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"CONSTRUCTING CHANGE FROM THE GROUND UP"

May 20, 2018

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA83
Federal Housing Finance Agency400 Seventh Street, SW, Eighth Floor
Washington, D.C. 20219

RECEIVED
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OFFICE OF GENERAL COUNSEL

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 Director of the Southern Appalachian Labor School (SALS). SALS is a non-profit community-based organization headquartered in Kincaid, WV that has previously sponsored AHP projects through FHLBank in Pittsburgh.

AHP has been a godsend to low and very low income families living in dilapidated coal camp houses in the southern coalfields of West Virginia.

We are concerned with the outcomes framework as proposed in the AHP regulation amendments. The outcomes-based framework prioritizes the Federal Housing Finance Agency's (FHFA's) overall housing preferences for certain project types, lessen AHP's connection to and support for community development, and make AHP less transparent.

Housing sponsor/developers manage multiple layers of capital and operating financing that take years to assemble. Developers must blend AHP into the total financial package while dealing with the complexities of real estate development. This makes it imperative for funding to be streamlined, transparent and operationally efficient as possible. The outcomes-based framework and will allow

FHLBanks to encourage all project types to apply, connect AHP to community development strategies and maintain program transparency.

We also have the following additional concerns about the proposed amendments:

- 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 slows developers to cross-subsidize units in a project. We recommend retaining the current 20-percent threshold amount.

- 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.

- 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 eating the FHLBanks' current practice of reviewing the prior experience of the development team.

- The proposed amendments eliminate the five-year retention requirement for homeownership projects. Although this is a beneficial change in most instances, it introduces a risk of misuse in the flexibility to address. We recommend allowing FHLBanks the discretion to impose a retention requirement.

- The "need for subsidy" and "project costs" sections of the proposed amendments do not specifically allow for the maximization of coordination with other funding sources. Requiring FHLBank to independently underwrite a project's need for subsidy and viability is unnecessary and increases the burden on sponsors in cases where other funding sources have already underwritten the project. We recommend allowing FHLBanks to rely on the underwriting of other funders with comparable standards in terms of cost reasonableness, viability of operations, development team capacity and need for subsidy.

- The amendments require rental projects with supportive services to create two operating pro formas: one for housing operations and the other for supportive services. The requirement causes project to arbitrarily separate costs and funding streams. We recommend allowing projects to include supportive services in a project's operating pro forma.

- We are concerned that many large banks in West Virginia now have their affiliations with FHLBanks that exclude West Virginia in their service area. While entities like us can apply through these banks, scoring points are often lost if the application is from an "outside" area.

We would like applications to avoid penalties and be fairly considered, perhaps based on earnings set-aside by the volume of business the large banks conduct in West Virginia.

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 jdavid@citynet.net.

Sincerely,

John P. David, Ph.D/Economics
Director, Southern Appalachian Labor School