



June 12, 2018

Alfred M. Pollard, General Counsel
Attn: Comments/RIN 2590-AA83
Federal Housing Finance Agency
400 Seventh Street
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 to the Affordable Housing Program (AHP) of the Federal Home Loan Banks (FHLB). As the Community Reinvestment Act Officer for Northwest Bank, a \$10 billion full-service financial institution which operates 172 community banking offices in Pennsylvania, New York and Ohio, I see how vital AHP is in our region for creating and preserving housing affordability. Our bank has proudly sponsored many AHP applications over the years, most recently in 2017 signing off on 5 projects for \$1,332,828.00.

In much of our market, the demand for housing is driving home prices upward, leaving our once-affordable region out of reach for many low- and moderate-income borrowers and renters. Northwest Bank has always appreciated how flexible AHP has been in meeting the needs of our communities. We have seen AHP projects used to help cover the cost of home-saving repairs as well as used by non-profit developers to help defray the costs of constructing affordable multifamily units. The easy to understand 100-point scoring system responds to current conditions in our area and allows applicants to respond to our region's actual needs.

Northwest Bank appreciates the Federal Housing Finance Agency's (FHFA) efforts in this proposed rule to simplify program administration, harmonize the AHP with other funding entities, and simplify compliance requirements. Our most significant concern is the proposal's imposition of a highly prescriptive, outcomes-based framework for awarding AHP funds that reduces flexibility and transparency.

Specifically, we are concerned that the proposal would require a majority percentage (55%) of AHP funds be awarded to certain types of projects and sponsors established by FHFA, thereby reducing the program's flexibility. This approach centralizes in Washington D.C. decisions about the types of projects which are eligible for support, not in the localities where the needs exist. The housing needs in our market are drastically different than those in San Francisco or Miami. By imposing regulatory priorities at a national level, you restrict the local FHLB's ability to address the particular needs of our rural communities which are quite different than needs of urban communities.

In addition, the proposal reduces transparency in that if the FHLB fails to satisfy the proposed regulatory outcome requirements, the FHLB may be required to re-rank applications in order to come into compliance with the mandated percentages. Doing so has the potential to undermine the integrity, predictability, and transparency of the AHP. Re-ranking adversely affects the simplicity and transparency of the current award process, and may deter sponsors from participating in the program.

Northwest Bank strongly urges the FHFA to reconsider the imposition of the outcome-based framework included in the proposed rule since mandated percentages would certainly adversely affect small rural projects. Revisions to the program should focus on making the process more efficient and responsive to locally-identified needs, not imposing strict national standards.

Thank you for your consideration of our concerns on this important matter. Please feel free to contact me at jim.knipple@northwest.com or call me at 1-800-572-6972, extension 21706.

Sincerely,


James M. Knipple
Community Reinvestment Act Officer
Northwest Bank
100 Liberty Street
Warren, PA 16365