



October 21, 2022

Director Sandra Thompson  
Federal Housing Finance Agency  
400 Seventh Street, SW, Eighth Floor  
Washington, DC 20219

**Re: Federal Home Loan Bank System at 100: Focusing on the Future**

Dear Director Thompson:

Thank you for the opportunity to comment during the Federal Housing Finance Agency's comprehensive review of the Federal Home Loan Bank (FHLBank) System.

For nearly 45 years, the Neighborhood Reinvestment Corp. (doing business as NeighborWorks America®), a Congressionally-chartered, national, nonpartisan nonprofit, has worked with our network of local and regional nonprofits to create opportunities for people to improve their lives and strengthen their communities by providing access to homeownership and safe, affordable rental housing, increasing financial capability, and promoting community and economic development.

Please note that these comments have not been submitted to, or approved by, NeighborWorks America's board and do not necessarily represent the views of its board members, either collectively or as individuals. These comments have been formed based on the ongoing work of NeighborWorks America with our network of nearly 250 NeighborWorks-chartered nonprofits working in urban, suburban, and rural communities across the country. In 2021, NeighborWorks organizations (NWOs) leveraged nearly \$17 billion in reinvestment in their communities, creating 22,000 new homeowners, owning/managing 195,700 high-quality rental homes, providing homeownership education and counseling for over 160,000 families and individuals, and much more.

**Introduction**

NeighborWorks and our network organizations have been partnering with the FHLBank system and Federal Home Loan Banks (FHLBs) since our beginning. Through all these 45 years, we have maintained that partnership at the national, regional and local levels. Nearly twenty NWO leaders serve on FHLB Advisory Committees and Boards. Countless NWOs have been nonprofit recipients of Affordable Housing Program (AHP) funding and competitive programs at each of the FHLBs, creating or preserving thousands of affordable rental units and homeownership

opportunities over the years. Further, over fifteen NeighborWorks organizations or affiliates are FHLB members, including Community Housing Capital (CHC), one of the affiliated capital corporations that serves the NeighborWorks network.

In response to FHFA's request for feedback on key questions, NeighborWorks is pleased to offer the following comments:

***Mission and Purpose:***

Since inception, the FHLBank System and its regional members have worked to fulfill their mission of providing liquidity to their members and supporting the development of homes, homeowners and investment in community. NeighborWorks appreciates the partnerships we and our network have formed with various FHLBanks. For example, our regional staff teams have partnered with both the Boston and New York FHLBanks as they presented their respective AHP opportunities, and the New York FHLBank has partnered with NeighborWorks in our work to better serve organizations and people in Puerto Rico. We also worked closely with the FHLBank of Pittsburgh during a NeighborWorks Training Institute in Pittsburgh, partnering to convene local leaders to develop focused programs to address local issues.

NWOs also form meaningful and longstanding partnerships directly with their regional FHLBanks, serving on the advisory councils or boards, as well as accessing capital or AHP grants. Some NWOs have achieved incredible impact, including Beyond Housing which has leveraged over \$10M to repair over a thousand homes for low- to moderate-income community members. Others have used FHLB capital to develop multifamily projects that provide hundreds—if not thousands—of affordable homes. Still other NWOs are working together to offer critical housing counseling or down payment assistance to support low-to moderate income households on their journey to homeownership.

These are the kinds of partnerships that must be expanded as we look to the future. Addressing the nation's acute shortage of affordable homes requires increased resources, flexibility and commitment from both the FHLBank System and FHFA. In past, AHP has been a tremendously powerful vehicle for homeownership promotion. As communities are building back after crises, both economic and environmental—it is imperative that we ensure the system is bringing its full power and innovation to bear.

And while additional capital and grant funding is paramount, partnerships between the FHLBanks and nonprofits have the unique opportunity to pilot programs to ideate and test new solutions, products, or programs to deploy these resources for maximum impact. Notably, one of the most important programmatic flexibilities needed is allowing for adequate administrative costs to truly execute on program design. Additionally, underwriting guidelines should be crafted to allow for inclusion of critical resident services, a strategy that has proven itself to both improve resident outcomes as well as property and asset management. These services should be prioritized, not just included as a bonus point in the rating system.

FHFA can also review how it supports or hinders the mission of the FHLBank System by looking at ways to reduce costs or other reporting requirements that may create undue burden. Streamlined reporting should be considered for smaller organizations, which often have great needs but leaner staffing resources available to perform those duties.

By prioritizing proven strategies and developing new approaches, the FHLBanks can continue to meet their mission, leveraging and scaling up their contributions for much-needed affordable housing across the country.

### ***Organization and Efficacy***

The unique regional design of the FHLBank System is one of its most beneficial and successful features. Each FHLBank is deeply aware of the specific housing and community needs in their region and is able to tailor its activities to respond accordingly. As noted above, the partnerships that NeighborWorks and our network organizations have formed are at the local and regional level, and benefit greatly from the local knowledge of FHLBank staff.

At the same time, encouraging some standardization could greatly benefit the sector and enable additional partnership. For example, enforcing consistency between banks in areas such as collateral valuation methodologies and developing standardized products that could be available in all regions could yield greater opportunities.

### ***Affordable, Equitable and Sustainable Housing and Community Investment including in Rural and Vulnerable Communities***

With immense unmet housing needs in every type of community across the country, including rural and Native American communities, the importance of the gap-filling grants and subsidies provided by the FHLBanks cannot be overstated.

The AHP is a critical tool for nonprofits seeking to develop or preserve affordable multifamily and single-family housing. Again, while scaling up resources dedicated to these kinds of programs is key, there are other improvements that should be considered, such as the aforementioned flexible underwriting for the provision of resident services. Continuing to enhance the efficacy of AHP by better aligning it with other entities or programs, such as the Low-Income Housing Tax Credit, or by having more than one round of funding a year should also be considered. Nonprofits could also benefit if each of the FHLBanks maintained an emergency pool of funds that could help address unanticipated construction funding gaps in on-going projects, helping to meet mission in the moment. Successful housing production must be piloted and then replicated at scale to make a real difference in disinvested communities that are more deeply served by nonprofits and CDFIs, whether they are members or served by members of the FHLBanks

### ***Member Products, Services and Collateral and Membership Eligibility and Requirements***

More targeted outreach can and should be done to encourage and sustain increases in CDFI membership in the FHLBanks. Of the 6,536 institutions that were members as of June 2022, only 68 are CDFIs. There is clearly untapped potential for pairing FHLB resources with CDFIs to serve additional lower-income or marginalized communities and increase affordable housing opportunities for minority homebuyers. For example, in FY 2021, NeighborWorks network CDFIs made 5,653 residential loans totaling \$333 million. This existing capacity and infrastructure must be leveraged if we are to meet the needs of these communities. Invitations alone, however, will not suffice. To meet their mission, the FHLBanks need to reduce the financial and other barriers that prevent CDFIs from joining and/or utilizing their membership.

For example, collateral valuation methodologies and haircuts should be reevaluated. NeighborWorks shares the view expressed by other partners who seek more consistency in collateral valuation across the banks that will also diminish the size of haircuts not related to experiential risk. The haircuts, which range from 10% to 90% across the system today and are variable, are a consistent barrier that limits the scale and scope of fulfilling mission through CDFI lending. CDFIs also play a different role in the market, often selling their first mortgages and only holding a second mortgage. Current requirements make it infeasible to utilize the FHLBank for this kind of lending, which has proven to be a key strategy for sustainable, affordable homeownership and wealth building.

### **Conclusion**

As a stakeholder to the FHLB System, NeighborWorks America is appreciative of the opportunity to provide our input as the FHFA begins its comprehensive review and focus on the future. As FHFA's announcement of the review and the listening sessions noted, in addition to being a source of liquidity for its members for the past 90 years, the FHLBanks serve as supporters and partners to community development and affordable housing nonprofits like NeighborWorks, NWOs and CDFIs through their services to members and their programs such as the AHP and the Community Investment Program. We strongly encourage FHFA and the FHLBanks to laser focus on mission by increasing resources, innovation and commitment to serving under-resourced communities through affordable housing and community investment with CDFIs, nonprofits and intermediaries both now and in the future. We look forward to working together through this regulatory process.

Sincerely,



Marietta Rodriguez  
President & CEO, NeighborWorks America