

April 27, 2006

Federal Housing Finance Board
1625 Eye Street NW
Washington, DC 20006
ATTENTION: PUBLIC COMMENTS
Via email: comments@fhfb.gov

To whom it may concern:

CFED, founded as the Corporation for Enterprise Development, appreciates the opportunity to comment on the Proposed Rule: Affordable Housing Program Amendments (RIN Number 3069-AB26, Docket Number 2005-23). As a leader in asset-building and economic development strategies, CFED works at the national, regional, state, and local levels to help people acquire assets, build businesses, and create healthy communities.

We appreciate the Federal Housing Finance Board's (FHFB) commitment to improving the Affordable Housing Program (AHP) and we support the following proposed regulations:

- Requiring that the report on each Bank's housing and community development activities and its AHP implementation plan be published on a publicly available website and the clarification of the areas in which the Advisory Council must be consulted. We concur with the FHFB that this public access will promote "greater transparency and accountability." We urge the FHFB to go a step further and hold the Federal Home Loan Banks (FHLBs) accountable for the success of the AHP implementation plan. Another level of transparency and accountability for the FHFB to consider is requiring that the (FHLBs) post annual or semi-annual reports on their websites highlighting their progress toward the implementation plan. *§951.3(d) and §951.4*
- Increasing efforts to strengthen the AHP's role in the FHLB system by emphasizing the role of the AHP Advisory Council, specifying some of its duties, and solidifying its relationship with the Banks' Boards. However, we do not support the portion of the proposed rule that would allow a Bank to appoint some Advisory Council

members for two years and others for one year. While we concur with the goal to manage turnover, our preference would be to offer longer, not shorter terms. Three- or four-year terms would be far more effective in providing stability and knowledge for Advisory Council leadership than one-year terms, especially without a requirement or expectation for reappointment. Clarifying officer requirements is appropriate and important. §951.4

- Including "revolving loan funds" as eligible sponsors of AHP projects. Expanding AHP resources to Community Development Financial Institutions (CDFIs) will significantly benefit communities. §951.5(10) and 951.5(13)
- Requiring all banks to consider and fund out of district applications. The Finance Board is correct in noting that permitting Banks to fund out of district AHP applications at their discretion has become extremely problematic due to bank mergers. §951.5(c)(15)
- Adding manufactured housing as eligible rental and ownership housing units. In many rural communities, manufactured housing is a critical part of the housing stock. We are concerned that many of manufactured housing loans are originated as personal loans, not mortgages, and thus the borrowers do not enjoy the consumer protection or appreciation that apply to most homebuyers. We hope that this addition will increase the positive participation of financial institutions in this underserved market. §951.5(c)(1)(i) and §951.6
- Revising the conflict of interest policies is an appropriate request. §951.10(c)
- Including disaster areas and families displaced by disaster areas in the evaluation criteria. The Community Reinvestment Act (CRA) regulations released last year as well as the 2006 CDFI Fund programs in the Department of Treasury has recognized the importance of providing resources to these people and communities. The FHFB's proposal is consistent with other agencies' provisions for community investment. §951.5(d)(5)(vi)(E)

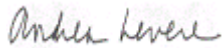
- Clarifying that the income determination for any homeownership set-aside funds must be made at the time the individual enters the program. As noted, this clarification is consistent with the general operation of Individual Development Accounts nationwide. *§951.6(c)(2)(i)*
- Including homeownership counseling as an eligible AHP expense for participants in an AHP funded homeownership program. Asset protection is an appropriate AHP expense. *§951.6(c)(8)*
- Clarifying cash back provisions. We support the idea that a borrower should not receive cash back at closing, but we are concerned about its practical implications. Due to the complexity of closing with a variety of housing subsidies and financing sources, a limit of no more than \$100 might be better suited to permit flexibility and ease transactions. *§951.6(c)(10)*
- Streamlining monitoring requirements and permitting the reliance on other government monitoring. Permitting third party monitoring allows for a greater proportion of organizational effort to be directed toward projects. We concur with the Opportunity Finance Network that the monitoring of projects financed by revolving loan funds should be conducted on a project-by-project basis or other proposed methods. This proposal would allow a CDFI to incorporate the AHP subsidy into its existing capital pools rather than requiring the establishment of a separate fund with separate controls. CDFIs that could use the AHP in this new program have concerns about taking on new monitoring and reporting responsibilities. *§951.7(2)(b)(2)*

CFED supports the majority of these changes and appreciates the careful attention of FHFB staff in drafting them. However, we note that the lack of Public and Community Interest directors on the boards of the FHLBs remains a major barrier to the implementation of an active and effective affordable housing strategy. We urge the FHFB to fill the more than sixty vacant PID and CID seats across the system with people knowledgeable in affordable housing and community development. Strengthening the AHP or Advisory Council is no substitute for ensuring that the Board of each FHLB has directors who are knowledgeable and experienced in financing and development affordable housing and economic development projects. In order for these proposed

regulations to have maximum impact and to ensure that the AHP is successful, the FHFB must fill the vacant PIDs/CIDs seats in the FHLB system.

Thank you for the opportunity to share our thoughts and comments. Please do not hesitate to contact me at (202) 408-9788 or alevere@cfed.org if you have questions or concerns.

Sincerely,



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