



Federal Housing Finance Board  
1625 Eye St., NW  
Washington, DC 20006  
ATTENTION: Public Comments

April 27, 2006

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

On behalf of the Council of Federal Home Loan Banks (Council), I would like to thank you for the opportunity to provide comments on proposed changes to the regulations governing the Affordable Housing Program (AHP). The Council appreciates the efforts of the Federal Housing Finance Board (Finance Board) directors and staff in taking action to improve the AHP. The AHP has developed over the years into an outstanding program praised by Members of Congress as well as others, and is often suggested as a template when new housing grant programs are being considered. It is in the spirit of improving an already outstanding program that we provide these comments. The Council is supportive of the changes being proposed with respect to monitoring. It is unfortunate, however, that the proposed rule did not address scoring criteria.

The following offers additional thoughts concerning specific areas of the proposed rule:

**951.5 Competitive application program.**

*Revolving Loan Funds/Loan Pools.* Funding to support affordable housing efforts has declined significantly over the past 20 years. Revolving loan funds and loan pools are an example of how to increase the impact of AHP subsidies. By using loans rather than outright grants, the economic benefit of subsidy can be leveraged many times over. The Council supports allowing FHLBanks the option to use AHP grants in conjunction with revolving loans funds and loan pools.

*Scoring Empowerment, Community Stability.* The language of several of the scoring factors remains essentially unchanged from the current rule. The rule's language retains language that, on the surface, appears to offer scoring flexibility but that, in point of fact, has been interpreted restrictively by Finance Board examiners (e.g., we understand the term "such as" has been interpreted quite narrowly). The Finance Board should allow the FHLBanks additional flexibility in determining these scoring factors.

*Scoring District Priorities.* The proposed rule retains separate scoring criteria for a first and second district priority. The dual district priority criteria should be combined into a single district priorities factor as defined by the FHLBanks after consultation with the

Affordable Housing Advisory Councils. The new district priorities criterion should allow FHLBanks to specify multiple district priorities.

*Scoring Flexibility.* Although no significant changes to current practice were included in the proposed regulation, the Finance Board should consider making changes in the scoring area. Each FHLBank’s AHP should target the most critical affordable housing needs in its district. To accomplish that objective, two steps are necessary. First, housing needs must be appropriately identified through a process that includes input from each FHLBank’s Affordable Housing Advisory Council, board of directors, membership and other community partners. Second, it is important to design project scoring so that projects targeted to meet those critical needs receive the highest scores and are selected for funding. Allowing greater flexibility will allow specific and, at times, unique district needs to be fully integrated into the scoring process at each FHLBank. The Council recommends that the Finance Board modify the AHP regulation to provide significantly greater flexibility to the FHLBanks in adopting scoring criteria that are tailored to the needs in their districts.

#### **951.6 Homeownership set-aside programs.**

*Bank Required Incentives.* The proposed rule requires the Banks to establish incentives for members to participate in the set-aside programs. The Council opposes mandatory incentives on the part of the FHLBanks to encourage member participation. This requirement should be optional.

#### **951.7 Monitoring.**

*Risk-based Versus Outcome-based Monitoring.* The proposed rule provides for the use of a “reasonable, risk-based sampling plan” for monitoring efforts, however, there is no definition of what constitutes a “reasonable” plan. The Finance Board should clarify the components of a “reasonable plan”.

*Long-term Monitoring – Populations Served.* The proposed rule adds a requirement for the FHLBanks to implement policies and procedures to confirm compliance with “targeted population commitments.” It is not clear what the reference to “targeted population commitments” means in terms of long-term monitoring. The annual certification required later in the same section of the regulation makes no mention of the project owner certifying compliance with targeted population commitments but refers only to the incomes and rents of the project households. The reference to “targeted populations served” could be interpreted broadly to require long-term monitoring of application commitments not previously subject to long-term monitoring under the current AHP rule. Accordingly, the Finance Board should provide clarification.

**951.8 Remedial actions for noncompliance.**

*Noncompliance by Members Acquired by Members of Another District.* The Finance Board should include in the rule provisions addressing the enforcement of sanctions against members deemed out-of-compliance in one FHLB district in those circumstances where that member is acquired by a member in another district or otherwise moves to another FHLB district.

Sincerely,

A handwritten signature in black ink, appearing to read 'JL von Seggern', with a long horizontal flourish extending to the right.

John L. von Seggern  
President and CEO