

Joe Rowan
Executive Director
Funding Partners
214 S. College Avenue
Fort Collins, CO 80524-2870

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

Dear Federal Housing Finance Board:

Thank you for the opportunity to comment on the proposed Affordable Housing Program Amendments. We believe the Federal Housing Finance Board is taking several steps to increase the reach of the AHP. We particularly applaud the inclusion of "revolving loan funds" as eligible sponsors of AHP projects, and believe that communities will see significant benefit from the extended participation of CDFIs in the AHP program. CDFIs bring specific expertise and a strong track record in the markets the AHP targets.

We are also pleased to see that the FHFB has proposed strengthening the AHP's role in the FHLB system by emphasizing the role of the AHP Advisory Council, specifying some of its duties, and solidifying its relationship with the Banks' Boards. Strengthening the Advisory Council, however, is no substitute for ensuring that the Board of each FHLB has Directors knowledgeable in affordable housing finance. An FHLB will have the most success with its Affordable Housing Program when it can draw on and use effectively the advice and knowledge of those with expertise in the affordable housing and community development arena. The FHFB must fill the vacant Public Interest and Community Interest Director seats in the FHLB system if it wants these proposed regulations to have maximum impact and the AHP to be fully successful.

My organization strongly supports the addition of loan funds as eligible sponsors of AHP projects. As the Board correctly notes, many of these loan funds "are able to leverage additional funds for low-income borrowers or bring added value to the services provided by nonprofit corporations and local governments. These entities may also provide technical assistance in packaging loans, or may service loans, manage affordable housing revolving loan funds..." This is precisely the role that community development financial institutions play in leveraging additional resources into emerging markets including low-income borrowers and renters and first-time homebuyers.

To help ensure that this new authority makes sound use of the subsidy, we urge you to recognize explicitly CDFIs as specific entities that would meet the criteria as loan fund sponsors. The Opportunity Finance Network's

167 Member CDFIs, for example, have \$4.1 billion in assets and \$9.6 billion in cumulative financing, finding and financing opportunities others miss while maintaining a net charge-off rate of only 0.5%. They also leverage significant private-sector investment: the CDFI Fund estimates that CDFIs leverage as much as \$27 in private-sector capital for each \$1 the Fund invests.

CDFIs have expertise in working in low-income, first-time homebuyer, special-needs housing, and other markets targeted by the AHP. They have developed products and services as well as knowledge that meet the needs of and demand from these markets; the FHFB could gain leverage for the AHP subsidy by recognizing CDFIs in the regulations. Additionally, most CDFIs already have in place systems for internal control and reporting systems that assure both the affordable housing mission and financial soundness.

Because of this sound track record, we further suggest that you give priority to CDFIs as loan fund sponsors of AHP projects. Authorization of loan fund sponsors and development of FHLB programs that support them will likely bring new competition for AHP subsidies, which at many Banks are already in high demand, and prioritizing CDFIs can help direct the subsidy appropriately.

We do not mean to suggest that priority for CDFIs should substitute for the evidence of sound financial practices that §951(c)(10)(ii) spells out; we strongly agree that users of the AHP subsidy must demonstrate the capacity to use it appropriately. However, providing priority to CDFIs that meet those requirements can assure the FHLB system that the projects financed by the AHP are managed by organizations with an understanding of opportunity finance and a commitment to improving affordable housing opportunities.

My organization believes there is significant potential for the AHP to reach even further into emerging markets, and that partnership with CDFIs is a way to capitalize on that opportunity. The inclusion of loan funds and loan pools as more active participants in the AHP, as well as a stronger role for the Advisory Council, are important steps in this direction.

Sincerely,

Joe Rowan
9704942021
Executive Director
Funding Partners