June 12, 2018

Submitted via Agency Website: www.fhfa.gov/open-for-comment-or-input

Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
400 Seventh Street S.W.
Washington D.C. 20219

Attn: Comments/RIN 2590-AA83

RE: Comments on RIN 2590-AA83; Notice of Proposed Rulemaking – Affordable Housing Program

Dear Mr. Pollard:

The 196 members of the Ohio Bankers League (OBL) appreciates the opportunity to comment on the Federal Housing Finance Agency's (FHFA) proposed amendments to the Federal Home Loan Banks (FHLB) Affordable Housing Program (AHP).

The OBL membership represents the overwhelming majority of all depository institutions doing business in the State of Ohio, including the full spectrum of FDIC-insured depository institutions. The OBL's members include small savings associations organized as mutual thrifts and owned by their depositors; locally owned and operated community banks; and large regional multistate and multinational holding companies that conduct business from coast to coast and internationally through multiple bank and non-bank affiliates. OBL's Ohio depository institutions directly employ more than 63,000 people. Almost all of our members are also members of the Federal Home Loan Bank of Cincinnati.

Although there are some positive aspects to the proposed rule, it increases the program's complexity and moves in the direction of a national, bureaucratic program that is largely driven from Washington D.C. to the detriment of local community needs. The most troubling aspect of the proposal is the highly prescriptive outcomes-based framework, which conflicts with the FHFA's stated objective of providing more flexibility for the FHLBanks to respond to local and regional affordable housing needs.

The proposal would require at least 55% of AHP funds be awarded to the types of projects and sponsors established by the FHFA. This would have the effect of centralizing in Washington decisions regarding the types of projects that are eligible for support, removing that discretion from the FHLBanks and boards that live and work in the communities where the needs exist. Removing this flexibility will make the AHP a less attractive funding resource for responding to local community needs.

In addition to removing the flexibility to meet local affordable housing needs, the requirement to ensure that at least 55% of the FHLBanks required annual AHP contribution is awarded to projects or households that meet at least two of the three regulatory priorities set out in the regulation will add unnecessary complexity to the program. The harsh penalties imposed under the proposed rule for a failure to meet this 55% standard means that each FHLBank will be required to carefully track the AHP awards to ensure that they match the percentages dictated by Washington or risk this penalty. This will create a de facto quota system that will be expensive and require significant new staff resources as well as increased oversight from the Board of Directors. To ensure that they avoid this penalty means that most FHLBanks will look to exceed the 55% floor, further reducing project diversity and making less money available for locally determined affordable housing projects.

The proposed re-ranking of otherwise competitive projects will become necessary to comply with the requirements of an outcome based model. This will however undermine predictability and transparency for affordable housing programs, creating situations where high scoring and competitive projects are denied an AHP award. This will result in situations where one or more high scoring and otherwise competitive projects are replaced by one or more low scoring, non-competitive projects for the sole purpose of meeting FHFA outcome requirements. Further, this will undermine the ability of FHLBanks to offer technical assistance to project sponsors on how to improve competitiveness of a proposed AHP application. This will lead to confusion and frustration for project sponsors and will reduce the attractiveness and reliability of the AHP.

Conclusion

The Ohio Bankers League strongly urges the FHFA to reconsider the imposition of the proposed outcome requirements framework included within the proposed rule. Revisions to the AHP should instead focus on making the program more efficient and responsive to locally identified needs, not imposing onerous new national standards enforced by draconian penalties. While the OBL sincerely appreciates your work to modernize the AHP over the last four years, we are concerned the outcomes based framework results in less flexibility to meet local affordable housing needs as well as more complexity and unnecessary expense devoted to compliance with the new national standards. This will undermine the ability of AHPs to meet locally identified affordable housing priorities.

Respectfully Submitted;

Jeffrey D. Quayle
Senior Vice President & General Counsel