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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,

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 (FHLB's). I am the former Executive Director of Mississippi's State Housing Finance Agency, the Mississippi Home Corporation (MHC). I have twenty-four years of experience in developing and administering housing programs. I currently Chair the Affordable Housing and Economic Development Committee of the FHLB of Dallas.

I was pleased to see the flexibility provided on the compliance side of both single-family and multifamily housing. This is the type of streamlining and ease-of-use we had hoped would go into all the proposed rule, but as we read further we discovered that was not the case. I have concerns on the other aspect of the proposed rule, as they are both complicated and prescriptive. I've seen programs with this combination drive developers away, thereby reducing competition and participation. By overly burdening banks with regulation and being prescriptive in the types of developments that would receive awards, the FHFA runs the risk of stifling innovation and discouraging participation.

The MHC does not utilize the AHP Program, however, some of the Developers that participate in our Low-Income Housing Tax Credit Program apply for AHP funding. The AHP provides important gap funding, especially for poor, rural areas, which in turn allows Developers to make deals work in addressing the specific needs of local communities. The AHP generally represents around five percent of the total financing and is not the driving force of the deal. With the prescriptive and complex nature of the proposed rule, there is too much uncertainty for a Developer to spend time on an AHP application, especially when the rule is unclear, and awards can be re-ranked to meet national priorities that may not necessarily apply to local communities. Based on my experience, programs that are too prescriptive and complex have the unintended consequence of discouraging participation in the program.

We are concerned with the outcomes framework as proposed in the AHP regulation amendments. We had hoped that the proposed amendments would provide FHLBanks with more flexibility in their scoring methodologies to allow AHP to adapt to the changing landscape of housing needs in local districts. However, the proposed amendments introduce an outcomes-based framework for awarding AHP funds which prioritize the Federal Housing Finance Agency's (FHFA's) overall housing goals. The unintended consequence of this approach is that the proposed outcomes further

restrict FHLBank discretion in addressing local housing needs, establish preferences for certain project types and make AHP less transparent. Also, the FHFA is slow to react to changing market environments and evolving housing needs. By implementing these types of requirements at the FHFA level, you run the risk of the AHP becoming outdated and ineffective. Successful housing programs can adapt to changes in policy and environment regularly and on a local level. The proposed rule takes that out of the hands of the Banks who know their respective districts best.

AHP is a critical source of funds for housing development and should be flexible to support the projects needed in local communities through a clear and understandable process. The outcomes framework as proposed in the amendments introduces a complex award structure that makes the AHP scoring process unclear and makes AHP a less-attractive funding resource. A scoring-based system is strongly preferred over an outcomes-based framework and will allow FHLBanks to sufficiently respond to local needs, encourage all project types to apply and maintain program transparency.

Further, the proposed increase from 20% to 50% for targeted populations goes against accepted best practices for working with targeted populations and could violate the Department of Justice's Olmstead Decision, which calls for persons with special needs or disabilities to be integrated into communities and to not concentrate the populations within a development. Some states have already adjusted their LIHTC Programs to meet Olmstead requirements, my state included. In addition, the 50% increase would eliminate most rural developments because they simply don't have the large population base to pull from to fill up the units.

The Federal Home Loan Banks have successfully administered the Affordable Housing Program since its inception, and have earned the FHFAs trust to minister to the needs of their respective districts without undue oversight, complicated selection processes, and discriminatory targeting practices.

We commend FHFA for working to update the AHP regulation. However, considering 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 601-946-6902.

Sincerely,



Dianne Bolen