Atlanta Neighborhood Development Partnership, Inc.
Building the region's future, neighborhood by neighborhood

ANDP Loan Fund
Capital to Rebuild Communities

October 27, 2022

Sandra L. Thompson
Director, Federal Housing Finance Agency
Constitution Center
400 7th Street, SW
Washington, D.C. 20219

Dear Ms. Thompson,

Thank you for the opportunity to submit feedback on the Federal Home Loan Bank (FHLBank) System as part of the FHFA's comprehensive review. On behalf of the Atlanta Neighborhood Development Partnership (ANDP), a leading affordable housing nonprofit in metro Atlanta, I would like to take this opportunity to provide comments based on our experience as Atlanta's top nonprofit developer of affordable for-sale single-family homes and as a CDFI Member of the FHLBank-Atlanta. Our comments largely focus on the utilization of Affordable Housing Program (AHP) funds and benefits to CDFI Members and nonprofit affordable housing developers, much of which we suspect could be addressed in full or in part by the individual Federal Home Loan Banks.

First and foremost, we are very appreciative of the FHLBank System's broadened inclusion of CDFIs in recent years and efforts to deepen community impacts. We applaud the FHLBank of Atlanta's leadership in addressing important wealth creation and property transfer issues related to Heirs' properties. We also recognize ongoing efforts being taken to improve CDFIs' access to FHLBank capital, although as of yet we are unable to access advances without pledging collateral. This is an issue that we and others are working to remedy through the CDFI-FHLB Working Group, which includes approximately 30 CDFI Members and representatives of all 11 Banks.

Since joining the FHLBank-Atlanta in 2019, we have enjoyed connecting with FHLBank staff, fellow Members, and CDFIs to effect community change. In the past three years we have closed over $600k in down payment assistance (DPA) to 88 low-income homebuyers through the FHLBank-Atlanta's AHP Homeownership Set-Aside Program, and we have worked with several local developers to apply for AHP General Funds to help fill critical funding gaps for high-mission affordable housing projects.

Through these opportunities, however, we have encountered several notable barriers. **With regards to AHP General/Competitive Funds, there is a significant imbalance (both regionally and nationally) between awards made for single-family and multi-family projects**. Although FHLBanks like the Atlanta Bank have done a commendable job of maximizing their allocations for homeownership through the Set-Aside Program – resulting in perhaps the most DPA-assisted units in the FHLBank system over the last several years – direct grants to single-family developers are few and far between. According to FHFA reports, the overall share of homeownership units awarded AHP General Funds has decreased from over 20% in 2008 and 2009 to 11% in 2021. In 2021, only 40 projects were awarded AHP funding from the FHLBank-Atlanta compared to 61 the year before, and only 4 of these were homeownership projects. This is concerning given that the majority of the U.S.'s racial wealth gap – in which Blacks hold one-tenth the wealth of whites – owes to the racial gap in homeownership rates. At ANDP, we have found that every low-income homebuyer we serve stands to earn $135k or more in wealth creation through homeownership. **Grants to developers are needed in order to subsidize single-family developments and mitigate the critical lack of supply of affordable homes.**

Although single-family housing often requires less overall subsidy per unit than multi-family housing, AHP General Fund awards largely benefit low-income housing tax credit projects and other already deeply subsidized multi-family deals. Although we understand that the Bank Act requires AHP activities to be coordinated with other federal subsidies to the greatest extent possible, this disadvantages homeownership projects which have limited federal subsidy sources and lack a LIHTC equivalent for single-family development. Certain FHLBanks such as the FHLBank-Atlanta also award extra points to projects with Member financial participation, rather than solely based on project merit, which disadvantages both the developers and the CDFI Members in certain cases. Earlier this year, for example, ANDP was deprived of an opportunity to submit an AHP application simply because the project scored better with a non-CDFI Member Bank, due to an unintended but flawed technicality in the FHLBank-Atlanta's District Priorities scoring matrix.

Overall, there needs to be a greater balance in AHP General Fund awards between single-family and multi-family projects, and greater intentionality by the individual FHLBanks to examine how they are leveraging their resources to maximize affordable homeownership outcomes. As a founding member of the Homeownership Alliance, ANDP stands with 31 fellow CDFIs and nonprofit developers in recommending that each FHLBank creates an Affordable Homeownership Strategy and dedicated funding stream to ensure that more entry-level, affordable homes are built for LMI homebuyers. Strategies could include, for example, a set-aside of AHP General Fund grants, or different scoring for single-family projects. FHLBanks could also follow the example of the Atlanta Bank in redirecting all returned and recaptured AHP funds to their Homeownership Set-Aside Program.

However structured, the strategies need to be well developed and implemented. For the FHLBanks and AHP developers, compliance on one multi-family project is far easier than compliance for multiple separate single-family homes, creating a barrier to successful implementation. After the 2007/2008 foreclosure crisis, for example, the FHLB-Atlanta awarded foreclosure recovery funds to ANDP, multiple Habitat for Humanity chapters, and other nonprofits, but was unable to disburse the funds in a timely manner, causing us and others to withdraw. Future homeownership-focused programs need to be managed with a better understanding of single-family development timing, compliance, and disbursement needs in mind.

In addition, we stand behind the Homeownership Alliance's recommendation for expanded – and more efficient and flexible – provision of DPA funds, particularly considering rising interest rates, house prices, and nonbank mortgage lending. Although the FHLBank-Atlanta is currently deploying around 40% of its total AHP funds (General Fund + Set-aside) to homeownership uses, this year we experienced long DPA application review times that made it challenging for low-income buyers to close on homes in an already tight, investor-dominated market. Our DPA program was stalled for two months while the FHLBank-Atlanta reviewed randomly selected files from multiple, unrelated applicants, causing serious delays and overly burdensome compliance oversight. This was problematic due to our model of working with nonbank mortgage lenders, rather than providing the mortgages ourselves, so buyers can shop for the best terms. As evidenced by the Urban Institute, Wall Street Journal, and others, nonbanks now provide the majority of mortgages – especially FHA loans in LMI communities and to borrowers of color – and indeed they comprise the largest source for ANDP's homebuyers. However, programs like ours are still treated by the FHLB as one overall loan portfolio, putting unrelated applicants at compliance risk. This needs to be considered during the FHFA's review, especially given that the rise of nonbanks presents a notable departure from when the FHLB was originally founded 90 years ago, and Homeownership Set-Aside recipients are increasingly getting their mortgages from non-Member Banks.

A larger question for the FHLBank System is the balance between helping Members meet their CRA obligations and financial goals, and most effectively utilizing AHP and other resources touched by FHFA's regulation to serve the affordable housing and wealth-building needs of the communities and families we serve. Our observation is that resource allocation, competitive grant formulas, and compliance risk vs. reward balances are largely weighted towards serving the Member institutions and helping them meet their CRA needs and other regulatory obligations, ultimately leading to added complexity and lower overall mission impact. We encourage FHFA, within its appropriate statutory and regulatory frameworks, to examine this question and work with individual FHLBanks to maximize community impacts.

Thank you again for the opportunity to provide feedback. Please do not hesitate to contact me at jocallaghan@andpi.org or (404) 420-1591 if I can be of any assistance.

Sincerely,

John O'Callaghan

John O'Callaghan
President & CEO, ANDP