



June 11, 2018

Mr. Alfred M. Pollard  
General Counsel  
Federal Housing Finance Agency  
400 Seventh Street S.W.  
Washington, D.C. 20219  
Attention: Comments/RIN 2590-AA83

**Re: Notice of Proposed Rulemaking – Affordable Housing Program**

Mr. Pollard:

I appreciate the opportunity to provide comment on the proposed rulemaking for the Affordable Housing Program (AHP). As a representative of Habitat for Humanity of the Mississippi Gulf Coast I have serious concerns. While Habitat for Humanity (Habitat) supports efforts to modernize the AHP, it is important to recognize the program's historical success in meeting local needs and to ensure that reforms protect the FHLBanks' authority and flexibility to have an even greater impact in the future.

While portions of the proposed rule appear potentially beneficial for homeownership, other aspects, particularly the new outcomes framework, would make it difficult to implement those benefits to come to fruition and would risk undermining the AHP's ability to meet critical housing needs here and in communities throughout the U.S.

As FHFA works to finalize AHP regulations, please give careful consideration to the following concerns.

- **Outcomes framework threatens program flexibility and efficacy**

Much of the success of the AHP program is directly attributable to the FHLBanks' ability to tailor scoring criteria to target the most pressing district housing needs. The proposed outcomes framework would supersede district focused scoring criteria, requiring the banks to shift awards toward projects aligning with specific national regulatory priorities and reducing funding available to meet other local needs. Because the individual FHLBanks and their members are well positioned to understand and committed to meeting the particular needs of their service areas, as has been demonstrated since the AHP's inception, the FHLBanks should retain authority to prioritize district needs and be given even greater latitude to implement scoring criteria best suited to identify projects best designed meet those needs.

The rule also threatens the efficacy of the AHP from a practical standpoint, as the addition of outcome requirements would complicate the program and reduce transparency. The transparency of AHP competitive application processes are important, as they enable potential applicants to make informed decisions regarding submitting an application and applicants understand how their proposals are scored.

Under the proposed rule, however, lower scoring projects could be re-prioritized above higher scoring applications to ensure outcomes requirements are fulfilled. This would create a less transparent and predictable system in which less money is targeted to local needs, creating uncertainty among potential applicants. Nonprofit housing providers with limited grant-seeking resources, in particular, may be less likely to apply, should they be unable to determine whether or not their applications will be competitive. Habitat recommends that the final rule maintain program quality, confidence and participation by fully empowering the FHLBanks to continue to allocate resources through transparent scoring processes based on local needs and unencumbered by federally dictated outcome requirements.

- **Outcomes framework likely to undermine support for homeownership**

While the proposed rule includes provisions that could theoretically increase the AHP's support for homeownership, there is a significant risk that the framework would undermine it both by disadvantaging homeownership applications in the competitive program and by reducing funds available through the homeownership set-aside.

The proposed rule would skew the competitive portion of the program strongly toward rental housing by severely limiting the types and locations of homeownership projects that could be supported under the outcome requirements.

- **Underserved communities and populations:** Even homeownership projects that serve the specified populations will find it difficult to qualify, as the requirement dictates that 50 percent of units serve homeless, special needs, and other populations requiring supportive services, populations who often find it difficult to qualify for homeownership opportunities.
- **Creating economic opportunity:** The second priority, appears to offer narrow support for ownership through homebuyer counseling or units constructed in high opportunity, mixed income, or rural areas. Unfortunately, this appears to prevent AHP investment in many areas of great need where nonprofit housing providers are poised to leverage greater impact.
- **Affordable housing preservation:** The third regulatory priority would apply only in very limited circumstances: if, for example, the AHP sponsor were engaged in owner-occupied rehabilitation or permanent affordability strategies. While these are viable and important strategies in many areas of the country, they may not be the most impactful or appropriate for many communities in each of the FHLBanks' districts.

Additionally, because the FHLBanks could be penalized for failing to meet these outcome requirements, **the proposed rule would incentivize the reduction of the homeownership set-aside** to ensure that competitive grants clearly exceed the 55 percent threshold. Habitat recommends that the final rule reject the addition of outcome requirements to protect AHP's ability to target local needs, including opportunities for homeownership.

In response to the "List of Specific Requests for Comments" I would like to offer the following:

- ***"16. Are the current AHP requirements for sponsor-provided permanent financing reasonable, do the sponsors have a need for AHP subsidy in light of their particular financing model, and does the current method in the regulation for determining their need for AHP subsidy understate or overstate the amount of AHP subsidy needed?"***

- o No other lender is required by the regulation to disclose how it obtains funds to lend to a homebuyer. This is an unfair burden placed only on sponsor-provided permanent mortgage lenders. From a practical and examination stand point, the AHP subsidy must be disclosed on the Closing Disclosure which notes the face value of the mortgage loan. This is to demonstrate the pass through of the grant to the homebuyer and subsequent need for subsidy. The requirement for the sponsor-provided permanent financing was intended to show that due to lending money below market, there is a need for AHP subsidy as a source for the discounted loan (present value of the loan). However, since the “present value loan amount” is not on the Closing Disclosure, this creates an additional document for organizations like mine to create which is burdensome and provides no value to the FHLBanks in evaluating the need for AHP subsidy.

Thank you for your consideration of these concerns. Please revise the proposed rule, particularly the required outcomes framework, to protect the AHP’s support of homeownership before it becomes final. If you have questions, please feel free to contact me at 228.678.9100 ext. 20 or by email at [cmonforton@hfhmgc.org](mailto:cmonforton@hfhmgc.org).

In Partnership,



**Chris Monforton**  
**Chief Executive Officer**

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