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April 25, 2018

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

RE: Notice of Proposed Rulemaking – Federal Home Loan Bank's Affordable Housing Program

Dear Mr. Pollard:

I write to you today to provide comment on the Federal Housing Finance Agency's (FHFA) Notice of Proposed Rulemaking for the Affordable Housing Program (AHP) of the Federal Home Loan Bank (FHLB) system. I am also very grateful to you and the FHFA for providing the opportunity to do so and for undertaking this significant effort to update the regulations. Although the newly proposed rule does offer some positive steps forward for program flexibility, taken as a whole the rule increases the program complexity of the AHP with its focus on nationalized outcomes. As the President of a statewide Community Development Financial Institution (CDFI), I respectfully request a minimum 30-day extension to the current comment period. Sixty days is far too short a time for CDFIs and our partners to provide adequate comment to such complex regulation and major proposed changes, which have taken years to assemble. The AHP provides important and reliable resources to address the severe lack of affordable homes not just in New Jersey but in the rest of the country as well.

Simply put, New Jersey has a housing crisis. New Jersey has led or been close to leading the nation in the number of foreclosures and severely delinquent mortgages for the past several years. It also ranks as one of the most expensive places to live. Newark, our largest urban center, has the dubious distinction of being the most severely housing cost-burdened city in the nation. Additionally, the housing crisis in New Jersey was further complicated and exacerbated by natural disaster, namely Hurricane Sandy. For us and our partners, the AHP has been a critical resource for combatting this crisis through the creation and preservation of affordable homes. The complexity and restrictive nature of the proposed rulemaking threatens to hamper these efforts.

For 30 years, New Jersey Community Capital (NJCC) has been doing its part to help finance the creation and/or preservation of nearly 10,000 affordable housing units. Our fully integrated real estate subsidiary, Community Asset Preservation Corporation (CAPC), has acquired 805 units of housing for redevelopment as affordable homes since 2009. Though our ReStart Home Preservation Program, NJCC has taken an ownership interest in 2,730 nonperforming residential mortgage loans carrying a total Unpaid Principal Balance of more than $615 million. Recently, ReStart has expanded into New York State at the request of and in partnership with New York State Homes and Community Renewal. While CAPC helps disinvested neighborhoods stabilize, ReStart brings housing stability and security to struggling families. All of our strategies and programs thrive because of our partnership and collaboration with other nonprofit organizations, despite the climate of dwindling public resources and support for housing development in New Jersey. In fact, we collaborate with a network of over 100 nonprofits throughout the state, and both we and our partners have used and benefitted greatly from the AHP. But most importantly, through the AHP we are all able to help families avoid foreclosure and repurpose vacant and abandoned properties as affordable homes, stabilizing these communities and the lives of these residents.

One of the major benefits to the FHLB's AHP is the flexibility it affords to both the program borrowers and FHLB members to meet local needs. This flexibility was critical to helping the FHLB of New York use the AHP as part of a disaster recovery response for affordable homes after Hurricane Sandy. Under the proposed rulemaking, the revised outcome framework controls at least 65% of the entire year's AHP contribution and may control as much as 85% of that contribution. This new methodology is too restrictive and a step backwards. It forces FHLB members to develop AHP scoring criteria, which is geared towards certain type of projects in order to meet the required outcomes under the new proposal. This would be at the expense of other types of projects, which a local community may need more. In other words, this undermines the FHFA's stated objective of allowing FHLB members more flexibility to meet local needs, since the AHP is now designed to respond to FHFA outcomes and not district needs.

Furthermore, the threshold requirements for these proposed FHFA outcome criteria incorrectly assume that the specific type of capital and operating sources of financing to develop the types of required projects are readily available in all districts. This creates a static list of nationally prescribed requirements, which do not address the needs of all communities, do not allow flexibility or adaptability, and cannot address the future and changing needs for affordable homes within a district.

The proposed amendments also require FHLB members to evaluate the ability of the sponsor and all members of the development team to perform the responsibilities committed to in a project application. However, an entire development team is often not completely in place at the time of an AHP application, which would make the requirement to assess total capacity impossible. We feel the current practice of FHLB members reviewing the prior experience of a development team is sufficient and should be retained.

As a major financier of supportive housing in New Jersey, NJCC must call attention to the new minimum thresholds for homeless and special needs housing, which are far too high. By increasing these thresholds from the current 20% to the proposed 50%, FHFA would be creating policies which are incongruent with the current major providers of supportive housing funds, namely the state housing finance agencies. In New Jersey, the housing finance agency caps supportive housing at 25% per project. These increased thresholds are also incongruent with current housing policy, which calls for the integration of these vulnerable groups into our neighborhoods and communities rather than the institutionalization of these populations. We recommend FHFA return to the current 20% minimum threshold for homeless and special needs housing.

In addition to the proposed changes to the AHP being too restrictive and defeating the stated objective of flexibility by the FHFA, the proposed rule will likely introduce several unintended consequences. These range from placing undue administrative burdens on project sponsors to forcing project sponsors to repay previously awarded and potentially disbursed AHP funds to FHLB members, if circumstances change. Great care should be taken to ensure as few negative impacts as possible arise from these significant proposed changes.

NJCC and its partners have seen the immense value of the AHP for many years. Any changes which could diminish the impact and usefulness of the program would undermine the FHFA's stated objective of allowing FHLB members more flexibility to meet local needs. We urge the FHFA to carefully reconsider the new rule, its many restrictive requirements, and allow more time for our partners to voice their concerns. By creating nationally prescribed requirements, the FHFA is contradicting the original intent of the AHP to meet local needs. We firmly believe that FHLB members have proven many times over the value of engineering local programs to meet the specific affordable housing challenges of individual districts.

We thank you for your consideration of our request to extend the comment period by a minimum of 30 days and to reexamine the restrictive nature of the proposed rule change and its unintended consequences.

Sincerely,

Wayne T. Meyer
President