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OFFICE OF GENERAL COUNSEL

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

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 Principal of Stone Sherick Consulting Group (SSCG). SSCG is a consulting firm headquartered in Philadelphia, PA.

As financial and real estate consultants to many non-profit developers building affordable housing, we understand the importance of AHP funding and use it in most of our clients financing structures. Without AHP gap funding for many LIHTC projects and non-LIHTC projects, many projects needed for our most vulnerable communities in need would not be possible.

Comments and Concerns:

- Outcomes Framework – Under the proposed amendments, the outcomes framework may essentially eliminate FHLBank discretion in addressing local housing needs, establish preferences for certain project types and make AHP less transparent.

- Homeless and Supportive Housing – The proposed amendments change the threshold amount needed for projects to qualify as serving targeted populations from 20 percent to 50 percent. This amendment will diminish the opportunity for projects to successfully participate in AHP in the future. 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.

- Homeownership Retention – Under the proposed regulation, the five year retention agreement for homeownership is eliminated.
    - This can be a beneficial change for households that need a moderate amount of AHP funds to purchase or rehabilitate a home. But 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, elimination of the retention agreement may increase property "flipping" for projects with a relatively high per unit AHP subsidy, particularly in rapidly appreciating markets.

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- Re-ranking Projects — The new program regulations require that the AHP "re-rank" applications to satisfy the outcome requirements if those goals would not be met using only the scoring criteria. This poses risks to the core of the program: re-raking is not objective, it is not predicable (for the applicants or for the Bank), and it is not transparent.

- Project Modifications – 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.

- Sponsor & Affiliate Capacity – 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.

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 sstone@sherickpm.com

Sincerely,

Suzanne

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