



"A Tradition of Native American Housing"

April 25, 2006

Federal Housing Finance Board
1625 Eye Street, NW
Washington DC 20006

Attention: Public Comments

To Whom it May Concern:

The National American Indian Housing Council, as the sole national group representing more than 450 tribes and their housing entities, appreciates the efforts of the Federal Housing Finance Board to reform and update the Affordable Housing Program (AHP). The AHP has begun to be a vital resource for tribes for financing low-income housing. Since the program's inception in 1990, it has provided more than \$2 billion in AHP subsidies to assist 437,000 housing units nationwide. Seventy percent of these units have been for very low-income households.

Many people familiar with Indian Country are aware that in tribal areas there are numerous social, economic and other issues requiring the attention and limited resources of tribal leaders. For this reason, it is necessary for non-tribal organizations, government agencies and policy makers to maintain strong programs to provide assistance to groups such as Native Americans who do not have equal access to credit and who, frequently, according to the government's own data, are victims of discrimination in lending at a very high level.

Carefully considering reforms and updates is a crucial exercise in bolstering the equity and efficiency of this important program. NAIHC offers the following comments on key aspects of the proposed changes.

Balance Between Homeownership and Rental

NAIHC supports the proposal that would eliminate accelerating set-asides for homeownership programs. These features had the potential for effectively increasing the homeownership set-aside beyond the current set-aside of 35 percent of a FHLB bank's annual AHP contribution. As such, these program features could divert too much financing away from very low-income rental developments into homeownership projects.

Accountability: Advisory Council and Implementation Plans

NAIHC does not support the proposal to allow a FHLB bank to appoint some Advisory Council members for two years and others for one year. The intent of this proposal is to prevent high turnover when one third or more of the seats have terms expiring in any one year. Instead of its proposal, the Finance Board could simply stagger three year terms in order to avoid high turnover in any one year. Offering a FHLB bank discretion in making one or two year appointments creates unequal political power among Advisory Council members. Those with the two year appointments would effectively have more power. FHLB bank boards would therefore be tempted to place their favorite members of the nonprofit community in the two year slots.

NAIHC supports the proposed requirements for placing each FHLB bank's implementation plan and annual analysis of low- and moderate-income housing and lending activity on the FHLB banks' websites. This proposal increases the transparency and accountability of the FHLB banks.

Homeownership Counseling – Maintain Requirement

NAIHC does not support the proposed movement away from mandatory counseling for homeownership programs. Under the current homeownership set-aside program, homeownership counseling is mandatory. As a major provider of homebuyer training to Native communities nationwide, NAIHC has seen the difference homebuyer counseling makes in helping prepare people for homeownership. Our own experience supports maintaining the current requirement.

Natural Disaster Areas

NAIHC supports the proposal to provide financing for housing in federally declared disaster areas and to low- and moderate-income families displaced by disasters. This proposal would be consistent with the recent changes to the regulations implementing the Community Reinvestment Act (CRA). The proposal would thus work in tandem with CRA to direct resources to geographical areas and low- and moderate-income families afflicted by natural disasters.

Projects Outside FHLB Bank Member Districts

NAIHC does not support the proposal to rescind FHLB bank discretion to weigh in-district projects more heavily. The preference for in-district projects preserves a geographic balance and the spreading of projects across the country. Eliminating all in-district preferences may eventually divert projects to districts with large, multi-billion dollar banks and away from districts with fewer and/or smaller banks.

As a compromise, NAIHC would not oppose eliminating FHLB bank prohibitions on projects outside their districts. However, eliminating FHLB bank weighting preferences for in-district projects goes too far and risks geographic imbalance. Besides, it appears that the Finance Board is fixing a procedure that is not broken; few FHLB banks are prohibiting or restricting out of district financing.

Charging High Interest Rates

NAIHC strongly supports the proposal that both member banks and non-member institutions cannot charge interest or fees that exceed a reasonable market rate. High cost lending has accelerated in recent years. The AHP program and its subsidies must be focused on providing affordable alternatives to high cost lending for low- and moderate-income families.

In Conclusion

NAIHC appreciates this important opportunity to comment on proposed changes to the AHP program. Before closing, NCRC also wishes to add a comment about access to credit and capital for small business. While we realize you are asking for comments on proposed changes to the AHP program, NCRC reiterates our long-standing advocacy before the Finance Board of a specific program responding to the credit and capital needs of small businesses, particularly on Indian reservations. Your CIP program supports community development but is not specifically targeted to small business development. Women- and minority-owned small businesses in working class, minority communities and Indian reservations face persistent obstacles to credit and capital. A lengthy literature based on Federal Reserve sponsored-surveys suggests that discrimination is a factor blocking access to credit and capital for traditionally underserved small businesses. NAIHC sincerely hopes that the Finance Board considers a specific small business program. As a first step, please consider convening a conference or symposium on small business needs across America. Given that the membership of the FHLB banks is now heavily skewed towards commercial banks, the FHLB system has the resources to tackle all the dimensions of economic development, including assisting small businesses.

If you have any questions, please feel free to call me or Jane DeMarines, on 202-454-0911.

Thank you.

Sincerely,



Gary L. Gordon
Executive Director