Comment #34

FEDERAL HOME LOAN BANK OF CINCINNATI

December 16, 2008

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

**RE: Federal Housing Finance Agency Interim Final Regulation with Request for Comments: Affordable Housing Program Amendments: Federal Home Loan Bank Mortgage Refinancing Authority**

Ladies and Gentlemen:

On behalf of the Federal Home Loan Bank of Cincinnati (the Bank), this letter sets forth comments with respect to the Federal Housing Finance Agency's (FHFA) interim final rule regarding the Affordable Housing Program (AHP) Amendments, specifically for the purpose of mortgage refinancing. We thank you for the opportunity to comment on this important matter.

FHFA requests comments for two specific areas, part II(I), *Sunset Date* and part II(D), *Eligible Loans* as well as general comments regarding implementation of the Housing and Economic Recovery Act of 2008 (HERA) §1218, *Federal Home Loan Bank Refinancing Authority for Certain Residential Mortgage Loans*. If implemented with appropriate flexibility, this new authority would add an important source of leveraged funding to assist in the current housing crisis and position the Bank for future timely responses. Our comments addressing these issues follow.

Regarding the sunset date of the new refinancing authority, we suggest a two-fold approach. First, as promulgated in HERA, the refinancing authority would expire July 30, 2010, two years from enactment of the legislation. HERA, Pub. L. No.110-289, §1218(3)(C), 122 Stat. 2793 (2008). This date corresponds with the July 30, 2010 expiration of the HOPE for Homeowners program, which we may reasonably assume was the lawmakers' intention. As a short-term measure, we support this timeframe. However, secondly, we suggest that a broader reading of the 1989 Act creating the AHP would allow for permanent authority to use AHP funds for refinancing. 12 U.S.C. § 1430(j)(2)(A) permits the Bank's subsidized funds to "finance homeownership by families with incomes at or below 80 percent of the median income for the area." By not expressly prohibiting refinancing, the FHFA could reasonably interpret "refinancing" as a usual and customary practice of financing homeownership. Such an interpretation would allow the Bank flexibility to incorporate refinancing usage into its routine application of

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AHP funds awarded, including any homeownership set-aside programs, subject to standard regulatory guidelines. This flexibility would make the Bank more responsive to dynamic economic cycles.

Regarding eligible loans and funding partners, the Bank encourages latitude to leverage AHP funds with a wide range of approved partners including, but not limited to, state housing finance agencies, HUD and Rural Development sponsored programs, Fannie Mae and Freddie Mac, Community Development Financial Institutions, and FHLBank members. The Bank has successfully partnered with all of the aforementioned groups, administering funding jointly within defined income targets and other required guidelines. We suggest that the most efficient way to ensure the integrity of the AHP, while meeting the pressing needs of the current environment, would be to rely upon the partner program's income calculations. The Bank would still determine income eligibility. This will allow for the greatest efficiencies of limited staffing and program administration resources while allowing funds to flow to eligible households.

Absent any change to the regulation, the Bank has been proactive in addressing foreclosure mitigation in our District. We directed a voluntary contribution of $2.1 million toward homeownership counseling in 11 of the hardest hit communities of our District. These funds directly assisted families at risk of foreclosure through a combination of counseling services, lender workouts and "rescue funds." We paired this initiative with targeted Advances (secured loans) lending at our cost of funds to members who refinanced loans for their customers. We also established priorities in the AHP competitive program to target high foreclosure areas and to projects targeting vacant properties. As we evaluate the success of these modest yet timely efforts, we may be able expand upon these models with the new authority to use AHP funding.

Thank you for your consideration of our comments regarding the AHP amendments. We look forward to working with our members and partners to find new solutions to the housing foreclosure crisis.

Sincerely,

David H. Hehman
President & CEO
FHLBank Cincinnati