

# NCCDC

Northern Cambria  
Community Development Corporation

4200 Crawford Avenue, Suite 200 ◊ Northern Cambria, PA 15714

May 29, 2018

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

**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 release of proposed rulemaking regarding the Affordable Housing Program (“AHP”) of the Federal Home Loan Banks (FHLBanks). I am presently the Executive Director of NCCDC. NCCDC is a Real Estate and Economic Development Corporation headquartered in Northern Cambria, PA that has previously sponsored AHP projects through FHLBank Pittsburgh.

The AHP program has allowed us to develop in small rural PA communities that no other funder would touch. The AHP developments that I have been involved with have been both successfully cash flowing and have been 100% occupied since opening. Also, the AHP program has been a huge positive in both the local media and in the community; sort of the “big fish in a little pond” scenario.

We are concerned with the outcomes framework as proposed in the AHP regulation amendments. The outcomes-based framework prioritizes the Federal Housing Finance Agency’s (FHFA’s) overall housing goals. The unintended consequence of this approach is that the proposed outcomes establish preferences for certain project types, lessen AHP’s connection to and support for community development, and make AHP less transparent.

Housing sponsors/developers manage multiple layers of capital and operating financing that take years to assemble. Developers must blend AHP into the total financial package while dealing with the complexities of real estate development. This makes it imperative for funding to be as streamlined, transparent and operationally efficient as possible. The outcomes framework as proposed in the amendments introduces a complex award structure that makes the AHP process unclear and ultimately a less-attractive funding resource. A scoring-based system, which has worked well for 28 years, is strongly preferred over an outcomes-based framework and will allow FHLBanks to encourage all project types to apply, connect AHP to community development strategies and maintain program transparency.

We also have the following additional concerns about the proposed amendments:

- The proposed amendments change the threshold amount needed for projects to qualify as serving targeted populations from 20 percent to 50 percent. This new threshold is not compatible with other funders and does not recognize the benefit of a mixed-occupancy

Phone: 1-888-676-8781 ◊ (814) 948-4444

Fax: (814) 948-4449



development, which allows developers to cross-subsidize units in a project. We recommend retaining the current 20-percent threshold amount. In our Rural Communities there is a forgotten about population; the working poor and/or the retirees that do NOT qualify at or below 60% of AMI. In fact, I would estimate we have to turn down roughly 50% of our applications because the applicants miss the income limits by only a few thousand a year. There are plenty of housing programs available for the poor i.e. 60% of AMI, but none (besides AHP) that allow 80% of AMI. It is totally unfair that we cannot help the working poor or retirees that did not have an ideal career. BY taking points away from an AHP application that offers up to 80% of AMI we are punish the working class poor.

- Under the proposed amendments, AHP project modifications may be delayed, and AHP sponsors unduly burdened, due to a new “cure-first” requirement. We recommend that the proposed cure-first requirement be eliminated and the FHLBanks retain their current practice of verifying that any modified project would still have scored high enough in the funding round to receive the AHP award had the sponsor applied for AHP funding with the modifications in place.
- The proposed amendments require FHLBanks to evaluate the ability of the sponsor and all members of the development team to perform the responsibilities committed to in the application. The entire development team may not be in place at the time of AHP application, making it impossible to assess total capacity. We recommend retaining the FHLBanks’ current practice of reviewing the prior experience of the development team.
- The proposed amendments eliminate the five-year retention requirement for homeownership projects. Although this is a beneficial change in most instances, it introduces a risk of misuse in certain situations when the AHP per-unit amount is relatively high that FHLBanks need to have the flexibility to address. We recommend allowing FHLBanks the discretion to impose a retention requirement.
- The “need for subsidy” and “project costs” sections of the proposed amendments do not specifically allow for the maximization of coordination with other funding sources. Requiring an FHLBank to independently underwrite a project's need for subsidy and viability is unnecessary and increases the burden on sponsors in cases where other funding sources have already underwritten the project. We recommend allowing FHLBanks to rely on the underwriting of other funders with comparable standards in terms of cost reasonableness, viability of operations, development team capacity and need for subsidy.
- The amendments require rental projects with supportive services to create two operating pro formas: one for housing operations and the other for supportive services. The requirement causes projects to arbitrarily separate costs and funding streams. We recommend allowing projects to include supportive services in a project’s operating pro forma.

Please consider our recommendations. We are the experts doing all the ground work and we understand these challenges and markets better than anyone.

We commend FHFA for working to update the AHP regulation. However, in light of the concerns above, we respectfully ask that you reconsider parts of the proposed amendments, especially the required outcomes framework. Thank you for hearing our ideas on this very important subject. If you have any questions, please feel free to contact me at 814-948-4444

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Barczak', with a stylized flourish above the name.

Matt Barczak, Executive Director  
NCCDC  
4200 Crawford Ave. Suite 200  
Northern Cambria, PA 15714