RED RIVER BANK
A Louisiana Community Bank • Member FDIC

May 1, 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 Community Relations and CRA Officer of Red River Bank. Red River Bank is a community bank headquartered in Alexandria, Louisiana that is a member of the FHLBank Dallas.

AHP is a critical component of our community development efforts in all the markets we serve. Very few of the projects our bank sponsors are LIHTC projects and the proposed changes may significantly hamper our ability to support community development locally. More significantly impact future plans to participate in LIHTC projects locally. The current process is one of the few that is totally transparent.

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 responsiveness to community needs in their scoring methodologies to allow AHP to adapt to the changing landscape of housing needs in local districts. However, the proposed rule introduces 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 significantly limit FHLBank discretion in addressing local housing needs, establish preferences for certain project types and make the AHP less transparent.

As an FHLBank member, I have confidence in my FHLBank to direct AHP funds in a way that meets the needs of our local district using a scoring framework. Having required outcomes may also lessen the number of opportunities for my institution to successfully participate in AHP in the future, reducing the number of deep community relationships, Community Reinvestment Act credits, and additional lending and investing opportunities that often come with AHP involvement. 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:

- Under the proposed amendments, AHP project modifications may be delayed, and AHP sponsors unduly burdened, due to a new "cure-first" requirement. Delays could have negative consequences to our loans and investments in AHP projects. We recommend that the proposed cure-first requirement be eliminated and the FHLBanks retain their current practice of verifying

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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 amendments add a new provision requiring members to amend current AHP agreements with LIHTC project sponsors, and include in future agreements, a provision that requires the sponsor to report to the FHLBank LIHTC projects that are noncompliant with income targeting or rent requirements during the 15-year retention period. This adds a new requirement and burden on members to amend agreements and on sponsors to actively monitor LIHTC projects for 15 years. We recommend eliminating this proposed new requirement.

- The amendments also require a sponsor/developer to assume greater liability if repayment of AHP subsidy is required. In such an event a FHLB must consider, in addition to other established criteria, the financial capacity of the sponsor or owner, assets securing the AHP subsidy and other assets of the project sponsor or owner. We believe that this new requirement will cause well regarded, successful developers to avoid using the AHP due to the added risk of this requirement. As a result, we believe our opportunities to access the AHP to better assist the communities we serve and have the additional lending and investing opportunities that often come with AHP involvement will decline.

- Under the proposed regulation, the five-year retention agreement for homeownership is eliminated. This is a beneficial change for households that need a moderate amount of AHP to rehabilitate, construct or purchase a home. However, for projects requiring larger amounts of AHP per unit, it introduces a risk of misuse that FHLBanks need to have the flexibility to address. Specifically, it may expose new homeowners to predatory lenders looking to take advantage of the equity provided by the AHP grant. We also believe that AHP grants made for owner occupied rehabilitation, like those made through the FHLB Dallas SNAP set aside program, need to be handled differently than grants used to purchase a home. Often when a recipient of a SNAP grant must sell their home, it is due to changing circumstances due to the resident's age or health. Having a deed restriction on these homes that require repayment of a portion of the grant upon sale, ends up taking most if not all of the homeowner's proceeds. The one size fits all approach of the current and proposed regulation is not appropriate for these grants.

We commend the FHFA for working to update the AHP regulation. However, in light of the concerns above, we respectfully ask that you reconsider and/or eliminate 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 jseastrunk@redriverbank.net.

Sincerely,

Jannease Seastrunk

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