Delaware Bankers Association

THE DELAWARE BANKERS ASSOCIATION

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May 23, 2018

Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
400 Seventh Street, SW, Eighth Floor
Washington, D.C. 20219

Attention: Comments/RIN 2590-AA83

Re: Notice of Proposed Rulemaking and Request for Comments – RIN 2590-AA83 – Affordable Housing Program Amendments

Dear Mr. Pollard:

The Delaware Banker's Association, on behalf of its financial institutions that are members of the FHLB, have concerns about the proposed changes to the Affordable Housing Program (AHP), and we would like to provide comments from the perspective of our members.

1. AHP is a critical source of funding for affordable housing. **Imposing required outcomes** may lessen participation of FHLB member banks in AHP in the future. The penalty for not achieving the outcomes prescribed by Federal Housing Finance Agency (FHFA) will act as a disincentive to participate.

2. The **Affordable Housing Program should remain structured to address local and regional needs, not national priorities.** As do many housing authorities, the Delaware State Housing Authority conducted a housing needs assessment in 2014 to cover the next five years of policy and program priorities. This is the assessment that is used to support Consolidated Plans, Comprehensive Plans, Housing Programs at the State, County and Local Levels, and some nonprofit and for-profit housing developers plans. This assessment is a component of identifying and addressing the most pressing needs of the state and is used by the Banks in structuring their programs under CRA. The information is also considered in the priorities that are set by the regional Federal Home Loan Bank in Pittsburgh. We believe that **setting national priorities will not allow the necessary flexibility to respond to local needs.**

3. Maintaining regional priorities will allow use of the current scoring system. The scoring process currently provides a transparent tool to determine where awards will go under the AHP program. It is understood and fairly implemented. National priorities will **change the scoring system and may reduce the transparency of the process as well as overlook stronger applications that support regional not national priorities.**

4. **We also do not support moving the thresholds for special targeted populations from 20% to 50%.** Thousands of modest income working families and individuals are not currently able to find affordable housing; and this restriction will limit production of housing to meet the very large need of working families. Many AHP projects already meet or exceed the 20% requirement however if 50% is the requirement for all projects, then there may be major barriers to overcome such as the need for subsidies to sustain the housing, and gap financing to complete the project – sources of funds that may not be available locally or regionally.

5. **Increased oversight by the FHLB staff is not necessary**. The expected outcomes of this new proposed rule create a large challenge by greatly increasing the amount of time, documentation and cost to member banks and their partners when submitting an application. The proposed extra oversight and application requirements will not result in better outcomes and seems to be unnecessary. This includes the **proposed amendment to require rental projects with supportive services to create two operating pro forma: one for housing operations and the other for supportive services.** This only adds to the application burden for both the sponsor, member bank and FHLB staff.

6. The amendments add a new provision requiring members **to amend current AHP agreements with LIHTC project sponsors, and include in future agreements, a provision that requires the sponsor to report to the FHLBank LIHTC projects that are noncompliant** with income targeting or rent requirements during the 15-year retention period. This adds a new requirement and high burden on member banks. Because LIHTC projects contain equity provided by large investors utilizing the tax credits and subject to IRS oversight, the LIHTC projects already contain heavy compliance processes on income targeting and rent requirements. To have the FHLB do this seems unnecessary and a large added burden to member banks. **We recommend eliminating this proposed new requirement**.

We commend FHFA for working to update the AHP regulation. However, in light of the concerns above, representing our member banks and our communities, we respectfully ask that you reconsider the proposed rule, especially the required outcomes framework and adding more documentation, time and resources to an already lengthy and detailed process. If you have any questions, please contact me.

Thank you.

Sincerely,

Sarah A. Long
President, CEO & Treasurer
Delaware Bankers Association