June 10, 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

Mr. Pollard,

Thank you for the opportunity to comment on your recent release of proposed rulemaking regarding the Affordable Housing Program ("AHP") of the Federal Home Loan Banks (FHLBanks). I am presently Vice President of Wells Fargo Financial National Bank (WFFNB), Wells Fargo Bank South Central (WFBSC) and Wells Fargo Bank, National Association, Sioux Falls, South Dakota (WFBSD). WFFNB is a national association headquartered in San Francisco, California that is a member of the FHLB SF. WFBSC is a member of FHLB Dallas and WFBSD is a member of FHLB Des Moines.

Throughout the years, the AHP program has been a valuable source of gap financing for our projects nationwide. Our sponsors appreciate the transparency of the scoring system for their competitive applications as they build their budgets. Coupled with our construction loan and LIHTC funding, the AHP allows projects to be built within our communities that desperately need assistance.

The comments below represent areas of significant concern:

- Outcomes Framework – Under the proposed amendments, the outcomes framework may essentially eliminate the FHLBank's discretion in addressing local housing needs, establish preferences for certain project types and make AHP less transparent. Our sponsors will rarely meet more than one of the FHFA-required regulatory priorities: Underserved Communities and Populations; Creating Economic Opportunity; and Affordable Housing Preservation.

- Homeless and Supportive Housing – The proposed amendments change the threshold amount needed for projects to qualify as serving targeted populations from 20 percent to 50 percent. This new threshold is not compatible with other funders and does not recognize the benefit of a mixed-occupancy development, which allows developers to cross-subsidize units in a project. We recommend retaining the current 20-percent threshold amount.

- Re-ranking Projects — The NPR requires that the AHP "re-rank" applications to satisfy the outcome requirements if those goals would not be met using only the scoring criteria. This poses risks to the core of the program: re-raking is not objective, it is not predicable (for the applicants or for the Bank), and it is not transparent. In practice, there may be several cycles of re-ranking projects needed to comply with FHFA outcomes because simply substituting one project for another may satisfy compliance with one or more FHFA outcome requirements, but not all of those requirements. The NPR should revert to using a point structure for scoring applications. A point structure gives the FHLBanks more flexibility to address district needs.

- Project Modifications – Under the proposed amendments, AHP project modifications may be delayed, and AHP sponsors unduly burdened, due to a new "cure-first" requirement. We recommend that the proposed cure-first requirement be eliminated and the FHLBanks retain their current practice of verifying that any modified project would still have scored high enough in the funding round to receive the AHP award had the sponsor applied for AHP funding with the modifications in place.

- Sponsor & Affiliate Capacity – The proposed amendments require FHLBanks to evaluate the ability of the sponsor and all members of the development team to perform the responsibilities committed to in the application. The entire development team may not be in place at the time of AHP application, making it impossible to assess total capacity. We recommend retaining the FHLBanks' current practice of reviewing the prior experience of the development team.

- AHP Agreements – 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 burden on members to amend agreements and on sponsors to actively monitor LIHTC projects for 15 years. We recommend eliminating this proposed new requirement.

We commend 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 hearing our ideas on this very important subject. If you have any questions, please feel free to contact me at patricia.b.parina@wellsfargo.com or 415-801-8533.

Sincerely,

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