

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 South State Bank's concerns about the Federal Housing Finance Agency's (FHFA) notice of proposed rulemaking published in the Federal Register on March 14, 2018. In this notice, the FHFA is proposing to amend its regulation on the Federal Home Loan Banks' (FHLBanks) Affordable Housing Program (AHP).

I sincerely appreciate the FHFA's work to support modernization of AHP, but I am concerned with the outcomes framework as envisioned by the proposed rule. I had hoped that the proposed rule would provide FHLBanks with more flexibility in their scoring methodologies to allow AHP to adapt to the changing landscape of housing needs in local districts. However, the outcomes framework prioritizes FHFA's overall housing goals, resulting in less flexibility, less transparency, and a more complex process for selecting projects for AHP funding. Unfortunately, and despite the stated objective in the proposed rule of providing more flexibility to the FHLBanks, the outcomes framework introduces a complex award structure that has the potential to severely restrict FHLBank discretion in addressing local housing needs.

AHP is a critical source of funding for housing and development and imposing required outcomes may lessen the opportunities for institutions like South State Bank to successfully participate in AHP in the future. The penalty for not achieving the outcomes prescribed by FHFA will act as a disincentive to actively participate in AHP. This is unreasonable given the fact that the funds are intended for income-eligible homebuyers and tenants, and it reduces the ability of institutions like South State Bank to establish and maintain relationships in our local community.

Since the proposed rule would require a significant percentage of AHP funds to be awarded to certain types of projects and sponsors, the outcomes framework will become the de facto scoring and needs allocation in each FHLBank district, creating a national, prescriptive program that ultimately makes AHP a less attractive funding resource. Though it may be well-intended, it is difficult to see how such an approach can better address the housing needs of local communities like mine than an approach that allows for greater flexibility for individual FHLBanks.

Further, as a community banker, the AHP presents an opportunity for South State Bank to meet its Community Reinvestment Act requirements. The proposed rule appears to reduce flexibility in AHP, which may make it difficult for community banks like South State Bank to fully utilize the program and make successful community investment efforts in our banking footprint.

I commend FHFA for working to update the AHP regulation. However, in light of the concerns above, I respectfully ask that you reconsider the proposed rule, especially the required outcomes framework. If you have any questions, please feel free to contact me at 803-231-5035.

Sincerely,



Lora Jex
Senior Vice President
Chief Compliance Officer
South State Bank