



*Building
houses,
building
hope*

April 26, 2006

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

Re: Federal Housing Finance Board
Proposed Rule: Affordable Housing Program Amendments
RIN Number 3069-AB26, Docket Number 2005-23

Ladies and Gentlemen:

Habitat for Humanity International (Habitat for Humanity) is grateful for the opportunity to provide comments on the Proposed Rule issued by the Federal Housing Finance Board relative to the Affordable Housing Program regulation (12 CFR part 951). Habitat for Humanity thanks the Finance Board for its comprehensive review of the program regulations and for the efforts it has made to incorporate additional definitions, reorganize the regulatory text, expand the means of supporting affordable housing, and clarify and propose operational and monitoring requirements.

The Affordable Housing Program has been instrumental in helping scores of low and very low-income families to enjoy a decent place to live at prices they can afford to pay. Thanks to the AHP program, thousands of these families have worked with Habitat for Humanity to build the home of their dreams and a stake in a better, more secure future. Habitat for Humanity is deeply grateful for the support the Banks have extended to its affiliates and to the families they serve, and we look forward to continued collaboration in the future.

The intention expressed by the Finance Board in the proposed rule of supporting a variety of different kinds of housing projects - be they manufactured housing, emergency shelters, Single Room Occupancy (SRO) housing, or supportive housing opportunities - is of particular interest to Habitat for Humanity as it increasingly seeks to advocate and partner with others so that the housing needs of all men, women, and children can be met and viable, sustainable communities be developed. Habitat commends the Finance Board and the member Banks for their commitment to meeting a full spectrum of housing need.

Habitat for Humanity has some comments and questions that it would like to pose to the Finance Board in response to the proposed rule. These are reviewed below underneath the appropriate section of the regulation.

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951.1, Definitions

“Low-or moderate-income household.”

Habitat for Humanity supports making household size adjustments to income limits. This change will benefit families whose household size impacts the constraints of their incomes, enabling more families to qualify as very-low, low or moderate income households and be eligible for the support of the AHP program. Conformance with the standards of other federal programs also makes this a valuable change.

951.5(c)(2), 951.5(c)(3), and 951.5(c)(4), Need for Subsidy

The proposed rule indicates that the provisions governing the “need for subsidy” analysis would eliminate the need for Regulatory Interpretation 199-03. This guidance, which was sensitive to the distinctive features of the Habitat model and other highly subsidized programs, and which recognized Habitat’s role as a developer, enabled member Banks to utilize a net present value calculation in determining a project’s sources (in the sources and uses analysis) and in demonstrating a project’s need for subsidy.

Habitat for Humanity is concerned about this amendment. The elimination of the Net Present Value calculation would mean that there no longer will be a mechanism that recognizes Habitat for Humanity’s deeply subsidized mortgage in demonstrating a gap between sources and uses. Without benefit of the net present value calculation, or a similar mechanism, a significant number of Habitat for Humanity projects – and others that rely on deeply discounted mortgage financing – may not be able to qualify for subsidies under the competitive application program. Similarly, while new loan authorities have been proposed that mesh with the Habitat program, a methodology will still be required to demonstrate need for subsidy. Habitat for Humanity is prepared to sit down with the Finance Board to discuss, with concrete examples, the impact of the elimination of the Net Present Value and to explore its values and/or the possibilities of an alternative system.

The Net Present Value calculation is a fair and effective means of demonstrating the difference in value between a Habitat for Humanity mortgage and a more traditional form of mortgage in calculating sources of funds. Habitat for Humanity requests that Banks be allowed to utilize a net present value calculation in determining sources of funds and need for subsidy for projects with deeply subsidized mortgages.

The AHP competitive grant program, utilizing the net present value, has enabled Habitat for Humanity affiliates to serve thousands of very low-income

and low-income families whose lives have been forever and positively transformed as a result. The collaboration of the AHP program and Habitat for Humanity has touched the lives of tens of thousands of men, women and children; its impact is widespread, significant, and lasting. Habitat hopes very much that the AHP traditional program can remain an integral part of how Habitat for Humanity does its work so that the homeownership needs of many more very-low and low-income families can be met.

In spite of decades of building by Habitat for Humanity, the demand for truly affordable housing continues to grow. Without the capacity to further subsidize the Habitat mortgage, Habitat for Humanity's ability to build and serve families in need is diminished.

In the absence of the Net Present Value calculation or loan authorities that favorably impact Habitat for Humanity's work, Habitat will continue to encourage its affiliates to utilize subsidies awarded through the competitive program as downpayments, recognizing that this approach will reduce the number of families Habitat can serve. Use of the subsidy as downpayment assistance would reduce the mortgage principal of homebuyers and help to insure the affordability of Habitat for Humanity homes at a time when the cost of materials, land and insurance continues to rise. Habitat, again, would welcome the opportunity to work with the Finance Board to develop models of application that could be used consistently to apply for subsidy under the competitive application program.

Finally, Habitat requests, should RI 199-03 and the Net Present Value no longer be utilized in determining need for subsidy, that the new regulation impact only those subsidies awarded by a Federal Home Loan Bank after January 1, 2007. In this way, applications and grants begun and made under the existing guidance can be honored.

Proposed 951.5(c)(13) and 951.5(c)(14): Use of AHP Subsidy by Revolving Loan Funds and Loan Pools

Habitat for Humanity is very interested in the Finance Board's proposal to add Revolving Loan Funds and Loan Pools to the list of eligible sponsors. Habitat assumes, but seeks clarification from the Finance Board, that non-profit sponsors, such as Habitat affiliates or its State Support Organizations, would be eligible as project sponsors under these new authorities. Habitat believes that the Loan Pools and Revolving Loan Funds will add value to the AHP program because it should enable project sponsors with more mature programs to reach a scale of production that would not be possible under the traditional program alone. Conversely, efforts to produce truly affordable units in rural and isolated

areas may be hampered if these authorities are Habitat's primary access to the AHP program. Habitat for Humanity looks forward to working with the Advisory Councils of member Banks to implement these new authorities.

In response to the Finance Board's request for comments on how the authorities could be used, Habitat for Humanity proposes that revolving loan funds be used for short-term construction loans for AHP eligible projects that include the full retention period. Habitat for Humanity proposes for the Finance Board's consideration that the term of these loans would not exceed the five year retention period. Use of a Revolving Loan Fund for construction purposes is consistent with utilization of funds for the purchase, construction or rehabilitation of housing and the short-term nature of the loans would make repayment and subsequent lending easier to monitor.

Habitat for Humanity would be interested in exploring further with the Finance Board and/or Bank Advisory Councils the example cited in the proposed rule under Loan Pools (951.1(c)14), whereby a Bank would make a subsidized advance to a member, with the understanding that the member would make a subsidized loan to another entity, which would commit to purchase similarly subsidized loans from other originators. Habitat for Humanity is interested in determining the possible applicability within its organizational structure of this citation. Habitat specifically asks the Finance Board to consider if its State Support Organizations could be eligible recipients of the subsidized loans. Habitat would then propose that its State Support Organizations be able to use the subsidized loans to purchase mortgage loans from Habitat affiliates; affiliates then could use the loan subsidy for the purchase, construction or rehabilitation of still more AHP-eligible houses. Using loan pool funds in this way will enable qualified Habitat affiliates to achieve scale in production and to serve many more very-low and low income families in their communities.

Habitat for Humanity would like to cite two points of concern relative to Revolving Loan Funds and Loan Pools that could impact its ability, and perhaps the ability of other non-profit entities, to utilize these authorities. The cost, if any, of the loans would be a determining factor in Habitat's ability to utilize these funds. The loan funds need to be cost-effective for sponsors whose programs are deeply subsidized and whose mortgage costs are deeply discounted. A second point of concern involves the re-lending of Revolving Loan Funds. To ease monitoring requirements, and to allow for the tracking of simultaneous generations of funds, the Finance Board might consider cleansing the funds of restrictions once they are repaid. Habitat would welcome the opportunity to discuss with the Finance Board how revolving loan funds, and

subsequent generations of funds, could be utilized to create more affordable housing, without putting undue monitoring burdens on the Banks.

951.5(c)(15)(ii), Counseling Requirement

Habitat for Humanity supports the proposed rule's intent to authorize member Banks to make homebuyer or homeowner counseling an optional eligibility requirement. A close reading of the proposed rule suggests that the owner occupied project would itself have to provide the counseling, where required. Habitat seeks clarification regarding whether other approved organizations also could provide counseling to eligible homebuyer or homeowner families.

951.6(b)(4), Scoring Guidelines: Disaster Areas

Habitat for Humanity commends the Finance Board for its efforts to assist families located in, or displaced from, a disaster area. Habitat encourages the Finance Board to consider allowing member Banks to fund these efforts from set-aside funds, earmarked by the Banks, rather than through the competitive application program.

Habitat for Humanity International again thanks the Federal Housing Finance Board for its comprehensive and thoughtful work in developing the proposed rule and for this opportunity to provide comments in response to it.

Sincerely,

A handwritten signature in cursive script that reads "Jane A. Maloney".

Jane A. Maloney
Director, National Programs

