

June 7, 2018

Submitted Electronically

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

**Re: Proposed Rulemaking and Request for Comments: Affordable Housing Program
Amendments (RIN 2590-AA83)**

Dear Mr. Pollard:

The American Bankers Association appreciates the opportunity to offer comments in response to a request by the Federal Housing Finance Agency (FHFA) under the Proposed Rulemaking on amendments to the Affordable Housing Program (AHP) regulation published on March 14, 2018 (the Proposed Rule) and re-published with a correction and deadline extension on May 2, 2018.

The American Bankers Association is the voice of the nation's \$17 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2 million people, safeguard \$13 trillion in deposits, and extend nearly \$10 trillion in loans. The vast majority of our members are also members of the Federal Home Loan Bank System.

The AHP, over its 28 year history, has become an important component of efforts by banks and other members of the Federal Home Loan Bank System in supporting affordable housing needs in their local communities. The program has been lauded for its flexibility and its efficacy in meeting locally identified needs and in leveraging public and private resources. Since the launch of the program in 1990, the Federal Home Loan Banks (FHLBs) have awarded approximately \$5.4 billion in AHP subsidies to assist the financing of over 827,000 housing units.

The FHFA's five-year regulatory review plan of 2013 calls for the modernization of certain aspects of the AHP. The ABA supports this effort, generally, and specifically that of the Federal Home Loan Banks to expand their discretionary authority to simplify program administration, harmonize the AHP with other funding entities, and simplify compliance requirements. While the proposed rule succeeds in addressing these goals, at least in part, that progress is outweighed by the proposal's imposition of a complex and highly prescriptive, outcomes-based framework for awarding AHP funds that reduces flexibility, increases complexity of compliance and reduces transparency.

I. Proposed outcome requirements reduce the AHP program's flexibility

The proposal would require a majority percentage (55%) of AHP funds be awarded to certain types of projects and sponsors established by FHFA. This approach centralizes in Washington decisions about the types of projects which are eligible for support, not in the localities where the needs exist. The responsiveness to locally identified needs, a hallmark of the program, will be replaced with a national, prescriptive program that may not allow individual FHLBs and their members the necessary flexibility to address the particular needs of local communities. This will ultimately make AHP a less attractive funding resource for meeting community needs.

II. Proposed outcome requirements increase the complexity of the program

The requirement to ensure that at least 55% of the Bank's required annual AHP contribution is awarded to projects or households, as applicable, that, in the aggregate, meet at least two of the three regulatory priorities set out in the rule will add unnecessary complexity to the program. If the FHLBs do not meet these requirements, they are penalized under the rule. If a FHLB fails to meet these requirements the FHFA may require the FHLB to reimburse its AHP fund the difference between the amount that was required by the established percentages and the amount actually awarded. This is a harsh penalty which does not exist under current requirements. While reducing the flexibility of the program (as noted above), this requirement will also increase the complexity of the program as FHLBs will need to carefully track the awarding of AHP dollars to ensure that they match the required Washington dictated percentages or face this substantial penalty. Guarding against the penalty will further reduce the diversity of projects supported by AHP grants, making the program less attractive and less useful.

III. Proposed outcome requirements have the potential to reduce the AHP's transparency.

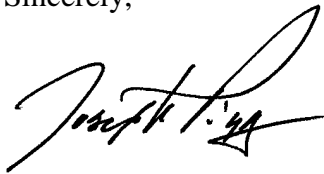
If a FHLB fails to satisfy the proposed regulatory requirements described above, the FHLB may re-rank applications in order to come into compliance with the mandated percentages. Doing so, however, has the potential to undermine the integrity, predictability, and transparency of the AHP. Re-ranking adversely impacts the simplicity and transparency of the current award process, and may deter sponsors from participating in the program.

In order to comply with the mandated percentages and avoid the harsh penalty cited above, a FHLB may be forced to re-rank projects, awarding AHP funds to lower scoring projects that fit into the Washington mandated priorities. One or more higher scoring projects could be displaced by a lower scoring project or projects simply because those other projects better meet FHFA's outcome requirements. The end result is a far less transparent program, where higher scoring projects are denied AHP dollars in favor of lower scoring projects that better fit FHFA's mandated outcomes. Doing so will likely lead to confusion and frustration from project sponsors and will reduce the attractiveness and reliability of the AHP program.

Conclusion

The ABA strongly urges the FHFA to reconsider the imposition of the proposed outcome requirements framework included in the proposed rule. Revisions to the AHP should focus on making the program more efficient and responsive to locally identified needs, not on imposing strict new national standards and penalties. Again, we appreciate this opportunity to comment on this important proposal. If you have questions or wish to discuss our comments in more detail, please do not hesitate to contact the undersigned at JPigg@aba.com or on 202-663-5480. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph Pigg". The signature is stylized and cursive.

Joseph Pigg
Sr. Vice President and Sr. Counsel
Mortgage Markets
American Bankers Association