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June 8, 2018

Mr. Alfred M. Pollard, General Counsel  
Attention: Comments/RIN 2590-AA83  
Federal Housing Finance Agency  
400 Seventh Street, SW, Eighth Floor  
Washington, DC 20219

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

Dear 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). As the Housing Finance Agency (HFA) for the State of Delaware, the Delaware State Housing Authority (DSHA) partners with FHLBank Pittsburgh to support affordable housing development throughout the state. The AHP is a critical source of investment in affordable housing in Delaware, in many types of projects and programs, often leveraging DSHA's investments of state and federal funds.

There are several benefits to the FHLBanks in the Federal Housing Finance Agency's (FHFA's) proposed regulation. We appreciate the increase in allocation authority; increase in maximum subsidy per unit for homeowner set-aside programs; streamlined monitoring requirements for competitive projects using certain federal funds; and allowance that the FHLBanks may allocate up to 40 percent of AHP funds to Targeted Funds to address needs in their districts.

We are concerned with the outcomes framework as proposed in the AHP regulation amendments. The outcomes-based framework prioritizes the FHFA's overall housing goals. An unintended consequence of this approach is that the proposed outcomes ultimately establish preferences for certain project types, lessen the AHP's connection to and support for community development, and make the AHP less transparent.

The outcomes framework as proposed in the amendments introduces a complex award structure that makes the AHP process less clear and ultimately a less-attractive funding resource given that housing sponsors/developers manage multiple layers of capital and operating financing that take years to assemble. Certain projects that align with the proposed regulatory priorities would have an advantage over other types of projects that don't align well but still demonstrate a need within our district.

Mr. Alfred M. Pollard  
June 8, 2018  
Page Two

We encourage that the FHLBanks be allowed to continue using a scoring-based system. These systems have worked well for many years and been refined to meet district needs and priorities while still supporting national priorities and delivering outcomes. In our experience as a HFA, scoring-based systems have worked well and delivered high-quality, successful projects that also address our priorities.

In addition to the outcomes framework, we also offer the following comments on other aspects of the proposed rule:

- 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 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 to allow both for housing for special populations integrated into broader rental housing projects and for projects that are primarily serving special populations. There is a need and role for both types of projects in the continuum of housing available for special populations. In DSHA's own financing products, we have strived to make sure that tools are available for both types of projects.
- The proposed amendments eliminate the five-year retention requirement for homeownership projects. In some cases, the amount of AHP subsidy per-unit may be high and FHLBanks should have the flexibility and discretion to impose a retention requirement. Some level of retention requirement is standard across both federal and most state and local resources.
- The "need for subsidy" and "project costs" sections of the proposed amendments do not specifically allow for the maximization of coordination with other funding sources. Requiring an FHLBank to independently underwrite a project's need for subsidy and viability is unnecessary and increases the burden on sponsors in cases where other funding sources have already underwritten the project. Like all HFAs, DSHA conducts extensive underwriting on all DSHA-financed projects. We recommend allowing FHLBanks to rely on the underwriting of other funders with comparable standards in terms of cost reasonableness, viability of operations, development team capacity and need for subsidy.

We commend FHFA for working to update the AHP regulation and respectfully ask that you reconsider some of the areas described above, especially the required outcomes framework. Thank you for your solicitation of comments on this important subject and consideration of the feedback from FHLBanks, their partners, and the community. If you have any questions, please feel free to contact me at (302) 739-4263 or via e-mail at [Anas@destatehousing.com](mailto:Anas@destatehousing.com).

Sincerely,



ANAS BEN ADDI  
Director

cc: Winthrop Watson, Federal Home Loan Bank of Pittsburgh