

AHP Program Rule Comments

I am currently a FHLB board member and a retired CEO nonprofit housing developer. I believe that the AHP program is the “crown jewel” of the FHLB system.

Although the Affordable Housing Program (“AHP”) Proposed Rule offers modest improvements for program flexibility, taken as a whole, I believe the changes make the program more bureaucratic and prescriptive. Particularly troubling to me are some of the components of the 55% rule.

The proposed rule requires the majority of projects meet at least two of the three following housing needs:

Underserved Communities and Populations – housing for homeless households, special needs populations and other targeted populations (e.g., agricultural workers, military veterans, etc.), rural housing, households with income at or below 30 percent of AMI, etc.;

Create Economic Opportunities – housing in combination with life skills or economic empowerment, such as, employment education or training, homebuyer counseling, child care, health services, etc.; and,

Affordable Housing Preservation – preservation of affordable ownership and rental housing.

The proposed regulatory priorities’ required minimum threshold percentage is excessive.

The proposed re-ranking of otherwise competitive projects is a necessary tool for complying with the requirements of an outcome-based model; however, it is a problematic disrupter to AHP’s predictability and transparency.

Also the proposed rule moves from incentivizing certain types of projects to establishing quotas. For example, the Cincinnati Bank has a preference for projects serving special needs households, which they achieve by encouraging those projects through scoring. Under the proposed rule, they would have to award a specific amount of dollars to those types of projects, regardless of their score. This is a very troubling proposition. This rule would diminish the opportunity for other types of affordable housing projects to be competitive and participate in the AHP in the future.

Additionally, projects that serve lower income households are dependent upon capital and operating subsidies, the availability of which are scarce nationally and may be more prevalent in certain markets. Thus, this proposal may have the unintended consequence of concentrating AHP funds in certain geographies.

The proposed changes to the AHP program replaces a transparent, objective scoring-based framework with an arbitrary, FHFA defined, outcome-based framework that reduces the FHLBanks' ability to address the various affordable housing needs across the country.

Again, these changes make the program more prescriptive and less flexible. I believe more time is needed to study these changes and the impact it will have on a program that is essential to affordable housing development.