



Comment submitted by:

Courtney Pal, Policy Manager
Resources for Community Development
2220 Oxford Street
Berkeley, CA 94704

August 16, 2024

Re: Response to AHP Request for Information 2024

Dear Federal Housing Finance Agency,

On behalf of Resources for Community Development (RCD), thank you for the opportunity to comment on the Federal Home Loan Bank Affordable Housing Program (AHP) application process. RCD is a nonprofit housing organization dedicated to creating and preserving affordable housing for people with the fewest options. We provide over 2,650 affordable rental homes throughout the San Francisco Bay Area, with an additional 1,000 units in predevelopment and construction.

Please see our comments on select questions from the AHP Competitive Application Process Request for Information, released on June 20, 2024, below:

Question 1: 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?

AHP documentation requirements often exceed what we see from other lenders, even those who fund a substantially larger portion of the project. Some examples of particularly onerous documentation requirements that we have received include:

- A signed offer letter for a resident services provider as a cost backup
- A detailed backup and narrative supporting Collection Loss line item, despite COVID rent moratorium
- An explanation of income sources for tenants with Section 8 Project Based Vouchers

We believe these documentation requirements are unnecessary given that they go beyond what other lenders request and are incommensurate with the scale of AHP financing.

Question 2: How do the FHLBanks' AHP application processes compare to those of other providers of gap funding with respect to scope, complexity, and documentation requirements?

The extent and intensity of the AHP underwriting process during application, disbursement, and initial monitoring is not commensurate with the amount of funds that the program provides. Our AHP awards are incredibly small in the scope of an entire development project, in many cases less than 1% of total funds. Yet, AHP staff typically ask several rounds of detailed questions about line items in development and operating budgets. The FHLBank should recognize that the underwriting and monitoring it completes is always duplicative of underwriting and monitoring by other public and private entities. The requested documentation, as described in our response to Question 1, and extensive underwriting is administratively burdensome when considering the amount of funds provided.

Question 6: Are there effective practices the FHLBanks could implement to coordinate the underwriting review process across multiple funding sources in a project?

Many of our public and private funders have underwriting requirements that overlap substantially with the AHP requirements. We suggest that FHLBank create a list of qualified public and/or private entities whose underwriting process it deems to be of sufficient stringency. If an applicant has received funds from a qualified entity, the project should be subject to a limited underwriting process focused specifically on items unique to the AHP application (such as looking at a development budget to confirm the project's projected gap) rather than a complete review of the development and operating budgets.

Question 7: What is the single most important change you would recommend for improving the AHP application process?

Recognizing that AHP is typically a small part of a project's financing, the FHLBank must reduce documentation requirements and be more deferential to larger funder requirements.

Question 8: What concrete steps would you recommend for simplifying the AHP application process and why?

We have two concrete suggestions for simplifying the AHP application process beyond more generally revising the scope of FHLBank's underwriting:

- A. *Provide Easier Website Access.* One straightforward way that the FHLBank could make the application process more efficient is by simplifying access to the web portal. Our staff had to repeatedly email FHLBank staff to request a secure code to access the website portal. Given that staff must repeatedly enter the website portal to verify upload and submission requirements over the course of preparing and submitting an application, this is an inefficient process to obtain access.
- B. *Allow Social Services as an Above-the-Line Expense.* Our perception is that many of the most intensive underwriting questions are focused on uncovering line items in the operating budget that may include funds dedicated to services, which aren't currently allowed to be paid above the line. Social services should be an allowable operating expense, in alignment with other project funders and best practices in the affordable

housing industry. This could, in turn, reduce the need for documentation to demonstrate that services are not included within other operating budget line items.

Thank you for your consideration of our comments.

Sincerely,

A handwritten signature in black ink that reads "Courtney Pal". The signature is written in a cursive, flowing style.

Courtney Pal
Policy Manager
Resources for Community Development