Impact Capital

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Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA83
Federal Housing Finance Agency
8th Floor
400 Seventh Street SW
Washington, DC 20219

Dear Mr. Pollard:

The purpose of this letter is to respond to the Notice of Proposed Rulemaking, Federal Register Citation: 83 FR 19188.

My response is from the perspective of being President of a CDFI loan fund that provides first-in capital for the development of affordable housing and community facilities in the states of Washington and Oregon, and a member of the FHLB of Des Moines Advisory Council.

I want to thank the agency for taking the time to review the rule. However, I do not support the rule changes. I believe the proposed rules do not provide the flexibility that is needed to respond to local needs, which vary dramatically from jurisdiction to jurisdiction. The new FHFA-required outcomes are prescriptive in nature and appear to address needs that are perceived in some jurisdictions but not all. The sources of state and local gap funding frequently drive the need for subsidy, and those needs change as the economy changes, as do state and local sources.

The Targeted Community Lending Plan (CLP), while good in theory, would be incredibly expensive and take months to complete, making it dated at delivery. At the same time, the rule change dictates some of the results of the CLP. Also unclear is the plan for the full coverage area of each Bank, or for each State within the Bank, and/or each MSA within a Bank's footprint. For a community development practitioner, the ability to identify needs across a 13-state footprint would have the effect of favoring the largest jurisdictions within the footprint.

The rule change gives the boards of directors of the Banks less authority to delegate responsibilities to a board committee. The funding and evaluation of housing needs is complex; a committee should have the authority to take the deep dive and report to the full board.

As for the regulatory priority that at least 55% of all rental units under the General Fund and any targeted Funds must be targeted to 50% AMI or below:

- The need in my jurisdictions currently is at 80%; local and state funds target 50%. How will subsidy need be measured fairly if some jurisdictions do not need subsidy at the 50% AMI level? Again, larger metropolitan areas would benefit to a greater degree.

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- Mixing units for different levels of affordability is a strategy to lower the amount of total subsidy per project.
- In states with minimum wage requirements, this will look very different: AMI in King County, WA is $73,035 and in Yakima County, WA it is $43,956. The Federal Poverty level is $25,000 for a family of four. If one is a minimum wage employee in Seattle with a family of four, they are under the 50% area median income; in Yakima they are just under the federal poverty level. The need for affordable housing is not just a city issue, as our rural communities have lower vacancy rates, lower incomes, and more need for subsidy. This requirement would have a negative effect on those communities.

The "need for subsidy" appears to be flawed:

- In many cases, asking the Bank to evaluate the "reasonableness" of reserves punishes an organization's ability to understand the risk inherent to the project they are developing, and their ability to reserve appropriately based on risk is not a "benchmark."
- Disallowing supportive services expenses is not consistent with the changes in development of housing for low- and very low-income people. In all the markets where I work, the model for affordable housing is the Housing First model, which is based on providing more than a place to live, with support services to help stabilize people so they have the skills and access to services they need to move forward. This would automatically disqualify these projects from funding.
- The requirement to assess if the project could have reasonably paid for debt service on a larger loan has the potential to increase project costs, as there would be no incentive to keep costs low. This appears to be contrary to the idea of determining need for subsidy.

I am asking the FHFA not to move the proposed changes forward; they are more restrictive and provide less ability to respond to local needs.

Very truly yours,

Judith Olsen
President