



May 31, 2018

Alfred Pollard, General Counsel  
Federal Housing Finance Agency  
Constitution Center  
400 7<sup>th</sup> Street SW  
Washington, D.C. 20219

Re: Proposed Rule for FHLB Affordable Housing Program  
RIN 2590-AA83

Dear Mr. Pollard,

On behalf of the Vermont Housing and Conservation Board (VHCB), we write to express concerns with the proposed Rule for the AHP. The VHCB is a multi-purpose public funder of affordable housing and community development in Vermont. We administer a state housing trust fund that has invested over \$200 million in more than 12,600 homes across our state. We also serve as Vermont's administrator of both the national Housing Trust Fund and the HOME Program. On most occasions, AHP projects in Vermont have sought and received funding from VHCB, so we have been partners on most of the investments AHP has made in Vermont.

We ask that the Administrator reconsider the proposed Rule and offer the following key comments:

1. The new rule appears to try to impose a national framework on priorities for housing that should be determined regionally and locally. Our experience with the AHP, as administered by the Boston FHLB, is that it has provided the flexibility to serve a number of different needs within our diverse state. These needs include disinvested rural communities, special needs populations, and some very hot markets in which the supply of affordable housing is limited to the extent that often Section 8 voucher holders cannot find available units. Flexibility in responding to those diverse and changing needs is critical and we believe the proposed Rule will, as drafted, decrease such flexibility.
2. The proposed Rule, which may appear appropriate in the abstract, will likely add costs to the administration of the program for the Bank and applicants and duplicate efforts already underway to assure good use of public and private funds. Specifically, both the VHCB and our Vermont Housing Finance Agency are already underwriting the capability and quality of project sponsors, as well as reviewing the procurement process and



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requiring market studies. These are examples of issues that will add cost under the proposed Rule.

3. The proposed Rule would prioritize projects with a very high percentage of extremely low income residents or special needs populations. Our approach in Vermont, where we often lead the nation in the percentage of extremely low income residents living in our tax credit and HOME funded housing developments, has been to create mixed income developments rather than isolating or concentrating special needs populations. Housing with a high percentage of units targeted to specific incomes or special needs does not serve rural communities well over time. In areas of lower of population, the needs are no less acute, but they are more diverse. Adding more restrictions to AHP will likely hinder rather than help it have the desired impact.
4. We share the concern expressed by other regional and national groups that restructuring the minimum allocations required of banks will reduce the amount of funding available for rental housing in favor of homeownership. AHP can have the biggest impact in Vermont by filling the gap in funding available for affordable rental housing.
5. Finally, we note that the Rule calls for a re-ranking process. While there have certainly been times in the past that we have not agreed with the FHLB's ranking of projects from Vermont, the process has always been clear, transparent and therefore defensible. The re-ranking may lead to unintended consequences of lobbying by any number of interests and fuel a perception that the competition for this important resource is somehow open to manipulation.

We applaud the goals of the program but do not believe these goals should serve as threshold requirements for success in the AHP competition. For instance, in our fast growing and toughest markets, such as the Upper Valley, our Capital City, or the Chittenden County region, our number one goal needs to be to add to the housing supply so that voucher holders can find more affordable opportunities. Vermont's Consolidated Plan, our statewide needs assessment and the adopted QAP should dictate Vermont's priorities. Please know our former Governor issued an executive order and state policy now requires that all sponsors of publically-supported housing should target 15% of their entire portfolios for households that have experienced homelessness.

While we share your goal of serving those most in need, the proposed level of targeting to very low income and special needs populations will, we believe, lead to unintended consequences. It will also make it difficult to layer AHP funding with the other state and federal sources, which require different targeting and are necessary to making projects work. Vermont applications to FHLB Boston will become less competitive even as they address Vermont and local communities top priorities. The overall impact of the rule will likely limit the ability of the program to have the impact it seeks. Further, it should be noted that without the Federal Government as a partner in expanding rental assistance opportunities through both HUD and USDA, the ability to serve such a high percentage of individuals with special needs or

below 50% of median may prove unrealistic especially as the rule will make mixed income developments (where internal cross subsidies are possible) less competitive.

We commend FHFA for its recent actions in support of the national Housing Trust Fund and work to update AHP. VHCB's suggestions are offered in the context of our shared commitment to serving vulnerable households including in the most rural communities. Thank you for considering our comments.

Sincerely,



Jennifer Kollar

Director of Policy and Special Projects



Martin Hahn

Housing Director