



*Building strength, stability
and self-reliance through shelter*

May 29, 2018

Mr. Alfred M. Pollard, General Counsel
Att: Comments/RIN 2590AA83
Federal Housing Financing Agency
400 7th Street, SW, 8th Floor
Washington DC, 20219

Dear Mr. Pollard:

On behalf of Loudon County Habitat for Humanity (LCHFH) allow me to express our appreciation to you and the Federal Housing Financing Agency for the opportunity to comment on the proposed rule change regarding the Federal Home Loan Banks' (FHLB) Affordable Housing Program (AHP). Through our partnership with FHLB Cincinnati LCHFH has been awarded \$653,000 to help 35 low income families. This represents approximately 25% of the total families served by LCHFH.

After reviewing the proposed rule change we believe the results would overly burden and unnecessarily regulate the use of program funds thus limiting the leveraging and affordability impact.

- Eliminating the retention agreement increases the risk for abuse of the program. The current method is sufficient to provide the necessary oversight and deterrence for motivation in “flipping” a unit.
- The “cure-first” process will create unnecessary delays with title transfers and subsequently delay completing the overall project.
- Proposed changes to the evaluation of the development team overly complicates meeting this important aspect of the process. The current method is sufficient.

We have a specific interest in addressing the following questions:

Subpart B—Program Administration and Governance

Questions 1 – 4: Targeted Funds and Targeted Lending Plans. LCHFH does not recommend making the proposed changes. The current scoring system and targeted priority areas are structured to effectively use the funds with the most versatility. It allows equitable program use in urban and rural areas; high and low cost of living communities, and diversity of population demographics. The current model has sufficient mechanisms to insure certain underserved populations are served. We believe the proposed changes contradict efforts to reduce obsolete redundant requirements by creating inefficiencies and unnecessary restrictions for assigning AHP funds.

Subpart C—General Fund and Targeted Funds

16. Are the current AHP requirements for sponsor-provided permanent financing reasonable, do the sponsors have a need for AHP subsidy in light of their particular financing model, and does the current method in the regulation for determining their need for AHP subsidy understate or overstate the amount of AHP subsidy needed? LCHFH recommends keeping the current requirements. As with most Habitat for Humanity affiliates, the AHP subsidy is greatly needed to cover expenses incurred during construction, especially considering the sponsor-provided permanent financing model where the loan is a long-term receivable - not a lump sum amount received when the title is transferred. When a sponsor-provided permanent financing option is used at LCHFH the full present-day value of the payable mortgage is not realized over the life of the loan due to the 0% APR. With no interest attached the principal decreases on a 30-year mortgage to approximately 60% of its settlement value. Affiliates like ours rely on community support and grants such as AHP to provide funding for this gap to keep homes affordable. Additionally, while the current approach is sufficient, it understates the need for subsidy by considering the loan value at a much higher APR than is relevant to the 0% provided through a Habitat for Humanity loan.

17. Should sponsors using the sponsor-provided permanent financing model be considered revolving loan funds and, if so, should they be subject to the current or different AHP revolving loan fund requirements? No. We believe the sponsor-provided financing model should not be considered revolving loan funds and recommend against efforts to do so. A great majority of Habitat for Humanity affiliates use this type of financing at a 0% APR. A revolving loan mechanism devalues the financial impact of AHP funds by over burdening the administrative process and creating additional unnecessary cost. Habitat for Humanity loans are designed to support current and future direct services such as home building and repairs based on the local community housing needs and affiliate capacity. If LCHFH were to incorporate a revolving loan method, it would limit our flexibility to use funds where most needed.

19. What are possible approaches for re-ranking applications to meet the outcome requirements while at the same time maximizing the extent to which the highest scoring applications are approved? We do not support the concept of re-ranking to meet outcome requirements. An additional layer of outcomes adds constraints to areas absent of such conditions and any re-ranking projects limits ability to meet local needs. For example, in Loudon County TN, we have very few occasions where donated land is available. Any outcome including a special focus on this criteria would eliminate our projects from consideration.

Subpart E—Outcome Requirements for Statutory and Regulatory Priorities

Questions 29 -35: Proposed changes to unit thresholds. The current method for supporting homeless and special needs households already receives a fair and meaningful consideration. Changing the thresholds unnecessarily restricts availability and deployment of funds and hinders the ability for



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communities to meet local housing needs. In Loudon County, TN, for example, there is a growing need for low income housing due to economic growth outpacing increases in housing and rental stock. Workforce housing and starter homes are needed. Many families in our community and throughout east Tennessee without special needs or homeless classifications are commuting 45-75 minutes for entry level and low wage jobs. The proposed changes create an incentive to develop housing projects that focus on specific populations leaving this emerging group with fewer options.

Again, thank you for the diligent and thoughtful efforts to improve the FHLB AHP programing and for allowing Loudon County Habitat for Humanity the opportunity to provide field-based feedback on this important matter. We greatly appreciate our partnership with Federal Home Loan Bank of Cincinnati and consider the AHP a critical component of our business model essential to the successful executing our mission.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Gibbons".

Tony Gibbons
Executive Director