



June 12, 2018

Submitted Electronically

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

Re: Proposed Rulemaking and Request for Comments: Affordable Housing Program Amendments (RIN 2590-AA83)

Dear Mr. Pollard:

On behalf of the Board of Directors (the Board) of the Federal Home Loan Bank of San Francisco (the Bank), I would like to take this opportunity to provide comments to the Federal Housing Finance Agency (Finance Agency) regarding its Proposed Rulemaking on amendments to the Affordable Housing Program (AHP) regulation published on March 14, 2018 (the Proposed Rule)¹ and re-published with a correction and deadline extension on May 2, 2018. The Board strongly supports the Finance Agency's intentions to streamline and modernize the AHP Regulation, and to provide greater flexibility to the Federal Home Loan Banks (the FHLBanks) to enable the FHLBanks to address specific housing needs in their respective districts. However, the Board is very concerned about the Proposed Rule, particularly certain provisions, and strongly believes that the issues raised below are fatal flaws in the Proposed Rule that should be addressed fully, and consistently with the recommendations provided by the Bank, and the FHLBanks, in their respective comment letters submitted to the Finance Agency.

1. The Outcome Requirements increase AHP complexity and jeopardize program transparency and effectiveness. Moreover, the required percentage thresholds for the Proposed Rule, coupled with the stringent requirements for meeting the statutory and regulatory priorities, means that effectively 65% of the Bank's annual AHP contribution would be controlled by the predetermined priorities enumerated in the Proposed Rule. This does not amount to increased flexibility for the FHLBanks to administer their programs. The Board urges the Finance Agency to abandon the Outcome Requirements in favor of the scoring methodologies proposed by the

¹ 83 Fed. Reg. 11344 (Mar. 14, 2018).

FHLBanks' Community Investment Officers (CIOs) in response to the Finance Agency's *2017 AHP Program Design and Project Selection Criteria White Paper*; and in a separate comment submitted to the Finance Agency this month in connection with the Proposed Rule.

2. The proposed timing and accompanying governance requirements for the expanded Targeted Community Lending Plan (TCLP) in the Proposed Rule pose significant practical constraints on the Bank's ability to administer its programs, and respond to current needs and trends in its district, in a timely and orderly fashion. The Bank has calculated that it will take from one to two years, including conducting the required research, obtaining the necessary corporate governance approvals, and publishing the TCLP with the required lead time outlined in the Proposed Rule. This timing is not consistent with providing greater flexibility to the FHLBanks in responding to emerging needs in their districts. The Board urges the Finance Agency to leave unchanged the current regulatory requirements relating to the Community Lending Plan.
3. The Proposed Rule imposes unnecessary and potentially harmful governance constraints on the Board's consultation process with the Bank's Advisory Council, by prohibiting the Board from delegating to a committee or individual directors the responsibility to meet with the Bank's Advisory Council at its required quarterly meetings. Convening the entire Board with the Bank's Advisory Council on a quarterly basis will be logistically and operationally challenging, and is not likely to enhance the consultation process. Moreover, it could potentially have the unintended consequence of diluting the Advisory Council's role. As with other FHLBanks, there is a longstanding and successful practice at the Bank of having representatives from the Board, usually directors serving on the Board's Affordable Housing Committee, attend the quarterly Advisory Council meetings. The Board urges the Finance Agency to abandon the proposed constraints on the Board's consultation process and leave unchanged the current regulatory requirements relating to the Advisory Council meeting with representatives of each FHLBank's board of directors.

The Board appreciates the efforts that the Finance Agency has made to modernize the AHP Regulation. However, as stated above, the Board believes the flaws described above would significantly impede effective modernization of the regulation and the program overall. The Board strongly encourages the Finance Agency to continue its hard work toward improving the program with these recommended changes in mind. In the event that the Finance Agency is unable to modify the Proposed Rule pursuant to the recommendations set forth in this comment letter, the Bank's comment letter, and

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the FHLBanks joint comment letter, then the Board recommends that the Finance Agency leave the current AHP Regulation intact until it can develop a more effective solution consistent with AHP modernization, rather than risk the likely detrimental effects of unwinding a current program that, while it needs some improvements, has been successful, and replacing it with a system that is less flexible, less transparent, and less effective.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert F. Nielsen", with a long horizontal flourish extending to the right.

Robert F. Nielsen

Chair, Affordable Housing Committee of the Board of Directors

cc: Federal Home Loan Bank of San Francisco Board of Directors