



## Tennessee Housing Development Agency

Andrew Jackson Building Third Floor  
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**Bill Haslam**  
Governor

**Ralph M. Perrey**  
Executive Director

June 1, 2018

### CORRESPONDENCE SENT VIA EMAIL

Alfred M. Pollard, General Counsel  
Attention: Comments/RIN2590-AA83  
Federal Housing Finance Agency  
400 Seventh St., SW, Eighth Floor  
Washington, D.C. 20219

Dear Mr. Pollard, et. al.:

Thank you for the opportunity to comment on the Proposed Affordable Housing Program Amendments. The many programs offered by the Tennessee Housing Development Agency have frequently been used in tandem with the resources of the Affordable Housing Program offered by the Federal Home Loan Bank of Cincinnati, and we have reviewed the various provisions of the proposed rulemaking with that in mind, along with our own significant experience in administering affordable housing programs. We hope you find these comments useful in your consideration of changes. We have attempted to organize our comments around the list of specific requests, and have numbered them according to the specific numbered question.

#### Regarding Subpart B – Program Administration and Governance

- 6 & 7. We believe there are great benefits to having an owner-occupied retention agreement, particularly if there are a substantial amount of grant funds in a unit. THDA's owner-occupied substantial rehabilitation program (funded with HOME) requires the homeowner to remain in the home, and this is recorded in the deed, for a period of between 5 and 15 years following completion of the work. We recommend that the AHP continue to include such a provision in their program. On the other hand, if the FHLB envisions providing financing for smaller types of rehabilitation projects (e.g., accessibility improvements for seniors), the value of the retention agreement is diminished (THDA's smaller Emergency Repair program, with an average investment of \$6,644 in a unit, does not have this requirement). We would recommend considering a threshold level of funding, over which a retention agreement would be required.
8. The requirement to notify both the Bank and the designee in the event a unit is sold during the retention period seems very reasonable to us.

9 & 13. If the home is sold in contradiction of a retention agreement, resulting in net proceeds or a net gain, we think it is reasonable to expect the household to repay the AHP subsidy. However, we also believe there should be a certain *de minimus* level, below which repayment is not necessary. At a net gain of \$1,000, the administrative cost of ensuring repayment probably exceeds the value of any repaid funds.

#### Regarding Subpart C – General Fund and Targeted Funds

15. Our opinion is that discouraging displacement of current occupants of buildings to be rehabilitated, for whatever reason, should be accomplished through a strong relocation plan presented with the application. During monitoring, the grantee's compliance with this relocation plan should be checked. Income qualifying occupants at the time of application, knowing they will change, at least to some degree, before project completion is not a good use of resources.
18. Having a maximum threshold of subsidy into a project helps to complicate the work of the grantee. Federal programs generally will have some type of maximum subsidy. Keeping the AHP funds flexible eases the ability of the grantees to use these funds to fill the gap in concert with other programs.
19. Based on all of our experience with scoring and ranking applications, we believe the proposal to "re-rank" applications to meet outcome requirements is not wise. In the interests of transparency, the highest scoring applications need to be the ones that are approved and funded. The best way to ensure that outcome requirements are met is to ensure that the scoring criteria in the application take these requirements into account – those that provide the desired outcomes should have preferential scoring, thereby giving them a better chance to be among the highest scoring. Applicants should be able to assess their application against the program's scoring mechanism and have a pretty good idea of how they will score at submission (with the understanding that funding decisions will be made based on scoring) – and they put their funding packages together with this understanding. If they still are not among the highest scoring, they are quite likely to be inferior proposals. Keeping this in mind, if the desired set of priorities is too complicated, it will be difficult to craft a scoring mechanism that sufficiently takes all of the priorities into account.

#### Subpart D – Homeownership Set-Aside Programs

25. For purposes of down payment assistance, an increase in per household subsidy will allow buyers to purchase more house, which can be both a good and a bad thing. Certain cities or parts of cities might become available to homebuyers, but there is also potential risk of buyers ending up with too much house debt, though this is reduced if the underwriting is very careful to review the front end and back end ratios. From the perspective of homeowner rehabilitation, the increase in subsidy limit might allow needed improvements in certain instances. Fewer homes might be served overall, but your data indicate that most households do not use the maximum available subsidy.

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28. We have some concerns about the proposed level of income targeting for rental units (at least 55 percent of units for households at or below 50 percent of AMI). This proposal could have a significantly negative impact on cash flow for a project, resulting in a necessity for rental assistance attached to the units. Without rental assistance, it would probably be very hard for these projects to successfully meet the underwriting standards required by our competitive grant programs. With rental assistance, a proposed project might provide much needed assistance for households at this income level – but rental assistance is increasingly hard to find.

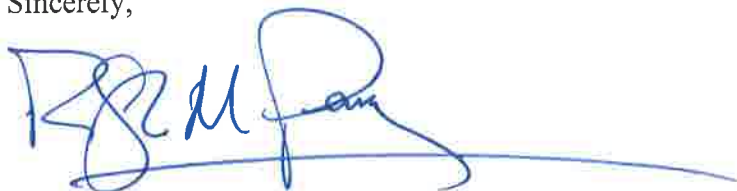
Subpart E – Outcome Requirements for Statutory and Regulatory Priorities

30. We have concerns with the proposal to increase the minimum threshold from 20 to 50 percent for the number of units reserved for special needs households. Part of the problem stems from the very broad nature of the proposed rule’s definition of “special needs households”, to include elderly, ex-offenders, unaccompanied youth, and others without a disability. There is not necessarily an issue with raising the threshold for these populations. However, pursuant to the Olmstead Act, persons with disabilities are to be integrated into the community. In most cases, this has been interpreted to mean that not over 20 percent of units should be reserved for persons with disabilities. The proposed rule also requires that applicants have arrangements for service provision; we want to be sure that services are not required to be provided on site, as long as residents have access to them, and also that residents are not required to use the services being provided by the applicant/grantee to access the housing.

31. Our main concern with a 50 percent threshold, here and in the previous question (besides the Olmstead concerns) is that, in rural areas, you might not be able to find enough potential residents with any particular special needs to fill the units. A threshold below 20% would work better at least for rural areas. Our response to question 28, above, also applies in this case.

Again, thank you for the opportunity to comment on the proposed rule. We are happy to discuss our response to any of the matters mentioned herein, if desired.

Sincerely,



Ralph M. Perrey  
Executive Director

RMP/csr