not addressed. Developing new funding opportunities based on research and feedback from nonprofit affordable housing developers, including Tribal housing developers, could create meaningful changes in the field and is therefore a valuable element to be included in the FHLBanks' mission statement.
4. Requiring member banks to actively participate in affordable housing creation. There are many paths to meeting this requirement and can be a measurable element that has a major impact.

Mission Question Two: Are there components in addition to providing liquidity and supporting housing and community development that should be included in the mission statement?

FHFA should prioritize affordable housing and community development soft funding for Tribal communities. Tribally-sponsored projects are often serving the lowest-income people (i.e. low rental revenue and no ability to service debt on the project) while also developing in areas with no existing affordable housing infrastructure and high construction costs due to prevailing wage requirements, extremely rural locations, and perceived risks by contractors of developing on Tribal land. These projects should be given significant priority over for-profit development in metropolitan areas. Without the type of funds provided by the AHP program, Tribal projects in often rural and extreme poverty areas would not happen.

We do not need to list the ways in which the U.S. federal government and banking institutions historically prevented Tribal Nations and their citizens from accessing wealth creation via homeownership or the development of safe, decent, affordable housing on Tribal land. FHFA and FHLBanks have an opportunity (and in our opinion an obligation) to intentionally invest significant funds into Tribally-sponsored projects. The Tribal funding programs instituted over the past couple years by FHLB districts are okay but not significant enough to spark much interest from our clients. Travois would like to see the FHLB guarantee a significant portion of the total AHP funds each year to Tribally sponsored projects. Our recommendation would be 10% of the proposed 30% gross net income of the FHLB system. This would be system-wide and not district-by-district since certain districts are home to more Tribal Nations than others.

¹ Federal Housing Finance Agency. *FHLBank System at 100: Focusing on the Future*. Page 48.

² Federal Housing Finance Agency. *FHLBank System at 100: Focusing on the Future*. Page 55.

MEASUREMENT

Measurement Questions 1-5: We do not have specific feedback on measurement.

MEMBER INCENTIVE

Member Incentive Program Question One: What factors should FHFA and the FHLBanks consider in determining each member's commitment to housing finance and community development under a member incentive program?

We regularly work with FHLBank member banks as Tribes work to access the AHP program. These banks are critical in accessing funds through this program, but it is common for them to be reluctant to participate (even when the applicant is a banking client), charge considerable fees for being the member bank on an AHP application, and/or require excessive, unnecessary financial reviews during AHP disbursement periods when bank loans are not involved in the transaction. This overly conservative approach by many banks can make it difficult to find a member bank for applications, especially for Tribal applicants who are technically nonprofit organizations, are unable to use land for loans on Tribal trust land, and do not always have extensive bank deposits.

It would be valuable to provide incentives to member banks that remove barriers for participation for Tribal applicants and other nonprofit developers who are serving the nation's neediest and most vulnerable population.

Travois would also like to take this opportunity to state that we believe that FHLBanks AHP program would be better served by removing member banks from the program. It is a burden for both the sponsor and the member banks. The challenges we have seen include, but are not limited, to:

Identification of Member Banks: Each year, we find challenges with identifying member banks for Tribal projects. Many member banks are not interested in sponsoring without a construction or permanent loan on the transaction. In some cases, the Tribe's banking entity will agree to sponsor but not always. We cold-call, email repeatedly for months to get a firm commitment, ask FHLB districts for leads, and hold conference calls with reluctant bank officers explaining the program and reassuring them of the minimal risks. It is a tremendous burden for all involved.

Fees for Serving as a Member Bank: We also want to draw attention to the practice of some member banks that charge fees to serve as a member bank on an application. This practice seems antithetical to the program designed to assist underserved populations.

Risk to Applicant and Financial Feasibility of the Project: We have had situations where a member bank agreed to support an AHP application and changed their mind in the 11th hour. Other times, the member bank stopped responding to emails in the days before the deadline risking the submission. In other instances, a member bank held up their member approval of the application and disbursement until it could be reviewed by their "credit committee" because of the perceived risk of recapture of the AHP award (based not on the developer or project but on the AHP regulations that state that member bank can be held responsible if a sponsor does not follow through on its commitments). Member banks can essentially control the fate of a development without any actual financial investment in the project. It is wholly excessive.

Travois' recommendation is to remove the role of the member bank in the AHP grant allocation process. Funds could be wired directly to Sponsor's financial institution and ongoing compliance could be monitored by FHLB regular's ongoing compliance requirements plus the regulatory agreement recorded against the land. Noncompliance could be punished via the same methods that other housing funding agencies utilize (negative points in future rounds, disqualification of developer from funding source in the future, etc.).

Member Incentive Program Question 2-6: We do not have specific feedback on these questions.

Thank you for the opportunity to provide comments on the FHLBanks mission, measurements, and member bank incentives. We thank FHFA for taking the time to try and improve the FLHBank and its programs.

Sincerely,

A handwritten signature in black ink, appearing to read "Erinn RB". The signature is fluid and cursive, with the first name "Erinn" and the initials "RB" clearly visible.

Erinn Roos-Brown
Project Manager
Travois, Inc.