April 23, 2018

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

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

Dear 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 presently the Executive Director of Affordable Housing Management, Inc.(AHM). AHM is a 48-year-old private non-profit headquartered in Greensboro, NC that has previously sponsored an AHP project through FHLBank Pittsburgh.

In 2014, AHM applied for a grant from FHLB-Pittsburgh for Hope Court, a 16-unit supportive housing new construction development in Greensboro, NC. The development consists of one, two, and three-bedroom units that are affordable at 50% of AMI. The property has been at 100% occupancy consistently since opening and has a waitlist of 49 households. The need for affordable, comfortable, quality housing is great in Greensboro and Hope Court was perfectly tailored to fit the economic and social structure in the neighborhood where it was built. The funding from FHLB-Pittsburgh was critical in bringing the development to fruition. While AHM had secured state and city funding, along with grants from Well Fargo Foundation, The Lookout Foundation, and Community Foundation of Greater Greensboro, the grant from FHLB was the final funding partner needed. AHM found FHLB-Pittsburgh to be committed to customer service, always willing to provide assistance and answer questions timely, followed a well-written program, and used a very transparent scoring system.

We are 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.

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 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 proposed amendments eliminate the five-year retention requirement for homeownership projects. Although this is a beneficial change in most instances, it introduces a risk of misuse in certain situations when the AHP per-unit amount is relatively high that FHLBanks need to have the flexibility to address. We recommend allowing FHLBanks the discretion to impose a retention requirement.

- 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.

- 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.

It is the intention of AHM to continue working with FHLB-Pittsburgh in future projects. The Affordable Housing Program is vital to developers such as AHM whose developments need a very limited debt service burden so that it may continue to have very affordable rents and allow the development to be self-supporting. Additional regulatory requirements such as shown above have the potential to prevent developers from applying for FHLB funding that may ultimately reduce the ever-growing need for expanding the inventory of affordable housing. FHLB funding as it is now is fair, transparent, and beneficial to the many different housing needs throughout the nation.

We commend FHFA for working to update the AHP regulation. However, in light of the concerns above, we respectfully ask that you reconsider parts of the proposed amendments, especially the required outcomes framework. Thank you for hearing our ideas on this very important subject. If you have any questions, please feel free to contact me at 336-273-0568 or dlevy@ahmi.org

Sincerely,

David B. Levy
Executive Director

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