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Alfred M. Pollard, General Counsel
Attn: Comments/RIN 2590-AA83
Federal Housing Finance Agency
400 Seventh St., SW, Eighth Floor
Washington, DC 20219

Dear Mr. Pollard:

I am writing this comment letter from my perspective as president of CNB Bank Shares, Inc. Our subsidiary, CNB Bank & Trust, N.A. headquartered in Carlinville, Illinois, is a member of the Federal Home Loan Bank of Chicago and has been an active and successful applicant for AHP funds that have benefitted home buying customers and affordable housing projects, from both the set-aside and competitive programs of the FHLBC.

I am aware that there has been an ongoing initiative to "modernize" the Affordable Housing Programs of the FHLB system over the past four years, and I am in favor of such a review. It is only logical that after more than 25 years of the Program, considering the growing administrative experience and general technological advances during that period, FHFA regulators and FHLB management should be able to enhance efficiencies and flexibility of such programs for the benefit of fund recipients.

Yet the Notice of Proposed Rulemaking falls short on enhancement of efficiencies and flexibility in five key aspects of the NPR: a prescriptive outcomes-based framework; increased thresholds for targeted populations; Community Lending Plan requirements that would delay implementation of targeted funds; changes to homeownership retention agreements; and expansion of sponsor and development team evaluations.

The proposed outcomes-based framework would be less responsive to the housing needs of each FHLBank's unique district. Rather than improve efficiency to addressing those needs, such a framework would increase complexity of the AHP, and reduce transparency of the competitive process. In addition, an outcome-based process would be inconsistent with current funding models, which could undermine the chances for successful funding of otherwise viable projects. Should the scoring process require re-ranking of projects in order to meet outcome expectations, it will result in less transparency and increased reputational risk for each FHLBank.

By increasing the threshold for targeted populations from 20% up to 50%, many otherwise viable projects may not be compatible with other funders of those projects. In fact, such increased thresholds would likely discourage some sponsors/developers from applying for AHP.

Responsiveness and flexibility would further be reduced by establishing timeframes for targeted Community Lending Plan priorities well in advance of annual AHP application rounds. While it would be an improvement to allow each FHLBank to develop targeted funds in response to district needs, protracted timeframes for approval could undermine the funds' effectiveness.

One provision in the NPR that appears to improve efficiency and flexibility is elimination of a retention period on set-aside funds for owner-occupied housing. However, due to the potential for misuse of AHP funds, it would be prudent to allow each FHLBank to determine circumstances within its specific programs and district in which it is appropriate to require retention agreements.

The current practice that requires FHLBanks to assess a sponsor's capacity at time of application is adequate. Yet provisions in the NPR would expand the assessment to include affiliates and team members, which seems to negate the expertise of the sponsor to form a qualified team. Also, the NPR would require another assessment to be conducted at disbursement, which would inject an element of uncertainty to an approved project.

Again, I implore the FHFA to depend upon the experience of seasoned FHLB staff while developing changes to Community Lending and Affordable Housing Programs, and lean towards improving efficiencies and flexibility. After all, the FHFA examination process will identify any instance of a particular FHLBank that would take such improvements too far, and be able to reign in if appropriate. In contrast, a national outcomes-based framework, elevated thresholds, restrictive timeframes, retention agreement elimination, and expanded assessment requirements would only decrease efficiencies and flexibility while blurring transparency of FHLB programs which have developed goodwill over multiple decades. Let's improve it, not undermine it.

Sincerely,

JT Ashworth

James T. Ashworth
President