

**Federal Home Loan Bank of Boston
Advisory Council
P.O. Box 990411
Boston, MA 02199-0411**

June 6, 2018

Director Melvin L. Watt
Federal Housing Finance Agency
Constitution Center 400 7th Street, SW
Washington, D.C. 20024

Re: Affordable Housing Program Amendments Proposed Rule (RIN 2590-AA83)

Dear Director Watt:

On behalf of the Federal Home Loan Bank of Boston (FHLBank Boston) Advisory Council, we are submitting our comments on the Affordable Housing Program Proposed Amendment. The FHLBank Boston Advisory Council, is comprised of individuals representing a wide range of community based housing organizations, state housing and economic development agencies and nonprofit financial institutions, collectively charged with providing guidance to the FHLBank Boston with regard to the Affordable Housing Program and the Community Lending Plan.

The Advisory Council members can clearly attest to the importance of the Federal Home Loan Bank's Affordable Housing Program (AHP) in linking community based housing and community development organizations with private lending institutions. The AHP has helped forge significant and sustainable linkages between private financial institutions and those organizations working within communities across New England to assure housing and economic development for lower income individuals and communities. Given the AHP's increasing importance, the refinement and improvement of the underlying program rules is of critical importance to the Advisory Council's role.

In October of 2016, the eleven FHLB Advisory Council Chairs and Vice Chairs met in Washington, DC with the Federal Housing Finance Agency staff for its annual gathering. At that meeting, there was a lot of discussion surrounding AHP modernization and what could and/or should it look like. There was great dialogue and optimism for more program flexibility at the District Level that would allow for greater responsiveness to regional priorities and needs. At the same time, many of us talked about the significant compliance requirements associated with AHP funding; it is often the smallest piece of the capital stack and it should not be in the funding "driver's seat." We believed the message was articulated well by the Chairs and Vice Chairs.

Unfortunately, the FHLBank Boston Advisory Council, must express profound disappointment in the draft AHP Amendments recently released for comment. While we are heartened that the draft creates provisions for the establishment of Targeted Funds, the myriad of new requirements will create extraordinary impediments to realizing related benefits. This does not represent what was discussed in October of 2016 but something much more complicated.

The AHP Amendments were discussed at the Advisory Council's quarterly meeting in March and were the subject of a conference call with Council members in April. The following provide the key comments we would contribute as part of your review of the draft rules:

Governance

The AHP Amendments would require the full Board of the FHLBank Boston to meet quarterly with the Advisory Council. The current requirement for the engagement of an Advisory Council has served the FHLBank Boston well, both in terms of providing the desired input and guidance on the Affordable Housing Program, as well as forging beneficial relationships between the Bank, its members and the community of organizations that have contributed members to the Advisory Council over the years. Imposing a mandatory quarterly meeting of the Board and Advisory Council undermines the importance of the Advisory Council and would only serve to diminish its role. The Board and Advisory Council already coordinate as Board subcommittee members attend all Advisory Council meetings. Such coordination is best achieved through established best practices rather than through regulation. Finally, we believe such a requirement would also impose excessive administrative and cost burdens on the Bank.

Outcome Requirements

While the proposed rule does allow for Targeted AHP funds, offering modest improvements for program flexibility, the imposition of the proposed Outcome Requirements are overly prescriptive and complex. We strongly believe the Outcome Requirement structure as proposed, is confusing and represents a barrier to transparency in AHP administration. It is critically important that sponsors have a straightforward way of understanding how their projects were reviewed under competitive programs and the Outcome Requirements as proposed are problematic in this regard.

Targeted Community Lending Plan

The requirement that identified needs be published in the TLCP a year in advance of creation of a targeted fund, is cumbersome and could be a barrier to responding to pressing and rapidly changing needs. The FHLBank Boston works closely with each of the New England states, its Advisory Council, members and others, in identifying housing needs, and importantly subjects that analysis of need to multiple levels of review and scrutiny. The new requirement is unnecessary and makes the timely response to critical needs unnecessarily difficult.

Threshold for Targeted Populations

The threshold for targeted populations rises from 20% to 50% under the proposed rule. Given the lack of operating subsidies, this is a serious concern and would challenge sponsors' ability to create long term, sustainable communities.

Sponsor Capacity Evaluation

The proposed rule would require the evaluation of the project sponsor, including all affiliates and team members, such as general contractors. This is problematic on a number of levels, not the least of which is that it is often times certain team members such as general contractors, are not identified at the time of application. Such team members are often selected after all funding sources are committed and the project is ready to move forward to loan closings and construction. It is also important to recognize that generally the AHP portion of affordable housing developments, while critical, are generally a relatively minor portion of the overall financing. Other financing sources often bring rigorous procurement and bidding processes, making a parallel evaluation by AHP staff unnecessary and overly burdensome.

Targeted Funds

The proposed rule responds to the need for additional flexibility by allowing the allocation of AHP funds in up to three Targeted Funds. Providing the Banks additional authority to respond to District level needs and circumstances is perhaps the key request of not only the Boston Advisory Council, but of the other District Advisory Councils as well.

Supportive Services

Rental projects with supportive services would need to submit a separate budget for services, apart from the housing budget. This is onerous and contradictory to the evidence based reality that housing and services are integrally combined to support health, resident success, as well as sustainable projects.

Monitoring


We applaud the streamlining of AHP monitoring requirements, especially with regard to:

1. The elimination of the retention requirement for owner-occupied units and/or establishing flexibility in this regard.
2. The elimination of income and rent backup documentation with respect to Low Income Housing Tax Credit Projects.

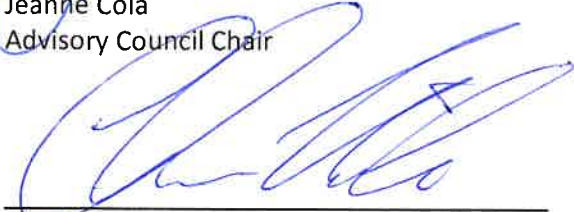
Given the rigor of monitoring requirements stemming from other funding sources, it is good that AHP staff may rely on parallel compliance efforts by funding partners to streamline and simplify the relationship with AHP requirements.

In conclusion, the FHLBank Boston Advisory Council would like to express its appreciation for the opportunity to offer comments on the AHP Amendments. We understand the FHFA takes the perspectives of the eleven Advisory Councils nationwide very seriously, as evidenced by the extended comment period provided and the commitment to meet with the Chairs and Vice Chairs of the Councils. We thank you for your consideration of our shared commitment to crafting the best possible way to channel critical financial resources to housing and economic development initiatives for the nation's communities and households.

Sincerely,



Jeanne Cola
Advisory Council Chair



Christopher Miller
Advisory Council Vice-Chair

Cc: Edward A. Hjerpe III, President, Federal Home Loan Bank of Boston