

June 11, 2018

Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
400 Seventh Street S.W.
Washington, D.C. 20219
Attention: Comments/RIN 2590-AA83

Re: Notice of Proposed Rulemaking – Affordable Housing Program

Dear Mr. Pollard:

I am writing to express serious concerns regarding the Federal Housing Finance Agency's (FHFA) proposal to amend regulations governing the Federal Home Loan Banks' (FHLBanks) Affordable Housing Program (AHP). While Habitat for Humanity (Habitat) supports efforts to modernize the AHP, it is important to recognize the program's historical success in meeting local needs and to ensure that reforms protect the FHLBanks' authority and flexibility to have an even greater impact in the future. Habitat affiliates and state organizations have accessed hundreds of millions of AHP dollars over the past 20-plus years to create homeownership opportunities for low-income households. Our efforts have been supported by hundreds of FHLBank member banks in all eleven FHLBank regions.

Here in Montgomery and Greene County Ohio, Habitat for Humanity of Greater Dayton has served 95 families with the support of \$825,000 from the FHLBank of Cincinnati. Each year, these families pay over \$200,000 in property taxes, returning AHP's investment to the community in less than 5 years. The community continues to benefit each year thereafter. It is estimated that the total economic impact to the community of these projects will be nearly \$45 million before the investment comes to rest.

While portions of the proposed rule appear potentially beneficial for homeownership, other aspects, particularly the new outcomes framework, would make it difficult to implement those benefits to come to fruition and would risk undermining the AHP's ability to meet critical housing needs here and in communities throughout the U.S.

As FHFA works to finalize AHP regulations, please give careful consideration to the following concerns.

- **Outcomes framework threatens program flexibility and efficacy**
Much of the success of the AHP program is directly attributable to the FHLBanks' ability to tailor scoring criteria to target the most pressing local housing needs. The proposed outcomes framework would supersede locally focused scoring criteria, requiring the banks to shift awards toward projects aligning with specific national regulatory priorities and reducing funding available to meet other local needs. Because the individual FHLBanks and their members are well positioned to understand and committed to meeting the particular needs of their service areas, as has been demonstrated since the AHP's inception, the FHLBanks should retain authority to prioritize local needs and be given even greater latitude to implement scoring criteria best suited to identify projects best designed meet those needs.

The rule also threatens the efficacy of the AHP from a practical standpoint, as the addition of outcome requirements would complicate the program and reduce transparency. The transparency of AHP competitive application processes are important, as they enable potential applicants to make informed decisions regarding submitting an application and applicants understand how their proposals are scored.

Under the proposed rule, however, lower scoring projects could be re-prioritized above higher scoring applications to ensure outcomes requirements are fulfilled. This would create a less transparent and predictable system in which less money is targeted to local needs, creating uncertainty among potential applicants. Nonprofit housing providers with limited grant-seeking resources, in particular, may be less likely to apply should they are unable to determine whether or not their applications will be competitive. Habitat recommends that the final rule maintain program quality, confidence and participation by fully empowering the FHLBanks to continue to allocate resources through transparent scoring processes based on local needs and unencumbered by federally dictated outcome requirements.

- **Outcomes framework likely to undermine support for homeownership**

While the proposed rule includes provisions that could theoretically increase the AHP's support for homeownership, there is a significant risk that the framework would undermine it both by disadvantaging homeownership applications in the competitive program and by reducing funds available through the homeownership set-aside.

The proposed rule would skew the competitive portion of the program strongly toward rental housing by severely limiting the types and locations of homeownership projects that could be supported under the outcome requirements.

- **Underserved communities and populations:** Even homeownership projects that serve the specified populations will find it difficult to qualify, as the requirement dictates that 50 percent of units serve homeless, special needs, and other populations requiring supportive services, populations who often find it difficult to qualify for homeownership opportunities.
- **Creating economic opportunity:** The second priority, appears to offer narrow support for ownership through homebuyer counseling or units constructed in high opportunity, mixed income, or rural areas. Unfortunately, this appears to prevent AHP investment in many areas of great need where nonprofit housing providers are poised to leverage greater impact.
- **Affordable housing preservation:** The third regulatory priority would apply only in very limited circumstances: if, for example, the AHP sponsor were engaged in owner-occupied rehabilitation or permanent affordability strategies. While these are viable and important strategies in many areas of the country, they may not be the most impactful or appropriate for many communities in each of the FHLBanks' districts.

Additionally, because the FHLBanks could be penalized for failing to meet these outcome requirements, the proposed rule would incentivize the reduction of the homeownership set-aside to ensure that competitive grants clearly exceed the 55 percent threshold. Habitat recommends that the final rule reject the addition of outcome requirements to protect AHP's ability to target local needs, including opportunities for homeownership.

- **Prohibition of retention agreements could risk loss of equity and subsidy**

Organizations providing access to homeownership opportunities for low-income families, including Habitat for Humanity, frequently employ retention agreements, often in the form of subordinate liens. These strategies have proved extremely effective in protecting homeowners from predatory lenders and preventing the loss of homeowner equity and subsidies through “flipping.” Elimination of the FHLBanks’ authority to require retention agreements would also result in a prohibition on awardees using them, potentially placing homeowners’ equity and donor and government-provided housing subsidies at risk. Habitat recommends that the final rule provide the FHLBanks authority to allow or prohibit retention agreements.

Habitat for Humanity of Greater Dayton uses AHP funds not just to build homes but to truly impact generational changes for the families we serve. In our 35 years of service, we’ve seen families pay off their mortgages and realize the economic stability the equity provides. We’ve seen the impact on the lives of the children raised in clean, safe, energy efficient homes. They are healthier, do better in school, and are more likely to graduate from high school and go on to continue their education.

Thank you for your consideration of these concerns. Please revise the proposed rule, particularly the required outcomes framework, to protect the AHP’s support of homeownership before it becomes final. If you have questions, please feel free to contact me at 937-586-0860 ext. 13 or nmiozzi@daytonhabitat.org.

Sincerely,

Norman J. Miozzi, Executive Director
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