Comment #28

From: Carol Wayman [cwayman@cfed.org]
Sent: Tuesday, December 16, 2008 9:38 AM
To: Comments
Subject: Public Comments/RIN 2590-AA04

Attachments: image001.png

December 16, 2008

Federal Housing Finance Agency

Attn: Public Comments/RIN 2590-AA04

1625 Eye Street, N.W.

Washington, D.C. 20006

Via email: comments@fhfb.gov

Dear Sir or Madam:

The Corporation for Enterprise Development (CFED) writes to comment on the Federal Housing Finance Agency (FHFA) interim final rule published on October 17, 2008. The interim final rule institutes legislation that enables the Federal Home Loan Banks (Banks) to use Affordable Housing Program (AHP) homeownership set-aside funds to refinance existing mortgages.

CFED, along with nearly two dozen other commentators, had previously urged the Federal Housing Finance Board not permit this short-term change. We asserted that this change diminishes the resource for new, first-time low-income homeowners at a time where it is more difficult to get mortgages. Member institutions can restructure loans on their own without removing a critical resource for asset building through homeownership for low-income families. Before tapping into the limited and critical AHP funds, the Banks should first be required to utilize other funds already available to them and demonstrate their impact before tapping into a reliable source of homeownership already seen as a critical part of the pipeline for affordable homeownership.

While CFED applauds the Board and the Federal Home Loan Banks' (FHLBanks) interest in preventing foreclosures of homes owned and occupied by low-income families and financed by member banks, we oppose using the homeownership set aside of the Affordable Housing Program (AHP) for this use.

AHP is one of the few reliable and private sources of downpayment funds, which are critical to community development corporations, housing counseling agencies, city governments, and other agencies helping low- and moderate-income families achieve and sustain homeownership. Without it, nearly 10 thousand homeowners per 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.

This proposal rewards members for making nontraditional loans with substantial interest rate risks at the expense of low and moderate income homeowners. The FHLBanks have many sources of funds that should be used before tapping into a reliable source of homeownership already acknowledged as an integral part of the pipeline for affordable homeownership. Member financial institutions that have made subprime or exotic loans with large interest rate increases are able to restructure loans on their own without AHP funds.

While the enactment of The Housing and Economic Recovery Act requires the use of these funds for a two-year period, the FHFA has the ability to determine criteria for these uses. We recommend that the FHFA institutes a final rule requiring no more than 15% of AHP funds be available for this purpose. This limitation preserves some of the critical downpayment assistance that housing counseling agencies, Individual Development Account practitioners, community development corporations and others rely upon to help low-income families build sustainable wealth. The FHFA should require that any participating financial institution match the AHP funds with at least $2 of their own funds. This would ensure no net loss of resources for homeownership investments. There is nothing in the statute that prohibits such a match: the original proposal required such leveraging.

In conclusion, the AHP is a critical resource for low-income families and the community development corporations and other housing providers that serve them. The FHFA should ensure that these resources are still available to assist homeowners seeking to purchase a home.

Sincerely,

Carol Wayman

Senior Legislative Director

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