



August 8<sup>th</sup>, 2024

RE: Request for Input: Federal Home Loan Bank Affordable Housing Program Competitive Application Process

To Whom It May Concern;

The Indianapolis Neighborhood Housing Partnership, Inc. (INHP) would like to formally respond to the Federal Housing Finance Agency's (FHFA) request for public input on the efficiency and effectiveness of the Federal Home Loan Banks' Affordable Housing Program (AHP). INHP is a certified community development financial institution, member of the Federal Home Loan Bank of Indianapolis (FHLBI) and served as a project sponsor for past applications. Per the request of the FHFA, we have included responses relating to the eight questions outlines within the RFI below. Due to our familiarity with FHLBI's AHP application, our responses will mostly relate to their application process. Thank you and please reach out if INHP can provide any additional information.

Sincerely,

*Jeff Hasser*

Jeff Hasser  
Director of Housing Strategy  
Indianapolis Neighborhood Housing Partnership



### **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?*

The AHP application requires project sponsors to provide a third-party market study for eligibility. While these market studies can be helpful for the evaluation of larger multi-family projects, we believe these market studies are burdensome on homeownership projects and provide little to no value. In general, these market studies are not able to account for the unique nature of homeownership projects. INHP provides homeownership counseling to over a thousand clients annually at various stages throughout their homeownership journeys which provides a very large pipeline of prepared, informed buyers. When INHP does list an income restricted home, we receive multiple competitive offers from buyers. Success for these buyers is also enhanced by the presence of AHP which serves to reduce the mortgage amount to an affordable level well below the market value. The combination of a large pipeline and down payment assistance eliminates the need for a market study to prove demand rendering its cost as frivolous.

Our request is to remove the requirement of third-party market studies for homeownership projects where project sponsors can show a sufficient demand for homes being built or allow the member sponsors to determine the market feasibility for the projects they sponsor.

### **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?*



FHLBanks provide less transparency on how they select scoring criteria or when they are considering changes to the program. INHP's other funders will typically provide periods of input on the application for external partners to provide feedback on the applications. For example, both the City of Indianapolis and the Indiana Housing and Community Development Authority both release a draft application prior to finalization of the official application.

In addition, other funders will allow for opportunities for the funder to ask clarification questions or request additional information to better inform awards after the application is submitted, while seeking clarification/correction can result in points being deducted from the scoring, it won't disqualify an application. Meanwhile, FHLBanks are permitted to remove applications from consideration due to missing documents or a potential misunderstanding within the application.

INHP is requesting additional communication and transparency when considering and implementing changes into the AHP application as well as more flexibility consistent with other funders addressing clarifications and corrections. However, FHFA and FHLBs will need to also properly support the AHP teams with resources and staffing to accomplish these goals.

### **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?*

Much of the underwriting and application processes/requirements are very similar to other funders. The market study is one instance that is more than what other funders require for single-family homeownership projects.

### **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?*

Most funders will differentiate not only based on size of project, but the type. For instance, large multi-family projects are inherently different than smaller homeownership projects (OOR and single-family development). For one, the per unit subsidy levels are different. A multi-family project could spread subsidy around to hundreds of units, while homeownership projects are only doing a fraction of that amount at most.

### **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?*

Consultants can provide a benefit in submitting applications, however, FHLBanks can become too reliant on consultants as keys for project sponsors to obtain funding. FHLBanks can assume that consultants are widely available, which is not always the case. Even when consultants are available, their fees can absorb most of the developer fee that many nonprofit organizations would hope to assist with funding their own organization's expenses. In INHP's experience as a member on behalf of project sponsors, we routinely see the use of consultants to guide sponsors through the complexity of the application. While we see and use consultants for funding applications INHP submits, it is typically reserved for much larger grants such as CDFI Financial Assistance, New Markets Tax Credits, or Capital Magnets. The cost of consultants for AHP applications erodes much of the developer fee.

INHP is well suited and has been successful in applying to many affordable housing programs. However, the AHP application involves many nuances in the interpretation of the IPlan, where a consultant may have been necessary to understand, even with decades of experience applying for other affordable housing applications on our staff. These nuances can



be the difference in the success of the application. IPlans should strive every year to update and evolve to make the gray area of the plan clearer for newer applicants.

### **Question 6**

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

INHP would recommend the AHP program allow for the deferment of underwriting to federal programs where possible.

### **Question 7**

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

Allow any FHLB members to submit their own AHP applications as project sponsors. INHP is a CDFI and a single-family home developer. When developing an AHP-eligible project, INHP is forced to engage another FHLBI member to submit the application. When IPlans require another member to sponsor the project, it incorporates added levels of complexity and costs without any significant benefit to the project. INHP would ask that groups that sponsor their own project are also not excluded from point categories of member involvement, otherwise, even when organizations can sponsor their own application, they may still choose to pursue a third-party member bank to chase point categories without improving the project while increasing project costs.



### **Question 8**

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

In addition to the comments regarding the AHP application for development projects, we also recommend that the Federal Home Loan Banks consider separating rental, homeownership, and owner-occupied repair projects with a separate applications or set asides. FHLBs' current applications can put these projects at a significant disadvantage based on the scoring requirements. FHLB AHP teams are required to evaluate significantly different projects using a universal scoring system. While FHLBs will fund home repairs through the NIP program or homebuyers through HOP, those funds are still limited on a relatively short window of availability and are difficult to coordinate into larger housing projects where there could be a larger impact within the community.