



August 19, 2024

Division of Housing Mission & Goals
Federal Housing Finance Agency
400 7th Street SW, 9th Floor
Washington, D.C. 20219

Re: Request for Input on FHLBank Affordable Housing Program Competitive Application Process

To Whom It May Concern:

Thank you for the opportunity to provide input on the FHLBank Affordable Housing Program Competitive Application Process.

Housing Partnership Network (HPN) is a collaborative of mission-driven organizations who believe that housing is the foundation of a thriving, healthy and equitable community. HPN works across the spectrum of affordable housing needs from preventing homelessness to producing rental housing and providing homeownership opportunities. Our members have developed, rehabilitated and preserved 489,552 homes, provided 53,370 homeownership opportunities for low- and moderate-income households, and employed 22,880 people across the country. HPN members also provide programs and services to residents such as homeownership counseling and financial literacy training.

HPN members work closely with the Federal Home Loan Banks (FHLBanks). Some HPN members are Community Development Financial Institutions (CDFIs) that belong to the System; others are members of the Boards of Directors of the FHLBanks themselves or serve on the Affordable Housing Advisory Councils of the FHLBanks. HPN members compete for funding in the Competitive Application Programs run by the 11 FHLBanks for both rental housing and homeownership projects.

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We are grateful that the Federal Housing Finance Agency (FHFA) listened to stakeholders and released this Request for Input (RFI) on the Affordable Housing Program application process. HPN membership is geographically diverse and therefore our responses are not specific to a single Federal Home Loan Bank. Below please find HPN's response to some of the questions posed in the RFI.

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?*

In the experience of some of our members, the AHP application resource page does not include clear information on where to access templates and other important information. Even though the templates are available for download once the application is open, this is not noted on the resource page ahead of time. The lack of information regarding how to access templates has led to some members spending additional unnecessary time reaching out to the FHLBank staff via email. We recommend all templates be available in a dedicated tab in the application portal, thereby providing a central location for access outside of the application. We also recommend updating the application checklist to include hyperlinks to the templates. These two changes would streamline the process and limit the amount of time applicants must spend finding important resources.

Another area that could be streamlined is around the documentation a sponsor must show to prove they can meet the scoring criteria. Some HPN members have submitted documentation only to have a FHLBank reject the document and not award points due to formatting discrepancies or for not using specific language. We recommend that a FHLB accept any documentation that adequately shows the ability to meet the scoring criteria even if it is not the preferred format and the documentation should not require very specific language, unless it is a legal or financial document. These changes will increase flexibility and prevent sponsors from being arbitrarily rejected based on minor technicalities.

Some HPN members who compete for AHP funds for homeownership have noted that the required third-party market study for eligibility can be burdensome and provide little value to the evaluation of a sponsor. The market study, while effective for larger multi-family projects, does not capture the unique nature of homeownership. In the

experience of our members who apply for AHP subsidy and provide homeownership services, the combination of a well-informed buyer pipeline and down payment assistance makes the market study unnecessary. For this reason HPN recommends removing the third-party market study requirement for homeownership projects.

Question 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?*

Affordable housing projects often consist of multiple funding sources from various programs. FHLBank AHP budgets are laid out in a very specific way, and often do not align with the categories and line items in other funding source budgets. To meet the criteria outlined by the FHLBanks, HPN members often must rearrange items such as cost per unit and maximum soft costs to comply with the FHLBank requested format. We recognize that in some cases AHP is a small part of a project's financing and should be able to be more flexible and should defer to larger funder requirements and benchmarks. Additionally, HPN would like to see social services as an allowable operating expense, in alignment with other project funders and best practices in the affordable housing industry.

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

As mentioned in our response to Question 3, coordinating processes across multiple funding sources can be difficult due to programs having different requirements and standards. It is our understanding that in some cases there is a high level of coordination between the Low Income Housing Tax Credit program and AHP, as they are complementary programs. We would like to see this level of coordination between other programs that are often used in conjunction with AHP such as the HOME Investment Partnerships program and Section 8, specifically for homeownership vouchers.

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

Overall, there should be more flexibility throughout the application process. Technical issues should not cause lengthy delays, templates should be easily accessible, and documentation requirements should be less stringent.

One technical change we would like to see to the AHP application process is improving access to the application portal. One HPN member encountered difficulties logging into the portal as the sponsor. The member had to identify who the Remote Administrator was for their region and then the Remote Administrator had to reach out to the FHLBank to change the password on the member's behalf, as they do not have the option to reset the password themselves. This process was challenging and cumbersome. Incorporating a "Forgot Password" feature could significantly streamline the process and reduce the amount of time and communication needed between the sponsor and the FHLBank to gain portal access.

Another step that can be taken is to allow for a pre-approval option for applicants that have previously applied for AHP to avoid duplicating efforts every application round.

Additionally, we recommend providing an initial scoring letter before awards are made instead of after. This would increase transparency around scoring and give applicants helpful insight into their applications.

Conclusion

Thank you for the opportunity to provide feedback on the FHLBank Affordable Housing Program Competitive Application Process. If you wish to discuss any points in this letter further, please contact Kelly Read, Senior Associate, Policy at read@housingpartnership.net.

Sincerely,

A handwritten signature in black ink, appearing to read "Shannon Ross". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Shannon Ross

Vice President, Policy

Housing Partnership Network