April 27, 2006

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

Attention: Public Comments

To Whom It May Concern:

The Philadelphia Association of Community Development Corporations (PACDC) is a citywide association of over 80 community development corporations (CDCs) and other members working to rebuild communities and revitalize Philadelphia's neighborhoods.

PACDC appreciates the efforts of the Federal Housing Finance Board to reform and update the Affordable Housing Program (AHP). The AHP has been a vital resource for many of our members' affordable housing development projects in Philadelphia. In 2005 the FHLB of Pittsburgh awarded approximately $3.6 million to affordable housing projects throughout the Philadelphia metro region. This program has a significant impact on the affordable housing landscape here. Carefully considering reforms and updates is a crucial exercise in bolstering the equity and efficiency of this important program. Below, PACDC offers comments on key aspects of the proposed changes.

Projects Outside FHLB Bank Member Districts
PACDC supports the proposal to rescind FHLB bank discretion to weigh in-district projects more heavily. We believe that the current system is out-dated due to significant bank mergers and consolidations. As bank mergers occur more and more frequently, and as bank headquarters are being consolidated in fewer and fewer districts, PACDC feels that it is inappropriate to continue weighing in-district projects more heavily. For example, Wachovia, a bank active in Pennsylvania, is a member of the Atlanta FHLB, even though some of its predecessors were members of the Pittsburgh FHLB. Likewise, Bank of America is now a member of the Boston FHLB, even though its key local predecessor was a member of the Pittsburgh FHLB. If in-district projects are weighed more heavily, developers in Atlanta and Boston now have a competitive advantage at accessing funds that were previously available for affordable housing projects in Pennsylvania. We believe that a bank's funds should be available for affordable housing projects in its entire market area, and not just in the area in which it is headquartered.

Balance Between Homeownership and Rental
PACDC 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
PACDC 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 non-profit community in the two year slots.

PACDC 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 – Make it an Option, Not Mandatory
PACDC supports the proposed movement away from *mandatory* counseling for homeownership programs, though we do believe that a minimum amount of homebuyer education should be required for everyone. Under the current homeownership set-aside program, homeownership counseling is mandatory. PACDC supports the proposal to allow a FHLB bank, at its option, to require homeownership counseling under the competitive application or set-aside programs. However, a FHLB bank must not be allowed to require homeownership counseling for all of its homeownership programs under the competitive application and set-aside programs. In some cases, homeownership counseling is eminently sensible for programs involving borrowers with imperfect, limited, or no credit history. In other cases, however, the borrowers may have good credit, but may just have low- and moderate-incomes. These borrowers may not need intensive counseling. In order to preserve flexibility in judging the needs of borrower groups, counseling components of various homeownership programs should be determined on a case by case basis by FHLB banks, lending institutions, and non-profit community organizations.

PACDC appreciates this important opportunity to comment on proposed changes to the AHP program. If you have any questions, please feel free to call me (215) 732-5829.

Sincerely,

Rick Sauer
Executive Director