ILLINOIS HOUSING COUNCIL

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Submitted Electronically
Alfred M. Pollard, Esq.
General Counsel
Attention: Comments/RIN 2590-AA83
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, D.C. 20024

Re: Comments/RIN 2590-AA83: Affordable Housing Program Amendments

Dear Mr. Pollard:

We are submitting this comment letter to express our concerns about the Federal Housing Finance Agency's ("FHFA") Proposed Rulemaking on amendments to the Affordable Housing Program (AHP) regulation published on March 14, 2018 and re-published with a correction and deadline extension on May 2, 2018.

The Illinois Housing Council (IHC), a statewide non-profit membership organization, was created to promote the stabilization of Illinois communities through the construction and preservation of affordable housing. IHC is comprised of industry leaders committed to advancing our mission through education, information and constructive relationships with local, state and federal officials.

IHC's membership includes over 1,500 industry leaders in 250 member organizations involved in all aspects of affordable housing. IHC members include owners, property managers, developers, financial institutions, builders, subcontractors, government officials, lenders, accountants, market analysts, consultants, civic organizations, and many others.

IHC works closely throughout the year with the Federal Home Loan Bank of Chicago. The Federal Home Loan Bank is a crucial resource for the IHC members as they piece together financing for affordable housing developments throughout Illinois. The funds provided through the Affordable Housing Program (AHP) help to fill the gap that allows many developments to move forward.

We have the following concerns regarding the proposed rule:

- IHC is concerned with the proposed reduction in a FHLBank's minimum contribution to a competitive program from 65% to 50%, while also increasing from 35% to 40% the maximum contribution a FHLBank can choose to make to a Homeowner Set-Aside program. Demand for affordable rental housing far outstrips supply both in Illinois and across the country. Research from the Harvard Joint Center for Housing Studies and Enterprise Community Partners shows that with no action by 2025, nearly 15 million Americans could be spending half of their monthly income on rent - an increase of 25 percent.
- We are concerned that the outcomes framework would create a prescriptive program that may overshadow the local needs of each FHLBank district. In addition, we believe that the proposed outcome framework to replace the current scoring system would have negative impacts to the transparency of the AHP program. Re-ranking to meet outcomes requirements may result in lower-scoring applications receiving awards in place of higher-scoring, more competitive applications. This could result in project sponsor frustration and discourage potential applicants.
- The proposed rule outlines that 55% of units must be reserved for households with incomes at or below 50% of the Area Median Income (AMI). Increasing the threshold requirements for projects to qualify as serving targeted populations from 20% to 50% does not align with other funders or the current thinking and practice

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regarding mixed-income development. We are also concerned that the Proposed Rule would not align with the Low Income Housing Tax Credit (LIHTC) income averaging option available to developers through the passage of the Consolidated Appropriations Act of 2018.

- Increasing the target percentage from 20% to 50% for housing homeless households and other special needs populations does not align with current policy and best practices of integrated housing models. The increase in this target percentage would likely require projects to secure significant operating subsidy which may not be available.
- The Proposed Rule's requirement that FHLBanks create a Targeted Community Lending Plan (TCLP) that identifies and prioritizes district housing needs could potentially conflict with housing needs identified by state and local agencies. The timing requirements may place AHP at an incompatible planning schedule with Housing Finance Agencies. Banks should collaborate with agencies and organizations in their districts to create shared goals to address the housing needs for the region.

Overall, AHP serves as a critical source of funding for our members' affordable rental housing projects. When used for rental housing, AHP is most often a relatively small part of a multilayered financial transaction. The AHP is an important resource that fills funding gaps in projects that receive the majority of their funding from other sources. Given this structure, it is not efficient nor necessary for AHP to establish its own unique affordability and monitoring requirements. We support efforts to make AHP's affordability requirements mirror those of other funders and to delegate compliance monitoring to those other government agencies.

We urge the FHFA to take into consideration our comments on the proposed amendments to the Affordable Housing Program. Thank you for the opportunity to provide our views on this matter.

Sincerely,

Allison M Clements

Allison Milld Clements
Executive Director
Illinois Housing Council