NASLEF
The National Association of State and Local Equity Funds

June 12, 2018

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

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

Dear Mr. Pollard,

On behalf of the National Association of State and Local Equity Funds (NASLEF) we are writing to offer comments with respect to proposed rule RIN 2590 – AA83 that would modify the standards for home loan banks making Affordable Housing Program (AHP) awards. NASLEF is the trade group representing state and local based nonprofit organizations that raise equity capital for investment in Low-Income Housing Tax Credit ("Housing Credit") properties. Our 12 members operate in 41 states and where our leadership in affordable housing advocacy, connection with community organizations, and knowledge of local markets creates high quality, strategic community investments, especially in underserved markets. Collectively NASLEF members represent about 10% of the national Housing Credit market, having raised and invested nearly $14.5B in affordable housing and $1.2B in other community and economic developments.

While our members also provide equity financing to for-profit development of Housing Credit properties, we concentrate in particular on nonprofit affordable housing development. Many of our partners utilize AHP funds and we welcome your examination of how the program could be improved. However, we also urge general caution in this project and we especially are concerned that any changes to the AHP funding process not increase the complexity and cost of affordable housing development. Already today, the need for multiple funding sources to build or rehabilitate affordable housing using the Housing Credit makes such development challenging as each funding source imposes different requirements that must be met.

As requested, we respond below to specific questions you have raised.

28. What is the utility of the proposed outcome approach to income targeting, and are the proposed 55 percent threshold, its applicability solely to rental units, and income-targeting at 50 percent of AMI appropriate?

While our project sponsors are encouraged through federal law and state rules to target units further down the income scale, the feasibility of doing depends on the particular factual situation of each project. In most cases, it is not possible to set aside 55% of the units in a Housing Credit property to households with incomes under 50% AMI, and the opportunity to receive AHP funds will in almost all cases be insufficient to fund the reduced rents. We support your objective but the threshold is so high we do not believe it will result in a change in project income targeting.

29. Is the proposed increase in the minimum threshold from 20 to 50 percent for the number of units reserved for homeless households appropriate?

AHP funding for a project is much too small to serve as an inducement to house more homeless households such that a project meet a 50% of units test. Banks desiring to meet this target should be able to identify properties primarily serving homeless populations that would meet this test, but the project will not be structured that way as a result of the AHP funds. It is far more impactful for AHP funds to be made available for a project in return for incrementally increasing the number of units below 50% AMI.

30. Is the proposed increase in the minimum threshold from 20 to 50 percent for the number of units in a project reserved for households with a specific special need appropriate?

Our response to this question is the same as to our last question. Many fantastic projects set aside perhaps 10% to 20% of the units for homeless households and other special needs populations. Adoption of a more stringent standard will not cause changes in project characteristics at the margin which should be your objective.

31. Is the proposed 50 percent minimum threshold for the number of units in a project reserved for other targeted populations appropriate?

See answers above.

32. Is the proposed 20 percent minimum threshold for the number of units in a project reserved for extremely low-income households appropriate?

This is another fine objective but the size of AHP funds will generally be insufficient to fund the reduced debt required to reduce rents to serve such households.

33. Do the three proposed regulatory priorities described in proposed § 1291.48 – underserved communities and populations, creating economic opportunities, and affordable housing preservation – constitute significant housing priorities that

should be included in the regulation, or should other housing priorities be included?

Our answer here is similar to our previous answers. Given the lack of resources for affordable housing development, the AHP is a welcome source of funds for Housing Credit developments but in most cases are insufficient to cause a fundamental change in property characteristics. The AHP can be most effective when the funds enable a project sponsor to set aside more units to house underserved populations. The AHP is less likely to fundamentally alter the development itself which appears to be the objective of your proposed regulations.

Thank you for your efforts in support of affordable housing and giving us the opportunity to share our viewpoints on this valuable program.

Sincerely,

Hal Keller
President, National Association of State and Local Equity Funds