Neighborhood Development
Associates, LLC

June 5, 2018

Alfred M. Pollard
General Counsel Federal Housing Finance Agency
400 Seventh Street, SW, Eighth Floor
Washington, D.C. 20219

RE: Proposed Rulemaking and Request for Comments –
RIN 2590-AA83 – Affordable Housing Program Amendments

Mr. Pollard:

I appreciate the opportunity to comment on the proposed rule making changes for Federal Home Loan Bank Affordable Program Housing funds.

Neighborhood Development Associates is a consulting organization that assists non-profit and for-profit organizations with the development of affordable housing. We have prepared at least 17 applications for Federal Home Loan Bank funds for 710 dwelling units with values in excess of $116.9 million. I personally have worked with the Federal Home Loan Bank since 1990 on various affordable housing developments.

We value our relationship with the Federal Home Loan Bank staff. The program is transparent and the scoring system helps us to determine if a project is likely to receive funding. Overall, the program meets it goals without excessive administrative burdens for member banks or for organizations receiving funding.

A few comments on the proposed rule:

#1. Federal Home Loan Bank Board of Director's Oversight: The proposed rule mandates that FHLBank Board of Directors be responsible for approving the funding of Affordable Housing Program grants.

#1. Comments: The rule should allow the FHLB Board of Directors to continue to delegate approval of grants to the committee of the Board of Directors known as the Affordable Housing Committee. The Bank Board has many different issues on which to focus. The intricacies of approving one grant over would likely get lost in the overall press of business. The Affordable Housing Committee is a smaller group and will allow for a more expedient review of the grant awards. The current process is accountable and

724 West Washington Street, South Bend, IN 46601 • 574.288.4369 • Fax 574.288.4373

works to meet the housing needs of the district. Adding an additional review from the entire Bank Board would lengthen the time period for reviewing grants without adding any additional meaningful oversight.

#2. Additional Regulatory Priorities and Targeted Funds: The new rule adds Regulatory Priorities and as an additional priorities for funding. The proposed regulatory priorities include providing housing for underserved communities and populations, creating economic opportunities and affordable housing preservation. These priorities will be determined by the Federal Housing Finance Board. The probability of a project receiving funding depends on the score and in addition how it fits into the regulatory priorities. Applications would need to be scored and then re-evaluated as to how they fit into the regulatory priorities.

#2. Comments: The current system works to assure that projects meet the priority housing needs of the district. Scoring applications and then reranking them according to the national priorities adds a layer of confusion and ambiguity to the process. A unified scoring system is needed to insure clarity and accountability. Under the proposed changes, if there are several overlapping priorities, projects could be assigned to an oversubscribed priority and be denied funding. Or weaker projects could be assigned to an undersubscribed priority and receive funding that they otherwise might not have received. The addition of the regulatory priorities leaves the FHLB staff or approving body open to suggestions of tampering with the scoring system by favoring one project over another by deciding which priority applies to certain projects. The FHFA priorities should be included in the overall scoring system so their goals are met without needlessly complicating the scoring system.

#3. Targeted Community Lending Plans and Targeted Funds: The revisions require that each bank prepare a Targeted Community Lending Plan based on market trends in the area. Information from the Plan could be used to establish a Targeted Fund for AHP funds and to determine if the federal regulatory priorities are needed in a region. If the regulatory priorities are not considered applicable to a region, the projects that meet those priorities are not counted towards meeting the outcome requirements.

#3. Comments: Currently, the Federal Home Loan Bank staff and the Affordable Housing Advisory Committee prepare an annual assessment of housing priorities for our region. The assessment involves interviewing key housing actors to keep up on current housing trends in their market area. The Affordable Housing Advisory Committee also provides input on housing trends in the region. In addition the state of Indiana prepares housing plans for their funding sources. The Federal Home Loan Bank staff and the

AHAC board members are some of the most knowledgeable and respected housing experts in our state and are widely respected. Preparation of a Targeted Community Lending Plan would involve money spent on another document to add to the stack of infrequently used plans. I believe that regional housing trends are adequately reflected in the current input system for the Implementation Plan. In addition, adding more targeted funds would once again impede the scoring process. The regional input into housing priorities should be reflected in the unified scoring system.

The idea of the Targeted Community Lending Plan providing input into the regulatory priorities could be problematic if the regulatory priorities are not applicable to a district. If one of the priorities is not deemed a priority for the region, then any projects funded with the intent of meeting that priority are not counted towards the outcomes for the regipon. If I understood this correctly, this seems to set up a double bind situation. Perhaps this provision can be eliminated or explained more clearly.

#4: Retention Agreements for Homeownership Properties: The proposed plan suggests elimination of retention agreements for homeownership properties.

Comments: **"**Flipping houses" is a real danger. It may make economic sense to flip a house if an owner is in an environment of escalating housing prices and can receive a large cash infusion for a property that has significant equity due to grant subsidies. Another danger is that unscrupulous lenders may target low income homeowners with substantial equity for predatory loans. A recorded retention agreement gives public notice of the subsidies and can result in the return of funds to the FHLB. With a retention agreement, a homeowner can receive counseling on predatory loans and may decide that taking out a home equity loan is not their best option. A retention agreement does not involve a cumbersome amount of work. If a home owner receives subsidies, I think it is critical that these subsides be returned to the program if the homeowner is not living in the home.

#5. Complexity of the Revisions: The Federal Register comments for this rule change are 91 pages long and one summary I received was 25 pages long. It took several hours for me to get a tentative understanding of the proposed changes. The most recent revisions before this were completed in 2006.

Comments: Consider reevaluating the AHP regulations at set intervals like every five years. This might make the process easier and more manageable for all concerned.

Thank you for your consideration of these comments. The Affordable Housing Program is one of the most accountable housing programs in our area. The administrative burden is reasonable and keeps the program focused on meeting the needs of low income persons. It is critical that the regulations continue to let the program work unimpeded by excessive federal regulations and excessive oversight.

Sincerely,

Anne Mannix
President