



December 16, 2008

Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC 20006
Attention: Public Comments/RIN 2590-AA04

SUBJECT: Federal Housing Finance Agency
Interim Final Rule - Affordable Housing Program Amendments: Federal Home
Loan Bank Mortgage Refinancing Authority

In consultation with its board of directors, Housing and Community Development Committee, and Advisory Council, the Federal Home Loan Bank of Boston (the Bank) appreciates the opportunity to comment on the interim final Affordable Housing Program (AHP) rule on mortgage refinancing programs. The rule implements Section 1218 of the Housing and Economic Recovery Act (Recovery Act) allowing the Federal Home Loan Banks (FHLBanks) to establish temporary mortgage refinancing programs under the existing set-aside authority within the AHP until July 30, 2010.

The Bank applauds the Federal Housing Finance Agency's (Finance Agency) efforts to implement Section 1218 of the Recovery Act allowing Bank members that are Federal Housing Administration (FHA) approved lenders to refinance low- or moderate-income households' mortgage loans with AHP subsidy on their primary residences. The homeowners must qualify for refinance assistance under HUD's HOPE for Homeowners (H4H) program, which was also established by the Recovery Act and expires on September 30, 2011.

Approximately a dozen lenders in New England have volunteered to participate in the H4H program, none of which are current member financial institutions in the Bank. There is interest among the Bank's membership in a viable program to assist homeowners that have approached their institutions to refinance out of unsustainable mortgages. They are open to helping in this matter. The current rule in its present form is limited and does not provide enough flexibility for the Bank to develop a program that adequately addresses foreclosure issues in New England.

If modified sufficiently and implemented effectively, the temporary mortgage refinancing authority will allow the Bank and other FHLBanks to meet the needs of distressed homeowners and be part of a solution to the national housing crisis. We offer the following comments regarding the interim final rule.

Comments and Clarifications

The Finance Agency specifically requested comments on whether the rule should authorize FHLBanks to use AHP set-aside funds to assist homeowners refinancing under programs other than H4H that are intended to aid distressed homeowners, such as those offered by the Enterprises, FHA Secure, or any state housing finance agency programs; and, if so, how the

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standards for those programs will assure the affordability of the housing costs to the borrower and the sustainability of the refinanced loan.

The Bank believes there is merit in having the flexibility to select a program that meets the end goal of preventing foreclosure of low- to moderate-income households and is particularly interested in an approach that would utilize the expertise of the regional housing finance agencies. Approaches that also utilize other federal programs, including the USDA Rural Development Guarantee Program, US Rural Development Direct, and VA loans, should be considered. Given certain structural difficulties of and resultant lack of member participation in the H4H program, having the flexibility to work with other viable programs is essential to the FHLBanks' ability to respond meaningfully to the foreclosure issue.

To ensure adequate protections and the integrity of AHP funds in refinanced loans, the Bank also requests that the Finance Agency detail its requirements and standards for evaluating any other mortgage foreclosure refinance programs so there is guidance on what is acceptable without submitting a formal waiver.

In addition, the Bank requests that the interim final rule be modified or clarified on the following points.

Homeownership Counseling

The interim final rule removes the provision from the AHP regulations requiring a household to complete homeownership counseling. It is well documented that financial literacy, including a solid understanding of credit and budget principles, is essential to a household's ability to sustain homeownership. The Bank agrees and believes the interim final rule should allow each FHLBank, in its discretion, to require households to successfully complete formal homeownership education and credit counseling in connection with the receipt of AHP subsidies.

Income Calculation

The interim final rule requires households that receive AHP subsidy to have incomes at or below 80 percent of the area median income, as defined by HUD, in order to be eligible. The inherent differences in standards on how income is determined under the separate programs (set-aside vs. H4H) will create conflicts in determining eligible household income.

Under the existing AHP subsidy set-aside program, household income is calculated prospectively based on current income sources from all persons that comprise a household, while the H4H program calculates income by analyzing historical information, such as previous year's tax returns or equivalent documentation. This calculation difference will complicate and delay the allocation of AHP subsidies to eligible households for mortgage refinancing.

Therefore, we request that the interim final rule provide FHLBanks the authority to rely on FHA, or other program agencies' calculations of household income to effectively and efficiently allocate AHP subsidies. This is helpful for a number of reasons. First, the agency has already determined the eligibility of the household prior to an FHLBank enrolling them in a program. Second, this avoids having to reconcile the differences in income calculation methodologies,

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such as past versus prospective and the specific date at which income is calculated, that will hinder the transaction when time is of the essence.

Income eligibility/Over-subsidization

The interim final rule requires that loans to be refinanced meet all applicable underwriting requirements and other FHA standards of the H4H program. It further requires that the borrower be unable to afford existing mortgage payments and that the borrower's mortgage debt-to-income ratio, as of March 1, 2008, be greater than 31 percent or such higher amount as the FHA determines appropriate. This process of determining eligibility raises several questions:

1. Is the mortgage debt-to-income ratio calculated by FHLBank members and does it have to be satisfied prior to an FHLBank reserving AHP subsidy?
2. What income standard is used for the mortgage debt-to-income ratio calculation? FHLBanks use current income from all sources and calculates prospectively; FHA calculates income based on historical documentation.
3. In determining affordability, how much lower can the mortgage debt-to-income ratio be reduced below 31 percent with AHP subsidy without over-subsidizing the household?

The Bank requests guidance on these questions.

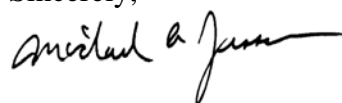
Other Eligibility

The interim final rule is silent on the special circumstances that servicemen/women face when on active duty. In addition, the rule does not speak to the other reasons for foreclosure, specifically economic and health issues. We would like to see the rule provide for as much flexibility as possible so that AHP subsidy also can be used to assist in mortgage refinancing in these circumstances given the current political and economic pressures.

In closing, implementation of a temporary mortgage refinancing program will require the FHLBanks to determine how best to allocate scarce resources to achieve multiple affordable housing priorities, such as supporting rental production and preservation, the creation of homeownership opportunities, and now, foreclosure prevention. Balancing these priorities will require thoughtful consideration to what mix of funding allocation is appropriate, the human resources needed to absorb the additional workload, improvements to the current IT infrastructure, and any other implications resulting from its implementation.

The Bank thanks the Finance Agency staff members who have worked diligently on bringing these proposed amendments to a comment period and looks forward to further discussions on this important matter.

Sincerely,



Michael A. Jessee

President and Chief Executive Officer