



John R. Price
President,
Chief Executive Officer

June 16, 2008

Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC 20006
ATTENTION: PUBLIC COMMENTS

RE: Federal Housing Finance Board Proposed Rule: Affordable Housing Program
Amendments
RIN Number 3069-AB35
Docket Number 2008-09

To Whom It May Concern:

The Federal Home Loan Bank of Pittsburgh ("Bank") welcomes the opportunity to comment on the proposed Affordable Housing Program ("AHP") Amendments (12 CFR Part 951), promulgated by the Federal Housing Finance Board ("the Finance Board") and published in the Federal Register on April 16, 2008.

The Bank commends the Finance Board for taking action to assist homeowners at-risk of foreclosure and we appreciate the opportunity to comment on the potential new authority to use AHP for refinancing or restructuring eligible households' nontraditional or subprime owner-occupied mortgage loans. The new authority contained in the proposed rule provides the FHLBanks the power to respond to the housing crisis that is occurring throughout the nation.

The national real estate market is in turmoil due to a multitude of factors, such as a rapid increase in housing prices, nontraditional mortgage products, lack of oversight, unscrupulous originators, economic slowdown and unsophisticated borrowers. This has resulted in an increase in both delinquency rates and foreclosures. As the housing market meltdown and credit crunch continue to roil the nation's economy, at-risk homeowners face the daunting prospects of mortgage rate resets, delinquencies and outright foreclosures. In many markets, actual foreclosures, as well as the number of homeowners at-risk of foreclosure, are reaching all-time highs, with the prospect of worsening conditions.

While the national housing market has languished due to the conditions noted above, the climate of the housing market within each FHLBank District, or regional housing market, is unique. In order to best respond to the distinctive needs of each District, the Bank requests the final rule to be flexible, not prescriptive, to allow FHLBanks to design programs that best use the AHP subsidy to restructure or refinance mortgage loans and avoid foreclosures based on the specific circumstances in their Districts.

The Bank has conducted extensive research to assess the needs of at-risk homeowners in our District, which in some cases are unique when compared with the national housing market. Our research methodology included consultation with the Bank's Affordable Housing Advisory Council ("Council"), our member financial institutions, counseling organizations and our District's three Housing Finance Agencies ("HFAs"). The research determined the following:

- The Bank's District will not be as severely affected by the housing crisis as many regions in the country, but certain areas and segments of the population in our District have, and will continue to experience, hardships.
- The foreclosure rate in our District is expected to rise in 2008-09, especially for homeowners with subprime adjustable-rate mortgage loans.
- The vast majority of our member banks are not experiencing higher delinquencies and foreclosures.
- A lack of financial sophistication among some buyers, especially low- to- moderate-income households, is a factor in creating conditions leading to an increase in nontraditional subprime products and, in some cases, predatory lending.
- The majority of delinquent homeowners do not communicate with lenders, servicers or counseling organizations.
- Housing counseling organizations are on the front line in foreclosure mitigation and lack the capacity to handle the volume of requests for assistance.
- State HFAs are the recognized housing leaders, and all three HFAs in our District have reached out to the Bank for assistance in preventing foreclosures. For example, the Pennsylvania Housing Finance Agency ("PHFA") has created two new products, REfinance to an Affordable Loan (REAL) and Homeowners' Equity Recovery Opportunity (HERO), in the fall of 2007 for Pennsylvania homeowners at- risk of foreclosure. With additional regulatory flexibility, the Bank may choose to participate in these established PHFA programs. The REAL program offers 30-year fixed-rate refinancing to homeowners who have mortgage loans that are now unaffordable. HERO offers fixed-rate loans made directly by PHFA to homeowners who cannot afford their current mortgage payments and are not eligible for other foreclosure mitigation programs. HERO includes negotiation with mortgagees to reduce the amount owed on the property. REAL and HERO program brochures are attached.
- The next wave in this housing crisis will be at the neighborhood level. Areas with concentrations of foreclosures will suffer decreases in property values and reductions in their tax base.

Based on the research outlined above, the Bank has developed a foreclosure relief strategy, which was recommended by our Council on April 11, 2008 and approved by our Board of Directors on April 19, 2008. The primary focus of the foreclosure relief strategy is to use AHP funds to assist HFAs with their foreclosure products, which will leverage assistance and serve more homeowners. The following responses to questions and issues raised in the proposed rule are based on the Bank's approved foreclosure strategy. The Bank:

- Agrees that it is appropriate for the Finance Board to allow, at least temporarily, the use of AHP funds to provide subsidies for refinancing or restructuring existing owner-occupied mortgage loans. The purpose of the AHP is to make housing affordable and to make affordable housing more available. While AHP has traditionally been used to acquire, construct or rehabilitate housing, it is appropriate that AHP would also be used to preserve the affordability of housing for lower-income households.
- Supports permitting households participating in the Bank's anti-foreclosure initiative to hold any type of mortgage – conventional, subprime or nontraditional. The decision to restrict the use of funds should be left to each FHLBank's Board of Directors.
- Strongly supports using AHP subsidy to help homeowners participating in other refinancing programs, including HFA or other state programs. The AHP requirements should align with the parameters of the other refinance programs. PHFA's REAL program, described above and on the attachment, provides flexible underwriting to qualified homeowners. The requirements in the proposed rule and the REAL program are not in alignment in several areas. The differences between the REAL program and the requirements in the proposed rule are outlined in Attachment A.

If the Bank were permitted to use AHP funds to support the REAL program, the Bank would limit the AHP assistance to homeowners meeting existing AHP income guidelines, earning at or below 80% of the median income, and require an AHP retention mechanism. AHP funds would be delivered directly to PHFA, a Housing Associate, for use to pay closing costs, prepayment fees from the original loan, mortgage principal write-down, interest rate buy down, mortgage insurance or counseling for the borrower for loans in the REAL program. PHFA and the Bank would establish a "best effort" requirement to achieve member bank involvement.

- Opposes a requirement for targeting specific neighborhoods with AHP subsidies. Foreclosures are occurring throughout our District and assistance should be available to all eligible homeowners. The decision to target funds should be left to each FHLBank's Board of Directors.
- Supports a provision allowing an FHLBank to apply to the Finance Board for approval to establish an AHP refinancing program not covered by the final rule.
- Supports an AHP subsidy cap per household of \$25,000.
- Recommends that eligible mortgage loans should not be limited only to those taken out before July 10, 2007.
- Supports assistance for mortgage loans originated by non-affiliate Bank member institutions. Our experience in the Third District is that many stressed homeowners did


not originate mortgage loans with our members. Our members can, however, be part of a solution to avoid foreclosure.

- Suggests that program parameters and eligibility requirements be determined by the Board of Directors at each FHLBank. These requirements include: housing ratio (debt to income), maximum mortgage amount, homeowner eligibility (days delinquent, households' equity and financial assets), loan to value, delivery of funds (to a homeowner, HFA or community based organization) and use of funds.
- Does not support any obligation of a member to match the AHP subsidy, waive fees or provide other financial assistance to the homeowner when refinancing or restructuring a non-affiliated loan.
- Does not support a change that would require a member to repay any part of AHP subsidy in the event of foreclosure (or deed in lieu of foreclosure) after a restructuring or refinancing under the new regulation. The current retention language eliminates any requirement for repayment of the AHP subsidy in the event of foreclosure and that provision should remain.

In conclusion, we believe the requirements in the proposed rule are generally positive in structuring a foreclosure mitigation product; however, the parameters are too prescriptive to maximize the potential benefit to eligible households in the Third District. We suggest providing additional flexibility for each FHLBank's Boards of Directors, in consultation with their Councils, to develop unique strategies that best meet the needs of their Districts. In our case, we would like the authority to use AHP funds to support foreclosure mitigation programs offered by our HFAs.

On behalf of the Pittsburgh Bank, I again thank you for the opportunity to comment on the AHP proposed rule.

Sincerely,



cc: The Honorable Ronald A. Rosenfeld
The Honorable Geoff Bacino
The Honorable Alicia R. Castaneda
The Honorable Allan J. Mendelowitz
The Honorable Steve Preston

	ATTACHMENT A	
Requirement	REAL Program (PHFA)	AHP Proposed Rule
Loan to Value	Up to 100%	Up to 97%
Original Lender	No restrictions	Limited to member banks or affiliates
Days delinquent	<59 days at application >620 credit score, no additional requirements <620 credit score, additional requirements apply	<30 days prior to the rate reset
Ratios	Monthly total debt to monthly income <50%	Housing ratio <45%
Home Equity	None	May not exceed the greater of \$50,000 or 20% of the newly appraised value of the home
Financial Assets	None	<\$35,000
Match	None	Members must pay at least two times the amount of AHP subsidy
Restrictions on Fees	None	Prohibition on prepayment fees, foreclosure expenses incurred prior to the date of refinancing, late charges not already paid, loan payoff statement fees, recording costs and document preparation costs.

REAL Eligibility Guidelines:

- The combined gross annual income of all borrowers may not exceed \$120,000. Certain exceptions may apply.
- You are no more than 59 days past due on your existing mortgage at the time of application.
- You must have a credit score of at least 620 OR meet the following conditions:
 - *Your mortgage payment adjusted in the last 12 months to a higher interest rate or a fully amortized payment and you have no more than two 30-day late payments since the adjustment. Your mortgage payment history 12 months prior to the adjustment must show no history of late payments.*
 - *Your credit history of other debt (car loan, credit cards, etc.) shows no more than three, 30-day late payments 12 months prior to the adjustment of your mortgage.*
- You may borrow up to 100 percent of your home's value based upon a current appraisal (or 95 percent for borrowers with a credit score below 620). The REAL loan may be used to finance items such as subordinate mortgages, closing costs, prepayment penalties, delinquent property taxes, and arrearages that have occurred within the past 12 months after the loan reset to a higher monthly payment amount.
- Your monthly total debt costs (credit cards, car loans, installment loans, REAL mortgage payment, student loans, etc.) may not be more than 50 percent of your total gross monthly income (or 45 percent for borrowers with a credit score below 620).

If you meet the conditions above, contact a PHFA-participating REAL lender. Call PHFA's toll-free consumer information hotline at 1.800.822.1174 for more details and the name of a participating lender in your area or visit the "Homeowners" section at www.phfa.org.

What if I don't qualify for REAL?

If you don't qualify for a mortgage refinance under the REAL program, PHFA's HERO program may be able to offer assistance. Read on for more information and to see if you might be eligible.

These Websites offer reliable information about foreclosure and delinquency:

PHFA – Additional Foreclosure Prevention Information
www.phfa.org/consumers/homeowners/foreclosureprevention.aspx

PHFA Forclosure Mitigation Counseling Initiative
www.phfa.org/consumers/homeowners/fm_counseling.aspx

Your Money's Best Friend – Foreclosure
www.moneysbestfriend.com/default.aspx?id=211

NeighborWorks® – Center for Foreclosure Solutions
www.nw.org/network/foreclosure/default.asp

HUD – Avoiding Foreclosure
www.hud.gov/local/pa/homeownership/foreclosure.cfm

These organizations may be able to help you if you think you have been victimized by predatory lending practices or fraud:

Office of Attorney General
Bureau of Consumer Protection
717.787.9707
www.attorneygeneral.gov/consumers.aspx?id=397
(list of regional offices)

Department of Banking
Hotline: 1.800.PA.BANKS (1.800.722.2657)

The Pennsylvania Legal Aid Network, Inc.
717.236.9486 or 800.322.7572
www.palegalservices.org



211 North Front Street
Harrisburg, PA 17101 - 1406
www.phfa.org



Mortgage Refinance Opportunities

THE **REAL** PROGRAM
REFINANCE TO AN AFFORDABLE LOAN

THE **HERO** PROGRAM
HOMEOWNERS' EQUITY RECOVERY OPPORTUNITY

Edward G. Rendell, *Governor*
Brian A. Hudson, Sr., *Executive Director*

The *Pennsylvania Housing Finance Agency* takes great pride in helping Commonwealth citizens become homeowners and keep their homes. We have recently designed two new programs, REAL and HERO, to improve the financial situation of Pennsylvanians who are not able to afford their current mortgage payments.

Brian A. Hudson, Sr.

*PHFA Executive Director
& Chief Executive Officer*



THE REAL PROGRAM

REFINANCE TO AN AFFORDABLE LOAN

Are you at risk of losing your home unless you can refinance to more affordable terms?

If so, the REAL program may be your answer!

The REAL program offers attractive 30-year fixed rates. Because it combines 100 percent financing with flexible credit underwriting, it may offer relief to homeowners like you who otherwise may not qualify for typical mortgage refinance programs.

REAL program loans are originated by approved PHFA lenders and your payments will always be made to PHFA.

THE HERO PROGRAM

HOMEOWNERS' EQUITY RECOVERY OPPORTUNITY

Homeowners' Equity Recovery Opportunity Program (HERO)

The HERO program is for borrowers not eligible for PHFA's REAL program or another mortgage refinance product available in the general market due to credit issues or owing more than your home's current appraised value. Depending on the circumstances, PHFA either purchases your loan directly from your current lender and then sets up an affordable payment plan, or PHFA refinances your loan to affordable terms.

How can HERO help you?

HERO provides an affordable fixed-rate mortgage for up to 30 years in an amount up to 100 percent of your home's current value. PHFA services the loan so you don't have to worry about it being sold to another lender or servicer.

Property taxes and insurance (mortgage, homeowner's, and flood if applicable) are included in your monthly payment amount so you don't have to worry about budgeting for them on your own.

If you owe more than your home's current value, PHFA may be able to negotiate with your current lender to reduce the amount owed on your loan.

The HERO loan may be used to pay off: the current mortgage debt, closing costs, prepayment penalties (efforts should be made to have the current lender/servicer waive any prepayment penalties), and delinquent property taxes.

All approved borrowers must attend in-person financial counseling at a PHFA-approved agency. This will increase your financial knowledge and help you learn how to more effectively manage your debt, budget your income, and save your money.

HERO Eligibility Guidelines:

- The combined gross annual income of all borrowers may not exceed \$120,000. Certain exceptions may apply.
- You own the mortgaged property and reside in it as your permanent residence in Pennsylvania.
- You have made an effort to meet your financial obligations to the best of your ability. Any credit blemishes can be satisfactorily explained and documented.

- You have sufficient and stable income to support timely repayment of the HERO loan in regular, monthly installments. This will be determined by PHFA through an analysis of your net monthly income and household expenses. All borrowers must agree to make monthly mortgage payments by automatic payment directly from your bank account.
- If you have stopped making your mortgage payments, you can account for your cash flow by showing how you have escrowed, saved, or redirected those funds.
- The HERO loan must be in first lien position.

If you meet these conditions, contact a HERO Loan Program Specialist at 1.800.822.1174. A Loan Program Specialist will further explore whether HERO may be your answer. This may include sending you a prequalification form and requesting additional documentation relevant to your income, debts, and mortgage terms.

What if I don't qualify for HERO?

If you are behind on your mortgage payments due to a temporary setback in your income, health, or other reason beyond your control and just need help getting caught up, PHFA's Homeowners' Emergency Mortgage Assistance Program (HEMAP) may be able to help. For more information, visit the "Homeowners" section at www.phfa.org or call 800-342-2397.

You should contact whoever services your loan (there should be a phone number on your billing statement) to ask about possible solutions. They may be able to modify your loan to a more affordable fixed rate term, extend the time period of the low interest rate if you have an adjustable rate mortgage, allow you to sell your home for less than the amount you owe, etc.

Have you considered selling your home? While it may be heartbreaking to give up something you worked so hard to attain, selling your home may be your best option, especially if you act before too many other fees and arrearages accumulate on top of your mortgage. Selling your home and renting temporarily may be your best option for handling your current situation. It doesn't mean you won't ever own a home again. PHFA has an online resource called The Pennsylvania Affordable Apartment Locator (www.phfa.org/pal). This tool links consumers to affordable housing options throughout the state.