June 13, 2008

Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC, 20006
Attention: Public comments
Comments@fhfb.gov
Fax: 202.408.2580

Subject: Federal Housing Finance Board. Proposed Rule: Affordable Housing Program Amendments. RIN Number 3069-AB35. Docket Number 2008-2009

Dear Sir or Madam:

The National Alliance of Community Economic Development Associations (NACEDA), through its membership of city, state and regional associations, representing 2200 Community Development Corporations, is opposed to the proposal. It rewards members for making nontraditional loans with interest rate risks. Members can restructure loans on their own without removing a critical resource for asset building through homeownership for low income families.

While NACEDA applauds the Board and the Federal Home Loan Banks' (FHLBanks) interest in preventing foreclosures of homes owned and occupied by low income families but financed by member banks, we do not believe that the homeownership set aside of the Affordable Housing Program should be available for this use.

This proposal rewards members for making nontraditional loans with substantial interest rate risks at the expense of low and moderate income homeowners. Member financial institutions which have made subprime or exotic loans with large interest rate increases are able to restructure loans on their own without AHP funds.

Our concerns are as follows:

1. **AHP is a critical resource for new homeownership for low and moderate income households and should not be reallocated.**

   Current AHP regulation permits each Bank to set aside up to 35% of its annual required AHP contribution to establish homeownership programs for low- or moderate income households. To date, this has resulted in $297 million to assist 67,103 primarily first time home owners with purchase costs.

AHP is one of the few reliable and private sources of down payment funds which are critical to community development corporations, housing counseling agencies, city governments, and other agencies working to help low and moderate income families with sustainable homeownership. Without it, nearly ten thousand homeowners a year may not be able to purchase homes. Many homeownership assistance programs require numerous sources of subsidies including local down payment loans and grants, Individual Development Accounts, individual savings, and private financing. AHP funds are critical to the ability to leverage these other sources.

The proposed rule permits reallocation of AHP through June 30, 2011, effectively diminishing this resource for new, first time low income homeowners. At a time where it is more difficult to secure mortgages for low income people and with limited housing resources, this proposal is not appropriate.

2. The FHFB and FHLBanks have other resources for mortgage refinancing that should be utilized first.

The FHLBanks have tremendous resources to meet the refinancing needs of their members. What financing have the Banks already provided to individual homeowners at risk of foreclosure? What have the Banks done to assist hard hit communities? The Rule states (20553) that "a number of the Banks have instituted special Community Investment Program (CIP) advances to provide member banks and thrifts with lower-cost funds to refinance households." However, the Rule goes on to note that few members have actually used CIP for mortgage refinancing.

The Rule does not note the other options the Banks have and which, if any Banks, have taken actions through the Community Investment Cash Advance, a loan guarantee program, or other types of programs or financing. The San Francisco request notes that the San Francisco Bank plans to provide a two to one match of AHP funds. This means that for every dollar in AHP funds reallocated, the member financial institution would provide two dollars of other sources. The Bank can provide these resources without reallocating AHP.

The FHLBanks have other sources of funds and should use those funds and demonstrate their impact on families and communities before tapping into a reliable source of homeownership already acknowledged as an integral part of the pipeline for affordable homeownership.

In addition, there seems to be little analysis of what types of home owners would receive assistance. Are these mortgages held in hard hit communities or anywhere where a bank might have a problem with a potential non-performing loan due to the financial institution's own lending criteria? It appears that none of these homeowners actually benefitted from AHP funds in the first place. The rule notes the need for stabilization in communities with many foreclosures but does not restrict assistance to these communities.

In conclusion, the AHP is a critical resource for low income families and the community development corporations and other housing providers that serve them. A three year moratorium or limitation of AHP down payment funds would be damaging to families, the organizations, and the communities.

This proposal appears self-serving as it subsidizes poor lending decisions made by financial institutions. It seems blatantly unfair to help families already penalized by exotic mortgages by penalizing low income people wanting to buy homes. The FHLBanks and their member institutions have an incredible amount of resources to aid families facing foreclosure, it is unfortunate that the first resource the Finance Board encourages them to use is the AHP, "the crown jewel of the System."

Finally, I would note that the 60 day comment period is 30 days shorter than the typical AHP request for comments. If the Finance Board wanted to encourage options other than reallocating AHP to aid families in need of foreclosure, another rule with adequate time should be promulgated.

Sincerely,

Jane DeMarines

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Executive Director

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