



Comment #23

John R. Price
President,
Chief Executive Officer

VIA FEDERAL EXPRESS AND E-MAIL

December 11, 2008

Federal Housing Finance Agency
1625 Eye Street, NW
Washington, DC 20006
Attention: Public Comments

RE: Federal Housing Finance Agency Interim Final Rule: Affordable Housing Program Amendments; RIN No. 2590-AA04

To Whom It May Concern:

The Federal Housing Finance Agency ("FHFA") issued an Interim Final Rule ("Rule") regarding implementation of Section 1218 of the Housing and Economic Recovery Act of 2008 ("HERA") requiring the FHFA to permit the usage of Federal Home Loan Bank ("FHLBank") Affordable Housing Program ("AHP") homeownership set-aside funds to refinance low- and moderate-income households' at-risk mortgages. The proposal also requests comments on whether the Rule should expand the use of these funds beyond the Federal Housing Administration's ("FHA") new Hope for Homeowners ("H4H") program and how the standards for other programs will assure housing affordability and sustainability under the refinanced loan.

This letter sets forth the comments of the Federal Home Loan Bank of Pittsburgh ("Bank") with respect to the Rule. We appreciate the work of the FHFA on this issue and the opportunity to comment.

Expanding rates of mortgage delinquency and foreclosure continue to be leading drivers of a deepening economic recession. As the economy slows and home prices fall, additional homeowners may find themselves owing more on their home than it is worth and increasingly behind on their bills. In many markets, foreclosures are reaching all-time highs and the prospects of worsening conditions remain.

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 allowing FHLBanks to use the AHP subsidy in tandem with established state or other federal programs designed to restructure or refinance mortgage loans and avoid foreclosures based on the specific circumstances in their districts.

The purpose of the AHP is to make housing affordable and to make affordable housing more available. While the AHP has traditionally been used to acquire, construct or rehabilitate housing, it is appropriate that the AHP would be used also to preserve the affordability of housing for lower-income households. The Bank believes the use of the AHP funds to provide subsidies for refinancing or restructuring existing at-risk owner-occupied mortgages is an excellent way to impact the mortgage crisis.

The Rule, citing a preference for synergy and efficiency, designates the H4H program, passed by Congress as a portion of HERA, as the sole conduit for using the AHP funds for refinancing at-risk homeowners. Unfortunately, the H4H program has had limited success with only 111 assistance applications received nationally during the first month of availability. In response, on November 19, 2008, the FHA announced more flexible rules for the H4H program designed to increase the willingness of both lenders and consumers to take advantage of the product.

Recognizing the need to adjust the implementation and rules of the H4H program, U.S. Department of Housing and Urban Development Secretary Steve Preston said, "Clearly, meaningful changes were needed. These modifications should increase lender participation and help more families who are having difficulty paying their existing mortgages, but can afford a new affordable loan insured by HUD's Federal Housing Administration."

While we are encouraged by the FHA's quick adjustments to the H4H program, the lack of participation by lenders and homeowners is troubling and suggests that a wider range of programs at the national, state and local level are needed to address and prevent foreclosure. Accordingly, the use of AHP funds by a wider set of programs would have a more immediate and significant impact.

The Bank strongly supports using the AHP funds to help homeowners participating in other refinancing programs, including those offered by State Housing Finance Agencies ("HFA") or federally sponsored programs. In many states, HFAs are leading the foreclosure mitigation effort, and some HFAs are offering innovative products that address the unique conditions in their respective states. Ideally, the AHP final rule will provide sufficient flexibility so that the FHLBanks can align the AHP set-aside with the parameters of HFA and other refinance programs.

The Pennsylvania Housing Finance Agency ("PHFA") initiated two new programs in 2008 to address foreclosures. The REfinance to an Affordable Loan Program ("REAL") offers eligible homeowners a chance to refinance a delinquent mortgage, up to 100 percent loan-to-value, into a thirty-year fixed loan. Currently 216 Pennsylvania lenders participate in the program compared to the H4H program's 18.

If a homeowner does not qualify for REAL, the PHFA also offers the Homeowners' Equity Recovery Opportunity Loan Program ("HERO"). Under HERO, the PHFA purchases the delinquent mortgage and resets the payments to an affordable amount. To date, 171 Pennsylvania homeowners have been assisted through REAL and HERO. The average loan amount is \$123,000 and the average household income is \$54,000.

Comment #23

Federal Housing Finance Agency
December 11, 2008
Page 3 of 3

The brochures for REAL and HERO programs are attached. These are two excellent examples of the innovative programs offered at the state level designed to mitigate foreclosures. There are many other examples throughout the nation that exist or are in development.

In order to align with the H4H program, and any other programs that may be allowed by the final rule, it is recommended that the FHLBanks be permitted to:

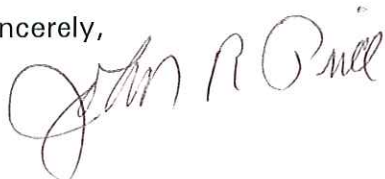
- 1) Rely on the income calculation completed by the program provider to determine whether participating households meet the 80 percent of the area median income requirement. For example, under the H4H program, the FHA's methodology used to determine a participant's income may be different than the method used by an FHLBank, resulting in two income amounts for the same household. If the FHLBanks are permitted to use FHA's income calculation in this example, it would reduce confusion and streamline the administrative process; and
- 2) Rely on certifications by the program provider that the participant (homeowner) meets their eligibility requirements. For example, under the H4H program, the FHA's or the participating lender's certification that the homeowner has met the program requirements, along with a determination that the participant is at or below 80 percent of the median income, should be sufficient to satisfy eligibility for the AHP set-aside funds.

In summary, the Bank suggests including the AHP's statutory elements in the final rule - targeting funds to low-/moderate-income households and adding the permission to use the AHP in conjunction with federal- or state-approved foreclosure mitigation programs.

The success of the AHP since its inception in 1989 is due to the flexible nature of the funding. Unlike other governmental sources, the AHP dollars can be utilized in a number of ways for a variety of projects provided they meet criteria set by the FHFA and the individual FHLBank Board of Directors. Moreover, the required consultation with the Affordable Housing Advisory Councils serves as an excellent mechanism to ensure the most effective use of the AHP funds. The use of the AHP dollars to assist at-risk homeowners should function in the same manner, allowing each FHLBank to target funds to make the greatest impact within their district while adhering to a set of basic parameters set by the FHFA. Within this framework, the AHP dollars would be available to participants in the H4H program, HERO, REAL and other qualifying initiatives, significantly expanding the reach of the funding.

On behalf of the Bank, I again thank you for the opportunity to comment on the Rule.

Sincerely,



Enclosure

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 Foreclosure 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

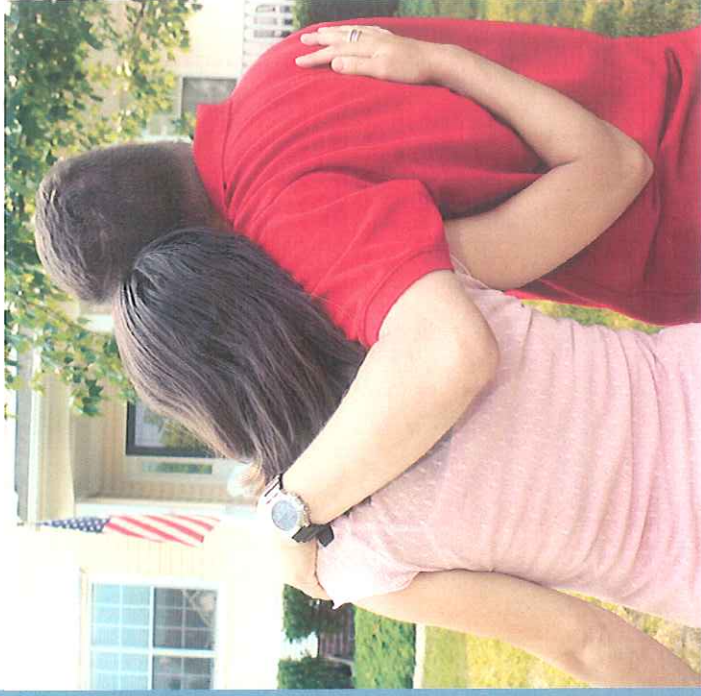
HUD – Avoiding Foreclosure
www.hud.gov/local/pe/homeownership/foreclosure.cfm

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.pa.legalaid.org



Mortgage Refinance Opportunities

THE REAL PROGRAM
REFINANCE TO AN AFFORDABLE LOAN

THE HERO PROGRAM
HOMEOWNERS' EQUITY RECOVERY OPPORTUNITY



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

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/paal). This tool links consumers to affordable housing options throughout the state.