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April 18, 2018

Mr. Alfred M. Pollard, General Counsel  
Attention: Comments/RIN 2590-AA83  
Federal Housing Finance Agency  
400 Seventh Street, SW, Eighth Floor  
Washington DC 20219

**Re: Notice of Proposed Rulemaking and Request for Comments –  
RIN 2590-AA83 – Affordable Housing Program Amendments**

Mr. Pollard,

Thank you for the opportunity to comment on your recent release of proposed rulemaking regarding the Affordable Housing Program (“AHP”) of the Federal Home Loan Banks (FHLBanks).

I am Managing Member of WV Community Builders (WVCB), an affordable housing developer with offices in Pittsburgh PA and Bridgeport WV.

WVCB and our partner, Garrett County MD Community Action, received an AHP grant for our Sunrise Gardens LIHTC project through FHLBank Pittsburgh. AHP funding allows us to develop properties in rural areas where tax credits and rents alone will not allow the project to achieve sustainability.

We are concerned the proposed amendments unnecessarily complicate the AHP process and add further burden to already stringent documentation requirements. We are here to build housing, not mountains of paperwork.

We suggest FHFA take a critical look at each amendment and eliminate those that increase the administrative burden for FHLBanks, members and sponsors.

We are especially concerned with the outcomes framework as proposed in the AHP regulation amendments. We had hoped that the proposed amendments would provide FHLBanks with more flexibility in their scoring methodologies to allow AHP to adapt to the changing landscape of housing needs in local districts. However, the proposed amendments introduce an outcomes-based framework for awarding AHP funds which prioritizes the Federal Housing Finance Agency’s (FHFA’s) overall housing goals. The unintended consequence of this approach is that the proposed outcomes essentially eliminate FHLBank discretion in addressing local housing needs, establish preferences for certain project types and make AHP less transparent. It may be unintentional, but it appears FHFA is attempting to consolidate the decision-making process into its own hands...a very bad idea.

Housing sponsors/developers manage multiple layers of capital and operating financing that take years to assemble. Developers must blend AHP into the total financial package while dealing with the complexities of real estate development. This makes it imperative for funding to be as streamlined, transparent and operationally efficient as possible. The outcomes framework as proposed in the amendments introduces a complex award structure that makes the AHP scoring process unclear and ultimately a less-attractive funding resource. A scoring-based system is strongly preferred over an outcomes-based framework and will allow FHLBanks to sufficiently respond to local needs, encourage all project types to apply and maintain program transparency.

We also have the following additional concerns about the proposed amendments:

- The proposed amendments change the threshold amount needed for projects to qualify as serving targeted populations from 20 percent to 50 percent. This new threshold is not compatible with other funders and does not recognize the benefit of a mixed-occupancy development, which allows developers to cross-subsidize units in a project. We strongly object to this amendment and recommend retaining the current 20-percent threshold amount.
- Under the proposed amendments, AHP project modifications may be delayed, and AHP sponsors unduly burdened, due to a new "cure-first" requirement. We recommend that the proposed cure-first requirement be eliminated and the FHLBanks retain their current practice of verifying that any modified project would still have scored high enough in the funding round to receive the AHP award had the sponsor applied for AHP funding with the modifications in place.
- The proposed amendments require FHLBanks to evaluate the ability of the sponsor and all members of the development team to perform the responsibilities committed to in the application. The entire development team may not be in place at the time of AHP application, making it impossible to assess total capacity. We recommend retaining the FHLBanks' current practice of reviewing the prior experience of the development team.
- The "need for subsidy" and "project costs" sections of the proposed amendments do not specifically allow for the maximization of coordination with other funding sources. Requiring an FHLBank to independently underwrite a project's need for subsidy and viability is unnecessary and increases the burden on sponsors in cases where other funding sources have already underwritten the project. We recommend allowing FHLBanks to rely on the underwriting of other funders with comparable standards in terms of cost reasonableness, viability of operations, development team capacity and need for subsidy. LIHTC projects, in particular, undergo multiple layers of underwriting. Additional underwriting would serve no purpose other than redundancy.
- The amendments require rental projects with supportive services to create two operating pro formas: one for housing operations and the other for supportive services. The requirement causes projects to arbitrarily separate costs and funding streams. We recommend allowing projects to include supportive services in a project's operating pro forma.
- The amendments do not make provisions for state housing tax credit allocating agencies to become FHLBank members. We strongly recommend this provision be added as these agencies provide a source of soft funding that would work well with the AHP program. Bottomline, implementation of this suggestion would provide developers with increased funding flexibility resulting in the creation of more housing units.

We commend FHFA for working to update the AHP regulation, but it appears you are trying to fix a program that's not broken. In light of the above concerns, we strongly urge you reconsider the proposed amendments, especially the required outcomes framework. If you have any questions, please do not hesitate to contact me.

Sincerely,

  
Joe Leighton