



August 19, 2024

Federal Housing Finance Agency  
Division of Housing Mission and Goals  
400 Seventh Street SW, Ninth Floor  
Washington, DC 20219

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

To Whom it May Concern:

On behalf of Preservation of Affordable Housing, Inc. (POAH), thank you for the opportunity to comment on FHFA's Affordable Housing Program ("AHP") application process. We appreciate that the FHFA is proactively soliciting feedback on the application process, after stakeholder concerns were identified in the *FHLB System at 100* report released last year. The AHP has long been a critical gap resource enabling desperately needed affordable rental housing projects to proceed and updating the application process will enhance the program's impact.

POAH is a national nonprofit specializing in the acquisition, rehabilitation or redevelopment, and long-term preservation of at-risk affordable housing. Since its founding in 2001, POAH has successfully preserved or built more than 13,000 units of affordable rental housing in 12 states and the District of Columbia at more than 130 properties.

POAH has used AHP funding in numerous affordable rental housing projects and has submitted dozens of AHP applications across multiple FHLBanks. Our comments are informed by this experience.

**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 general, POAH's experience is that the AHP application process is very complex and time-consuming for project staff, and that it duplicates numerous requirements of other, larger funding sources (most notably, LIHTC). We would strongly encourage FHFA to direct or encourage the FHLBanks to eliminate redundant application and compliance requirements and instead to rely on existing LIHTC agency compliance infrastructure wherever possible.

In addition, we note a number of particular challenges with the AHP application process that we hope FHFA can encourage the FHLBanks to address:



**Sponsor Banks:** Identifying a member bank sponsor should not be a prerequisite for applying and could be done after award. The requirement to select a member bank sponsor before applying for AHP can compel project sponsors to select bank partners (for construction or permanent lending) before they are ready to make a well-informed decision, and may induce sponsors to select partners who prove not to be ideal for the project. Eliminating this aspect of the application would streamline the application process.

**Conditional Awards:** Many FHLBanks require that applicant projects have secured commitments for most or all other financing sources, which can introduce the need to coordinate across misaligned application/award timelines, and may also mean that AHP funding simply enhances projects which are already fully financed. If FHLBanks were permitted (or encouraged) by FHFA to make conditional funding awards – contingent on securing other necessary sources, and satisfying relevant program requirements – this approach would allow AHP awards to provide critical early support to projects, and play a larger role in determining which projects move ahead. This approach could also reduce application burdens relating to evidence of financial commitments.

**Alignment Across FHLBanks:** Variability across FHLBanks' application formats and requirements creates challenge and complexity for projects which need AHP support but may not have determined which FHLBank to apply to, or for multi-state sponsors applying for AHP across multiple FHLBanks. FHFA should encourage the FHLBanks to align their application processes; and could also encourage alignment on certain scoring preferences which are universal across the banks (while allowing the FHLBanks to tailor some scoring items to local needs).

**Income Verification:** The requirement for income verification for existing residents is onerous at application stage – both because resident incomes change between application and closing, and because this verification is typically already being completed by the LIHTC agency. This requirement should be eliminated from the AHP applications, and the FHLBanks should rely on the LIHTC agency's income verification process.

**Pro Forma:** Some FHLBank applications separate the operating pro forma between operations and supplementary services, an approach that is not standard compared to other financing applications, and can create problems with a project's Debt Service Coverage Ratio. Similarly, the requirement to separate Housing vs. Non-Housing costs for a development with property management and supportive services space is a requirement imposed by some FHLBank applications that is not typically required for other sources. As described below, we encourage FHFA to direct FHLBanks to rely on LIHTC agencies' underwriting reviews – or at least to accept their underwriting budget formats.

**Application Portals:** Some FHLBanks' online application portal does not allow sections of the application to be saved unless all required fields were completed, including attachments. This makes it challenge to save an in-progress, while gathering the necessary information and documents. The AHP application portals should allow applicants to save work in progress so that the complex AHP application can be completed over the course of multiple days.



**Cure Process:** Following the submission of an application, some FHLBanks provide no process for applicants to cure non-substantive flaws or omissions in applications, prior to final scoring. Worthy projects are commonly excluded from the AHP competition based on errors or omissions in their application which could easily be corrected, were there a mechanism to do so.

**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?***

In general, as noted above, the AHP application process is significantly more complex and more burdensome than is typical for other gap financing sources, and can be comparable in complexity to the application processes for much larger funding sources (ie., LIHTC). For projects using LIHTC, we would encourage FHFA to direct the FHLBanks to rely on the LIHTC agency's review / compliance infrastructure as much as possible, and to require submission/review only for program/project elements not addressed by the LIHTC agency.

**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?***

Our experience is that, for LIHTC-financed projects in need of gap financing, the AHP application largely duplicates – and does not meaningfully leverage – the application / compliance requirements for the project's primary LIHTC subsidy. In these cases, the AHP application requires the project to recreate, in different formats, much of the content that will be (or may already have been) reviewed by the LIHTC allocating agency. The result is that the AHP application often imposes significant burden for project teams (and, we assume, FHLBank AHP reviewers) without significant benefit (since, again, much of the application replicates content already reviewed by the LIHTC agency).

**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. As noted above, for LIHTC projects seeking gap financing from AHP, the FHLBanks could rely extensively on the responsible LIHTC agency's application review and compliance monitoring in the areas of financial underwriting, tenant income certification, design review, and so on. The current AHP process – which requires often-redundant submissions and oversight in these areas – could be significantly streamlined in this way to reduce burdens for applicants and FHLBank staff without impacting project quality or compliance.

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



As noted above, for LIHTC projects seeking gap financing from AHP, the LIHTC allocating agency is already conducting a detailed underwriting review. In such cases, a separate AHP underwriting review process is redundant – and instead of seeking to coordinate a separate review, we would encourage the FHLBanks to simply rely on the allocating agency’s analysis.

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

The single most important change POAH would recommend would be to streamline the AHP application requirements for LIHTC projects seeking gap financing by removing application elements that are duplicative of the LIHTC allocating agency’s review and compliance processes.

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

Please see above – particularly question 1.

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Thank you for the opportunity to provide these comments. If you have any questions, please contact me at (617) 449-1016 or [aspofford@poah.org](mailto:aspofford@poah.org).

Sincerely,

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Preservation of Affordable Housing, Inc.