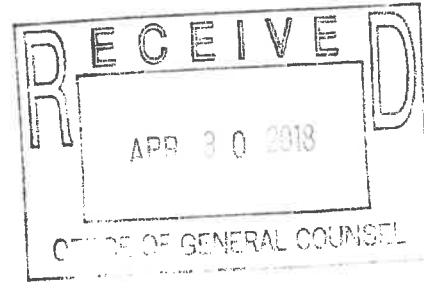


Joseph A. Yarzebinski, CEcD, ret.  
Community and Economic Development Advisor  
4485 Mt. Royal Boulevard  
Allison Park, PA 15101  
April 19, 2018



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:

I am taking this opportunity to comment on your recent release of proposed rulemaking regarding the Affordable Housing Program (AHP) of the Federal Home Loan Banks (FHLBanks). I have been a community and economic development practitioner for the past thirty years, helping to rebuild and renovate distressed communities through transformative real estate redevelopment using tools such as affordable housing. For the last ten years of my professional career I was Senior Program Director at Rural LISC (Local Initiatives Support Corporation), and now consult with/for communities. I currently sit on the Affordable Housing Advisory Council (AHAC) for the FHLBank Pittsburgh.

Since the creation of AHP in 1989, FHLBank Pittsburgh has approved more than 12,000 affordable housing projects. That has resulted in over 49,000 units for individuals as well as families. The millions of dollars invested by FHLBank Pittsburgh along with the billions invested by developers and partners have resulted in transformative real estate development projects changing people's lives for good as well as lifting the economic base of the local marketplace. AHP is a game-changing catalyst.

Regarding the proposed AHP regulation amendments by the FHFA, I have become quite concerned with the outcomes framework. The proposed amendments remove all local flexibility from the FHLBanks. The AHP regulations need to provide local FHLBanks with more flexibility in their scoring methodologies so that the AHP decisions at the local level can adapt to the changing landscape of housing needs, locally. These proposed amendments actually provide the FHLBanks with significantly less flexibility and local discretion.

Unfortunately, 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 and minimizes, if not completely ignores, the needs of the local market which the individual FHLBanks serve. The unintended consequence of this proposed outcomes approach include:

- the elimination of the much needed local discretion of the FHLBank's in addressing local housing needs where the FHLBanks invest their local money;
- the establishment of preferences for certain project types which may not necessarily meet the priority needs of the local housing market, and;
- the making of AHP less transparent so that it is more difficult for developers and stakeholders to effectively utilize AHP in the total financing process of the development project.

Understanding the local needs, which can be (and over the years, have been) addressed through the AHP, at FHLBPittsburgh and each of the individual local FLHBanks, requires local analysis, local investment and local management – a bottom-up approach to problem solving. The proposed changes offer only a top-down approach from the FHFA. These proposed FHFA amendments which effectively eliminate the local discretion and remove the bottom-up approach to addressing the needs of low income families for housing severely hurts the very families and individuals for whom the AHP is designed to help.



All of the funds invested into the AHP program are from the local FHLBank. All of the proposed projects are from the FHLB's local market. All of the families served live in the FHLB's local area, participate in the local economy and attend the local schools. While AHP as a nationwide program is common to all FHLBank's in the network, the individual projects and investments made by any of the Affordable Housing Programs must be handled from the local FHLB level. Yes, there is a need for the FHFA to continue to oversee the program with national regulatory oversight so that there is sufficient commonality between FHLB districts, but the role of the FHFA needs to stop there – and not reach down into the program management minutia such as scoring methodologies as proposed. The success of the AHP program in rebuilding the local communities is because the local FHLB understands its local market area and the specific needs therein.

Those of us involved in affordable housing development manage multiple layers of capital and operating financing that can take years to assemble for a given AHP project. Affordable housing projects by nature are extremely complicated and complex projects. AHP is a crucial component of the 'Source and Uses' table which is part of the total financing of any project. We have to blend AHP into the total financial package while dealing with the complexities of transformative 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 to the developers. A scoring-based system (as we currently use) is strongly preferred over an outcomes-based framework. A scoring-based system will allow FHLBanks to sufficiently respond to local needs, encourage all project types to apply and maintain program transparency.

In addition to the above, the following are 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 does not recognize the benefit of a mixed-occupancy development, and does not allow developers to cross-subsidize units in a project. Retention of the current 20-percent threshold amount is requested.
- The proposed "cure-first" proposed amendment will delay and unduly burden AHP projects. The proposed cure-first requirement should be eliminated and the FHLBanks be allowed to 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. This is impractical. The entire development team may not be in place at the time of AHP application. The FHLBanks' current practice of reviewing the prior experience of the development team should be retained.
- The proposed amendments eliminate the five-year retention requirement for homeownership projects. This introduces a risk of potential misuse in certain situations when the AHP per-unit amount is relatively high. The FHLBanks need to be permitted the discretion to impose a retention requirement.
- The proposed "need for subsidy" and "project costs" sections 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 increases the burden on sponsors in cases where other funding sources have already underwritten the project. FHLBanks should be allowed 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, one for supportive services. The requirement causes projects to arbitrarily separate costs and funding streams. A project's operating pro forma should be permitted to



include supportive services in a project's operating pro forma.

While the FHFA is to be commended for working to update the AHP regulation, portions of its proposed amendment need to be reconsidered. Most importantly, the required outcomes framework must be re-reviewed. A program as wonderful and locally impactful as AHP can not continue to be the community-changing real estate development catalyst that it currently is if proposed amendments removed the local control and decision making.

Remember, complex transformative real estate development like affordable housing, is only the visual proxy for everything else happening in a community. I believe that these proposed amendments to the AHP program will negatively impact communities far beyond the physical, financial and social boundaries of what you see as an affordable housing project. These affordable housing projects provide visible evidence of the transformative changes going on in the community and can be viewed as a proxy for many more real improvements in the people's lives – transformative changes and community improvements that would be eliminated if local discretion is taken from the local FHLBanks, as proposed by the amendments.

Sincerely,



Joseph A. Yarzebinski

