

**Kaye, Janice A.**

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**From:** Mary Lee Widener [Mwidener@nhsofamerica.org]  
**Sent:** Thursday, April 27, 2006 6:22 PM  
**To:** Comments  
**Cc:** Steven Tuminaro; Andrea Washburn  
**Subject:** NHSA AHP Comments April06.doc  
**Importance:** High

**Public Comments on Proposed Rule: Affordable Housing Program Amendments**

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1970 Broadway, Suite 470 • Oakland, CA 94612-2216  
 (510) 287-4201 • Fax (510) 444-6145  
 e-mail: [mwidener@nhsofamerica.org](mailto:mwidener@nhsofamerica.org)

*Mary Lee Widener*  
*President*

April 27, 2006

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

ATTENTION: Public Comments

Subject: Federal Housing Finance Board  
 Proposed Rule: Affordable Housing Program Amendments at 12 CFR Part 951  
 RIN Number 3069-AB26  
 Docket Number 2005-23

Neighborhood Housing Services of America appreciates the opportunity to comment on the Proposed Rule proposing amendments to the Affordable Housing Program as published in the Federal Register on December 28, 2006.

NHSA supports the efforts of the Finance Board to improve and streamline its Affordable Housing Program regulation. We are also familiar with and strongly support the public comment letters on the proposed amendment from the Federal Home Loan Bank of San Francisco and NeighborWorks<sup>®</sup> America.

NHSA serves as the NeighborWorks<sup>®</sup> network's secondary market for nonconventional community development loans. In this role, we have worked with many local NeighborWorks<sup>®</sup> organizations trying to participate in the Affordable Housing Program.

**Support for use of AHP subsidy by revolving loan funds and loan pools**

Because of our experience, we particularly urge approval of the proposed rule change that would explicitly authorize the Banks, at their discretion, to allow AHP funds to be used for revolving loan funds and loan pools.

Currently AHP funds cannot be used for loan pool reserves, partial loan guarantees, or other collateralized loan

arrangements that serve to highly leverage other financing. If \$100,000 of AHP funds could be used in a revolving loan fund or loan pool reserve, it could easily leverage \$1 million to \$2 million or even more in other funds that can then be used to support additional AHP activity.

To maximize the benefit of AHP dollars, NHSA believes that it is important that the procedures required in implementing the revolving loan fund policy assure that they avoid negating the nature of the revolving loan fund.

### **Additional comments on specific sections**

- 1) Under 951.1 - Definitions - Revolving Loan Fund - the definition of principal payments into the fund should include borrower repayments and sales of loans on the secondary market.
- 2) Under 951.1 - Definitions - Sponsor (2), the last phrase should be a "and/or" to read "... or by qualifying borrowers and/or providing or arranging financing for the owners of the units."
- 3) Under 951.5 Competitive application program (7) (ii) - Counseling Costs - The qualifying condition that "The cost of counseling has not been covered by another funding source, including the member," needs to be clarified. At what point does one conclude that the payments made by others does not constitute covering all the costs and does not disqualify payment from the AHP grant.
- 4) Under 951.5 Competitive application program (8) - Refinancing. In order to clarify how this relates to the refinancing of a single owner occupied unit, a phrase at the end of the item should be added to read: "...or rehabilitation of housing units meeting the eligibility requirements of this paragraph (c), including rehabilitation of the existing unit of an owner occupant or multi-family sponsor."
- 5) Under 951.5 Competitive application program (9) Retention (i) - Owner-occupied projects. Language should be added to the effect that, "In the case of re-uses of subsidies by a revolving loan fund or loan pool, once the subsidy has been used to support qualified borrowers for a period of five years, the retention period has been met, even if the sponsor chooses voluntarily to continue the use of the subsidy to qualified borrowers as it is paid back after the five-year period."
- 6) Under 951.5 Competitive application program (13) Use of AHP subsidy by revolving loan funds (B) (iii) - The above concept needs to be reflected here, with the addition of language such as the following to subsection (iii): "The revolving loan fund shall return to the Bank any repaid AHP subsidy that will not be used according to the requirements in this paragraph (c)(13), with recognition that once the retention period required by the subsidy has been reached -- five years for owner occupied properties and fifteen years for rental properties -- the subsidy has been 'earned' and can continue to be used without risk of recapture by the Bank. The objective is to encourage continued use in accordance with the original program guidelines but to avoid monitoring in perpetuity."
- 7) Under 951.5 Competitive application program (ii) - Forward Commitment (B) - How the deed restriction requirement fits into the allowed purchase of initial round loans without a forward commitment needs to be clarified. In addition, if any Federal Home Loan Banks choose to accept a legally enforceable retention agreement or mechanism as an alternative to the deed restriction, then they should be assured in these regulations that this alternative will be acceptable to the Federal Housing Finance Board.
- 8) Under 951.6 Homeownership set-aside programs (c)(2)(iii) - re first-time homebuyer. The last sentence in this section comments on units assisted as part of a disaster relief effort. As this reads, the unit would have to be a first-time homebuyer to get points. Units assisted as part of a disaster relief effort should get points whether or not they are assisting existing owners recover or whether or not they are assisting first-time homebuyers in the disaster area. It could be that assisting first-time homebuyers is assisting the economy but not a disaster victim, with disaster victims disadvantaged simply because they had been a home owner.
- 12) Under 951.9 Agreements (7) Retention agreements for owner-occupied units: This section needs to be

reviewed carefully to assure that the mechanics required fit the interest buy-down structure. It appears to need some level of clarification. In addition, if any Federal Home Loan Banks choose to accept a legally enforceable retention agreement or mechanism as an alternative to the deed restriction, then they should be assured in these regulations that this alternative will be acceptable to the Federal Housing Finance Board.

Again, thank you for this opportunity to comment on the proposed changes to the regulation. NHSA strongly supports the Finance Board's efforts to improve the Affordable Housing Program regulation, and we are most pleased to offer our suggestions.

Sincerely,

*/s/ Mary Lee Widener*

Mary Lee Widener  
President and CEO