



Compass Affordable Housing

August 8, 2024

Re: Response to AHP Request for Information 2024

Dear Federal Housing Finance Agency:

Thank you for the opportunity to provide feedback and input on the Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP). The AHP program leverages millions of dollars in additional funding annually to create quality affordable housing for low-income individuals and families through the United States. AHP has been a significant resource for a variety of projects for people in need of the benefits of well-built affordable housing. We are providing this as a response to the questions in the Federal Home Loan Bank AHP Competitive Application Process Request for Information released on June 20, 2024.

Question #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?

- Accepting documentation provided to other fund sources instead of creating or submitting new material will be more efficient.
- Some documentation can be provided after awards.
- FHLB should not have to assess excess cash flow and debt. That and any reduction in development costs should not reduce the AHP award. There are multiple analyses and underwriting happening by larger funders and lenders. Cash flow is important to the health of the project.
- MOUS and letters are unnecessary if there is documentation of services for empowerment and the applicant is known for providing them.
- If a project is missing a simple form or documentation or a signature and has everything else in place and has the points that missing signature or document could be provided prior to a contract and not lose the opportunity to be competitive.

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?



Compass Affordable Housing

- It is a fairly easy application and the hope is that it does not try to conform to Tax Credit applications and QAP requirements because not all projects are financed by tax credits, and it puts worthy non-tax credit projects at a big disadvantage.
- These projects serve low-income and special needs people. Rents are low and costs are not, having cash flow is good business and helps with future costs and surprises.
- Cash flow is not a bad thing. There needs to be cash flow and other funders like it.
- The need for subsidy should be based on the gap or request by the applicant.

Question #3: Do the FHLBanks' AHP application processes leverage other funders' applications/requirements? Are the AHP application processes duplicative or complementary to other funders' underwriting requirements and processes? Do the AHP application processes create the need for additional information and documentation?

- Some processes are duplicative. For example, IF conclusions about the projects financial feasibility are available AHP should use that rather than doing another underwriting.
- Let the applicant submit other proformas and statements used by other funders for the same project if they are available.

Question #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?

- Yes and for smaller projects too. The larger and more complicated a project is the more it requires additional analysis. Those projects are asking for funds from sources that will do underwriting, but AHP requirements still need to be reviewed and met.
- Smaller projects that can be built faster and are less expensive in total should be seriously considered especially given the lack of affordable housing throughout the country.

Question #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?

- Experienced consultants who understand applications and requirements, development and construction, proformas and forecasting are valuable resources.
- Their work has a limited time span and scope and eliminates the need for a full-time employee because they are project based.



Compass Affordable Housing

- They add to the capacity of other staff and protect the agency that has hired them and does not have the staff time to put the application together.
- Other sources allow for consultants and related expenses.

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

- FHLB could defer to a simple review and coordinate with underwriters, if any, of other sources that leverage the project. That allows FHLB staff to do the work on projects without multiple fund sources and underwriting.
- Accept other funder's (with more funds in the project) benchmarks and use their conclusions and related documentation about project readiness and compliance.

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

There are a few important changes to recommend:

- Allow funding for smaller projects in smaller areas and/or on smaller parcels. It is a huge loss to communities that can create new housing that is smaller and still supports the need and has received other funding. Smaller projects are penalized and have to reduce the request even though the need is higher.
- Allow for cash flow, and
- Allow support services to be part of the operating budget. Those services are key to a stable apartment community.

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

- Reducing the award amount on a pro rata basis over the retention period is helpful .

Sincerely,

Maryann Beerling

Maryann Beerling Chief Executive Officer