

RIHousing

June 11, 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**

Dear Mr. Pollard,

We appreciate the opportunity to comment on the Federal Housing Finance Agency's ("FHFA") proposed rulemaking regarding the Affordable Housing Program ("AHP") of the Federal Home Loan Banks ("FHLBanks"). I am the Executive Director of Rhode Island Housing and Mortgage Finance Corporation ("RIHousing"), the state Housing Finance Agency ("HFA") in Rhode Island. The developers and member banks with whom we work often apply for and utilize AHP funds from the Federal Home Loan Bank of Boston ("FHLBank Boston" or the "Bank").

As the allocating agency for low-income housing tax credits ("LIHTC"), the HOME program, and the National Housing Trust Fund in Rhode Island, RIHousing has financed a wide variety of affordable housing developments. AHP funds have been a tremendous capital source for many developers in RI that are trying to reach our most vulnerable residents. We have partnered with several member banks to ensure that multiple sources of financing can be used effectively and creatively. In particular, the FHLBank Boston has been a terrific partner. They understand their community and market, and have targeted programs to address current issues.

As the primary funder of most of the affordable housing developments in Rhode Island, and a participant in many FHLBank Boston AHP projects, we are particularly concerned with the following:

- 1. Reduced Flexibility: The Proposed Rule significantly complicates how AHP funds are allocated, and limits how responsive the program can be to local -- and changing -- housing needs.** The proposed outcome requirements would direct the majority of the Bank's AHP contribution to meet FHFA regulatory priorities. This is a significant step backward from the current scoring-based methodology for AHP, which incentivizes projects to meet local and regional housing needs. RIHousing wants to ensure that developers are responsive to specific market needs, rather than national outcome requirements, which may not align with local housing needs.

The proposed rule also introduces a process that would require the Bank to re-rank projects to meet the FHFA's outcome requirements. This change will make it much more difficult for developers to produce competitive applications and significantly reduce the transparency of the current scoring-based process.

We recommend that the FHFA remove the required outcome requirements and instead, retain the Bank's ability to meet its district housing needs with greater flexibility through a scoring-based methodology that incentivizes project development aligned with the housing models and needs in its district.

- 2. Increased Thresholds for Targeted Populations:** The proposed rule increases the threshold requirements for projects to qualify as serving targeted populations, such as the homeless, those with special needs, or other targeted groups. The proposed threshold requirements would increase the number of units reserved for the targeted populations from 20 percent to 50 percent. RIHousing is concerned that the proposed thresholds are not achievable in RI because projects that serve lower-income households rely on project based operating subsidies, which are scarce. Thus, the proposal may have the unintended consequence of concentrating AHP funds in certain geographic areas or discouraging members and sponsors from applying for AHP funds because they cannot make the project work financially.

We recommend that you maintain a scoring-based methodology and do not increase the required reserved number of units from 20 percent to 50 percent.

- 3. Complicated AHP Administration for Rental Projects:** While the proposed rule streamlines some long-term monitoring processes for rental projects, it misses an opportunity to (a) simplify other areas of AHP administration, (b) minimize redundancies, and (c) optimize how well AHP coordinates with other funders. The "Need for AHP Subsidy" and project costs sections of the proposed rule do not specifically allow for effective and efficient coordination with other funders in an AHP application, such as the Low-Income Housing Tax Credit. Instead, they impose practices that require sponsors to extensively document a project's "Need for AHP Subsidy" through a prescriptive framework that may have unintended consequences at initial application, disbursement of AHP funds, and project completion.

In addition, the proposed rule requires sponsors to demonstrate that all members of the project development team, including all affiliates and team members such as the general contractor, satisfy FHLBanks' sponsor capacity requirements. Once again, other funding sources have extensive requirements for sponsor capacity, and it may not even be possible to satisfy this requirement in cases where certain affiliates are not identified until later in the process.

A. Pollard
June 11, 2018
Page 3

Our Recommendation: Allow the Bank to leverage the underwriting of HFAs (and other funders with comparable standards) to assess cost reasonableness, viability of operations, development team capacity and need for subsidy.

We commend the FHFA for working to update the AHP regulation. However, in light of the concerns above, we respectfully ask that you reconsider parts of the proposed amendments, especially the required outcomes framework. Thank you for the opportunity to share our viewpoints on this very important program. If you have any questions, please feel free to contact me at Barbara Fields bfields@rihousing.com or 401-457-1190.

Sincerely,



Barbara Fields
Executive Director
RIHousing