



we build homes, communities, & hope.

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' (FHLB) Affordable Housing Program (AHP). While Greater Des Moines Habitat for Humanity 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 FHLBs' authority and flexibility to have an even greater impact in the future.

Greater Des Moines Habitat for Humanity and its Habitat peers across the country have accessed hundreds of millions of AHP dollars over the past 20-plus years to create homeownership opportunities for low-income households. Here in Des Moines, Iowa we have been supported by the Federal Home Loan Bank of Des Moines and several member banks.

FHLB Des Moines' AHP program has provided more than \$500,000 in funding to Greater Des Moines Habitat for Humanity to directly serve more than 50 low-income homebuyer families in the Des Moines, Iowa region. Greater Des Moines Habitat for Humanity has been able to leverage those AHP dollars with volunteers and other funders to create more than \$6 million in single family homeownership

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.

- **Proposed rules introduces unnecessary administrative burdens**  
Greater Des Moines Habitat for Humanity and its Habitat peers understand the importance of accountability and stewardship with the limited funds available. We do this effectively with other funders with significantly less administrative burdens than under the proposed rules.

Requiring all members of the project development team satisfy FHLB sponsor capacity and requiring a cure for noncompliance to start the consideration for a project modification are examples of less flexibility and additional unneeded burdens that take away from those that need affordable housing. Greater Des Moines Habitat for Humanity recommends that the final rule allow the FHLBs' to evaluate the facts and circumstances of each project and each affordable homeownership providers' record of historical performance.

- **Need for AHP subsidy is under reported in Sponsor Provided Financing**

Sponsor Provided Financing through the traditional Habitat for Humanity model provides an affordability factor that has been unattainable in other financing models and allows homeownership to succeed with very low-income households. Sponsor provided financing, well below the market, plays a significant role in the finance model's success and at the same time has costs unable to be recovered on individual AHP transactions. Additionally, the unrecovered costs from self-performed tasks that a traditional developer would contract out along with low appraisals in depressed neighborhoods creates an actual developer's gap significantly higher than allowable in the AHP proforma. Greater Des Moines Habitat for Humanity recommends that the final rule heartily encourages Sponsor Provided Financing and expands allowable proforma items to better recognize the larger subsidy actually needed for affordability and success with very low-income.

- **Outcomes framework threatens program flexibility and efficacy**

Much of the success of the AHP program is directly attributable to the FHLBs' 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 FHLBs 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 FHLBs 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. Greater Des Moines Habitat for Humanity recommends that the final rule maintain program quality, confidence and participation by fully empowering the FHLBs 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 FHLBs' districts.

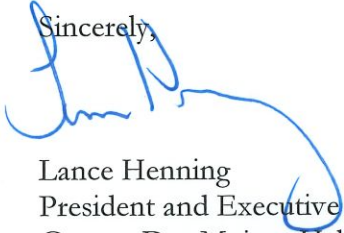
Additionally, because the FHLBs could be penalized for failing to meet these outcome requirements, the proposed rule would incentivize the reduction of the homeownership set-aside to ensure that competitive grants clearly exceed the 55 percent threshold. Greater Des Moines Habitat for Humanity recommends 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 Greater Des Moines 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 FHLBs' 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. Greater Des Moines Habitat for Humanity recommends that the final rule provide the FHLBs' authority to allow or prohibit retention agreements.

Thank you for your consideration of these concerns. Please revise the proposed rule, particularly the required outcomes framework and additional administrative burdens, to protect the AHP's support of homeownership before it becomes final. If you have questions, please feel free to contact me at [lhenning@gdmhabitat.org](mailto:lhenning@gdmhabitat.org) or by phone at 515-471-8686.

Sincerely,



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