



June 1, 2018

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400 Seventh Street, SW, 8th Floor
Washington, D.C. 20219

Attention: Comments/RIN 2590-AA83

**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 notice of proposed rulemaking regarding the Affordable Housing Program (AHP) of the Federal Home Loan Banks (FHLBanks). I am the Executive Director of Martin Luther King Economic Development Corporation (MLKEDC), a neighborhood based community development organization located in Milwaukee, WI. I am also on the Board of Directors (independent director, public interest) of the Federal Home Loan Bank of Chicago.

Prior to my involvement with the MLKEDC, I was the director of LISC Milwaukee (Local Initiatives Support Corporation) for 15 years. In that role, I was able to see the tremendous impact that the AHP has had. Clearly, but for the AHP, hundreds and perhaps thousands of affordable housing units would not have been developed in the country over the past 25 years.

In my role as a FHLB Board member, I've followed with great interest the "AHP Modernization" discussion that has been going on over the past few years as reported to the Chicago Board of Directors on a regular basis by our Community Investment Officer (CIO). The FHFA is to be commended for engaging in this dialogue with FHLB community development staff and with representatives of Community Investment Advisory Councils from around the country. These conversations created high hopes and great expectations that the new regulations would create a structure that would be more nimble and more responsive to local needs.

That is why I, and many members of our Board and our Advisory Council, was disappointed when we read the proposed new regulation. In reflecting on the gap between our hopes/expectations and the final product, it occurred to me that perhaps the underlying problem is lack of trust. It appears the FHFA does not trust that the staff and leadership at the district banks will act in a manner to maximize the positive impact of the AHP. Consequently, the proposed regulations are far more prescriptive than they need to be.

This is unfortunate and, I believe, unnecessary. I've been doing community development work for over 40 years, and I agree with those who say that the FHLBanks were reluctant participants in the program when it started over 25 years ago. But, that is certainly no longer the case. I

think the district banks have demonstrated their commitment to community development in general, and to the AHP in particular, as demonstrated by the numerous voluntary programs that the banks have implemented and by the top notch staff that have been hired to run the programs. Within the Chicago district, I can tell you that as a community development professional, I am very excited by the programs that we have implemented in recent years, including the Community First Fund, the Community First Capacity-Building Grant Program and the continuation of the Community First Awards. The Banks regularly engage with members and community organizations to assess needs that can be met through both affordable housing grant-making and/or voluntary programs. One current example at the FHLBank Chicago is research on how to support members' small business lending for women- and minority-owned businesses, resulting in a new voluntary program, the Community Small Business Advance Program that we intend to roll out in July 2018. There is strong commitment by the Bank and its Board to direct its resources to the specific needs of its District.

There is a lot of collaboration among the FHLBanks on the research and design of new programs as each Bank builds off of the experience of others. Again, the Chicago Bank's research on small business lending has included evaluating similar programs across the system. This demonstrates, I believe, that the FHLBanks are committed to doing what is right with the AHP and have the capacity to direct these dollars with greater flexibility and nimbleness. Consequently, I think the proposed regulation needs to be changed to give the FHLBanks greater freedom to use the funds to respond to local needs.

Here are my specific recommendations:

- Eliminate the outcomes-based framework and retain a scoring structure that gives district banks discretion to respond to local needs, including the ability to create targeted funds. The outcomes framework, as proposed in the proposed regulation, introduces a complex structure that makes the AHP difficult to understand and would make it less desirable as a funding resource. A scoring system developed at the district level will allow banks to effectively respond to changing local needs and maintain program transparency.
- If the FHFA wants to prescribe and define housing needs, then maintain the 20% threshold for serving targeted populations rather than increasing it to 50%.
- Remove the requirement that FHLBanks must identify scoring priorities and the need for targeted funds within a certain timeframe prior to an annual AHP application round. The prescribed timeline greatly diminishes the program's flexibility and its ability to respond to changing dynamics within each district.
- Instead of eliminating the five-year retention period for owner-occupied projects, allow each bank to determine the circumstances in which a retention agreement might be appropriate.
- Eliminate the new requirements for banks to evaluate sponsors, "including all affiliates and team members", and retain the current practice of assessing only the sponsor/development experience, since the proposed change would create a huge, and I would say, unnecessary, administrative burden.
- Eliminate the language that requires Board approval of AHP applications and quarterly meetings with the Advisory Council. The current system works well and already allows considerable interaction between Board members and the Advisory Council.

As I stated earlier, I commend the FHFA for working to modernize the AHP regulation. I think the recommendations listed above will greatly enhance the proposed rule. Thank you for your consideration of my comments. If you have any questions, please feel free to contact me by phone at 414-852-2122 or by email: lries38@gmail.com.

Sincerely,



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