

April 26, 2006

RE: Proposed Rule - Affordable Housing Program Amendments
RIN Number 3069-AB26
Docket Number 2005-23

Greetings:

Thank you for the opportunity to comment on proposed changes to the Affordable Housing Program (AHP). We support the majority of proposed changes. We do not support two of the proposed changes however, as detailed below.

Out-of-district projects eligibility requirements:

The Office of Rural and Farmworker Housing **supports** the proposal to require district banks to consider applications outside of their district. This provision meets the intent of allowing member banks to submit applications to fund projects outside of their Bank's district. We **do not** support the proposed rule to eliminate *In-District* preferences for projects based on the following:

- Eliminating *In-District* preferences favors large regional/national banks over small local banks who are only interested/able to support local projects; and
- Profits of member banks come from within a district and it is reasonable to give preference that those funds be redistributed within the District.

We also do not support the proposal to allow use of AHP subsidy by revolving loan funds and loan pools:

- Although revolving loan funds for predevelopment expenses are important resources for affordable housing development, there are a number of regional and national revolving loan funds currently available;
- AHP funds currently may be drawn during the development process, alleviating the need for predevelopment loans. Most revolving loan funds charge interest and/or fees that increase project costs. Consequently, accessing AHP funds through a revolving loan fund effectively reduces the amount of AHP subsidy to projects by increasing costs;
- Loan pools can also be a valuable resource. While allowing loan pools to access AHP funds may support more projects, the value of the AHP subsidy will be significantly less than if the project accessed AHP funds directly. Many parts of the country, especially rural areas, have very few resources available for affordable housing and can not afford reductions in the amount of AHP funds available; and
- Low and very low-income levels in many parts of the country mandate affordable rent levels that can not support debt service. Consequently, affordable housing developments in these areas can not utilize debt and can not benefit from loan pools.

Thank you again for this opportunity and your consideration of our comments.

Sincerely,

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