



May 9, 2018

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA83
Federal Housing Finance Agency
Eighth Floor
400 Seventh Street Southwest
Washington, D.C. 20219

Re: Federal Housing Finance Agency's Proposed Amendments to Affordable Housing Program

Dear Mr. Pollard:

The Federal Housing Finance Agency (FHFA) released a Notice of Proposed Rulemaking to amend the Affordable Housing Program (AHP) regulation. The proposed amendments will affect how Federal Home Loan Bank of Des Moines (FHLB Des Moines) members and affordable housing providers use the Competitive Affordable Housing Program and down payment products (Home\$tart®, Home\$tart Plus and the Native American Homeownership Initiative). The deadline for public comments is June 12, 2018. To that end, the Washington State Housing Finance Commission makes the following comments regarding the proposed changes:

- The proposed changes are a step backwards. It appears that all control is ceded to the FHFA; therefore, the advisory councils would have no way to demonstrate the needs of local jurisdictions.
- The proposed changes increase the regulatory burden to the Federal Home Loan Banks (FHLB).
- The proposed changes complicate how AHP funds are allocated and at the same time limits how responsive it is to local housing needs that continue to change.

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- The proposed rule calls for 65% of the annual AHP contribution to be controlled by FHFA and it could control as much as 85%. The rule incentivizes certain types of projects but does not impose hard requirement for them. The FHLB will be compelled to develop AHP scoring that will achieve FHFA 's goals; not the goals of the local FHLBs. The possible effect of that is:
 - Less flexibility to meet local needs, because it is the FHFA outcomes not the district needs that are scored. The rule renders the "community lending plans" to an administrative tool that does not have a purpose.
 - The rule creates a static list of nationally prescribed requirements that are not adaptable over time for the ever-changing affordable housing needs in different markets.
 - The rule also could be erroneous in its assumption that there are capital and operating sources of financing available to develop the types of projects the FHFA requires.
- Another possible unintended consequence is the concentration of AHP awards in geographies where capital and operating sources of funds are available to develop projects favored by the FHFA proposed outcomes.
- There are concerns regarding the proposed evaluation process for the need of AHP subsidy. The result could be that this would prevent AHP from being awarded to projects that rely on cash flow to finance supportive services (except where cash flow is generated by federal rental assistance that includes funds for supportive services that cannot be bifurcated). This is a potential conflict with the new proposed outcome framework minimum threshold requirement for homeless and special needs units to increase up to 50% of units because projects with a greater proportion of units reserved for these populations are more likely to require supportive services to be operationally feasible.
- The proposed changes seem to address needs that are perceived; not the needs that exist in the field.
- The proposed changes could work in some very large metropolitan areas like New York City, but they are unlikely to work in smaller jurisdictions, like many of the cities and towns in Washington state, and even larger cities like Seattle and Spokane.
- The complexity of the proposed changes may keep many organizations from even applying.
- The proposed changes will not fund service-related housing delivery; which is much of what we see being developed today due to the homeless crisis across our nation.

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Thank you for your time and consideration. I am available to discuss this matter with you at any time.

Sincerely,



KIM HERMAN
Executive Director
(800) 767-HOME

cc: Washington State Senator Patty Murray
Washington State Senator Maria Cantwell
Washington State Representative Suzan DelBene, 1st District
Washington State Representative Rick Larsen, 2nd District
Washington State Representative Jaime Herrera Beutler, 3rd District
Washington State Representative Dan Newhouse, 4th District
Washington State Representative Cathy McMorris Rodgers, 5th District
Washington State Representative Derek Kilmer, 6th District
Washington State Representative Pramila Jayapal, 7th District
Washington State Representative Dave Reichert, 8th District
Washington State Representative Adam Smith, 9th District
Washington State Representative Denny Heck, 10th District