June 7, 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 Vice President and CRA Officer for Chemical Bank, a $19.5 billion institution regulated by the Federal Reserve Bank of Chicago.

Chemical Bank has participated in the AHP Grants program for 15 years using the AHP, HOP, NIP and AMP grant programs. Myself and Patricia Franklin-Lindsey, CRA Market Manager ( she utilizes the set- aside NIP and AMP programs) both were awarded at different times the prestigious **Community Spirit Award** to honor an individual of a member financial institution in Michigan who has shown outstanding dedication to affordable housing and community economic development. In 2017 Chemical Bank applied for 6 AHP awards and the Bank was awarded 5 of the 24 projects (21%) granted. The five FHLBI AHP Grant Project subsidies totaled $ 1,750,000 for 303 units of multi-family affordable housing. Additional LIHTC’s and Community Development (CD) Loans from these projects also garnered the Bank CRA credit.

Chemical Banks asks the FHFA to consider these comments:

* Chemical Bank strongly encourages the FHFA to provide the FHLBanks flexibility to establish district-specific criteria that address housing concerns/needs in the geographic footprint of the member banks. The targeted funds are an approach used by state finance agencies. The 12 month lead time requirement is too long and negates the importance and effectiveness of a targeted fund. Developers must assemble many applications for funding before projects are ready for AHP, and the AHP has to be considered by other investors in the project. Streamlined and transparent application decisions are needed in order for members to commit the resources to manage the AHP grants. The TCLP requirements have the potential to bog down the process. Many of the scoring elements identified in the implementation plan for Indianapolis mirror similar scoring in LIHTC program as an example. Keeping the process simple and allowing the FHLBI to rely on current and existing housing studies, data and guidance from community development professionals including its advisory council is an approach that is working. Stipulating an extensive lead time before accepting applications for targeted funds may shut down many worthwhile and viable developments.
* With respect to projects that target underserved populations, many of the projects Chemical Bank has supported are typically 100% elderly or domestic violence victims. While 100% of the units in most cases are reserved for these vulnerable populations, we believe the minimum percentage of units reserved for underserved populations should remain at 20%. The increase to 50% is too limiting and restrictive for a family project, for example, wanting to also serve some homeless families. Developers might be discouraged from reserving any units at all for homeless families because such a reservation requires these units to sit vacant until an eligible household is identified. The 50% benchmark is higher MSHDA requirements. Market fluctuations in equity pricing for LIHTC funded projects, investors have to underwrite these developments in advance. If AHP is applied for after the tax credits are received, the 50% of the units reserved for homeless households is going to make the project financially infeasible with rent subsidy. Having 10% of units in a family development reserved for homeless families is better than none at all which would likely happen in a LIHTC deal if the proposed 50% threshold is retained in the final rule.
* Many of the AHP sponsors we work with are non-profit organizations and several serve vulnerable populations. These developments rely on fundraising as a primary source of funds. AHP helps close the funding gap that must be raised from the community. The proposed change from a fixed scoring approach to the outcomes approach threatens this predictability and reliance on AHP to close the gap when the majority of the funds are committed. Chemical Bank would ask you to retain some criteria of the current scoring framework in the proposed rule. The outcomes approach appears to overly complicate the evaluation of projects with the re-ranking element voiding the prioritization of a project by points and total score.
* Chemical Bank is concerned about the impact the proposed rule may have in closing out a project and moving it into the long-term monitoring phase. Modification is a tool that enables all parties to resolve a scoring non-compliance issue. Developers have to have the flexibility to know if a scoring element can be modified rather than having to make feigned attempts to cure an issue that is unresolvable without a modification.
* Chemical Bank does appreciate the easing of the household income documentation requirements during the long-term monitoring period. For shelter-type projects, this step has been an area that is burdensome on the sponsor. Developments that serve a transient population are challenged to meet the long-term monitoring income documentation requirements. However, we would support retaining the income and rent validation component in the initial monitoring phase. If a project is going to depart substantially from the financial projections, it is most likely to occur during the initial lease-up phase. The income and rent validation by FHLBI provides for the member some assurance that the project is financially viable at the completion of the initial monitoring phase and is likely to remain compliant long term.
* The Real Estate Retention Agreement requirements for homeownership assisted properties should be left in place with the term of the retention period determined at the FHLB’s discretion. The retention agreement ensures a family that needs an affordable payment has an opportunity to own a home. Without the real estate retention requirement, families that are assisted with grants may turn to predatory lenders when an unexpected expense occur and may lose their home because of

 a high interest short-term debt obligation. The retention agreement can prevent this.

Chemical Bank appreciates the FHFA’s efforts to improve and modernize the AHP program. We offer the comments above with the hope of aiding the FHFA to maintain a transparent, straightforward guideline that facilitates the creation of quality, sustainable and affordable housing.

Thank you for considering these comments.

Sincerely,

Robert O. Burgess

Vice President & CRA Officer

Chemical Bank

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