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OFFICE OF GENERAL COUNSEL

May 9, 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

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 a Senior Vice President/Chief Risk Officer of Glens Falls National Bank and Trust Co. which is a commercial bank headquartered in Glens Falls, NY that is a member of FHLBank of New York.

Our institution has had a long-standing relationship with the FHLB of NY in various capacities and we have been a participating bank in the AHP Program for many years. Most recently, we partnered with the FHLBank and worked with the Akwesasne Housing Authority – Sunrise Acres III Supportive Housing Project in Hogansburg to garner $540,000 in grant money for this project. We have also been involved with similar prior projects.

As you know, the Federal Home Loan Bank of New York's AHP provides member-lenders with direct subsidies which are passed on to income-qualified households through sponsoring local community-based organizations. AHP financing is combined with other funding sources to create housing for moderate-, low- and very low-income families. Such subsidies are directed at the spirit and intent of the Community Reinvestment Act (CRA), and help support the LMI housing needs of our immediate communities and surrounding regions.

The Federal Housing Finance Agency ("FHFA"), which regulates these programs, recently published a Notice of Proposed Rulemaking which aims to position the Affordable Housing Program ("AHP") for the future. Our assessment is that the rule changes would strike at the core of the program's value. Some of the changes proposed would make the process for selecting projects more complex and less transparent. It would also reduce the ability of FHLBanks to address the unique housing needs of our community.

The proposed amendments include potential improvements to the AHP process, but they also create several potential challenges which include:

- 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 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.

- Re-ranking Projects — The NPR requires 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. In practice, there may be several cycles of re-ranking projects needed to comply with FHFA outcomes because simply substituting one project for another may satisfy compliance with one or more FHFA outcome requirements, but not all of those requirements. The NPR should revert to using a point structure for scoring applications. A point structure gives the FHLBanks more flexibility to address district needs.

- 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.

- AHP Agreements – 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.

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 by phone at 518-415-4360 or by email at plareau@arrowbank.com.

Sincerely,

Peter J. Lareau

Peter J. Lareau
SVP/Chief Risk Officer