

12 June, 2018

Submitted Electronically

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

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

Dear Mr. Pollard:

National NeighborWorks® Association (NNA) would like to thank the Federal Housing Finance Agency (FHFA) for the opportunity to provide comment on its Proposed Rulemaking on amendments to the Affordable Housing Program (AHP) regulation published on March 14, 2018 in the Federal Register. I serve as the Executive Director of National NeighborWorks® Association, a trade association of over 200 NeighborWorks organizations, with the mission to unite housing and community development practitioners to advocate for housing and economic opportunities for individuals, families, communities and neighborhoods across the country.

Some of the provisions in the Proposed Rule are beneficial to the AHP and NNA appreciates the FHFA in its efforts to streamline and update the AHP, NNA does have concerns regarding some provisions submitted in an effort to provide flexibility, transparency and responsiveness to the AHP. Please accept these comments, respectfully submitted by National NeighborWorks® Association.

Program Administration and Governance

Targeted Funds allow for varying market needs and to empower the interaction of the FHLB's Advisory Committee. This would provide opportunity to reach more underserved communities, and possibly larger geographical footprints. NNA would like the Targeted Funds to be allowable, but not required. They should be reviewed in a consistent manner. A 40% target, we deem, would be counterproductive to the competitiveness of the program, especially in rural areas. NNA would recommend lowering the limit to 25-30%.

With possible allocation of up to 40% of total AHP to Targeted Funds, FHLBs' ability to responds to disasters would be affected. Disaster recovery funds available through member institutions for small business and homeowners can be an important resource. Banks should be able to reserve funds for disaster lending responses or disaster response and recovery should be allowable Target Fund activity.

The market and the FHLB's Advisory Councils should have a great impact on the AHP Implementation Plans allowing for greater flexibility to meet the communities' needs

Owner occupied retention agreements are tantamount to the continuations of resources for affordable homeownership being retained the community and should not be given the opportunity to be flipped and/or lost.

NNA supports the increase from \$15,000 to \$22,000 in the maximum permissible grant to households under the Homeownership Set-Aside Program since it would allow for greater impact in higher cost markets, especially where affordability is out of reach for LMI homeowners. To leverage the impact of increasing the subsidy limit, assistance should be coupled with HUD approved homeownership counseling, including online, group, pre and post purchase counseling. Eliminating the retention requirement should not be considered, even if there is an increase in the maximum permissible grant.

There should definitely be a repayment of an amortizing subsidy, though there are circumstances where the costs for repayment outweigh the benefits of recapture of funds, such as when the net proceeds or gain are less than \$1,000. NNA supports these kinds of exceptions to the AHP subsidy repayment requirement.

If the AHP retention agreement is retained in the final rule, the rule should clarify that the obligation to repay AHP subsidy to a Bank shall terminate not only after any event of foreclosure, but also after transfer by deed in lieu of foreclosure, assignment of an FHA mortgage to HUD, or death of the owner(s) of the unit.

General Fund and Targeted Funds

Relocation plans are very important to address displacement. Depending on the availability of funding and housing options, it would be difficult at best to suggest one solution to this issue.

NNA believes that the current method for determining need understates the amount of needed subsidy. The complicated layering of financing for affordable housing projects necessitates that subsidy should be delineated from the operational feasibility of a project.

NNA does not support the re-ranking of applications; this action would be counter to making the program more efficient, transparent and flexible.

Homeownership Set-Aside Programs

NNA advocates for a higher subsidy. With a higher subsidy and a flat subsidy pool, fewer households could receive subsidy. With the varying markets with low, moderate and high costs, the increasing of subsidy will give more flexibility to those in moderate and high cost markets. NNA recommends to augment the increasing of the subsidy limit with a recapture clause to negate the opportunity for flipping properties. Finally, all participants should be required to participate in HUD approved housing counseling and/or financial capabilities education.

The proposed use of FHFA's Housing Price Index to automatically adjust the subsidy limit upward over time, is appropriate.

Outcome Requirements for Statutory and Regulatory Priorities

NNA supports 10% of AHP funds allocated specifically for affordable home purchasing. NNA also believes that the outcomes rubric proposed by the rule will limit the FHLB's flexibility and efficiency. Finally, NNA would recommend a separation of grant rounds for homeownership and rental projects. Our basis for this recommendation is that the required and/or beneficial outcomes, as a percentage of projects, would not be comparable between rental projects and homeownership projects. We remain concerned that the outcomes rubric proposed by the rule will overly burden the Banks and limit flexibility and efficiency. NNA proposes employing a separate grant round for homeownership activities so that rental and homeownership applicants are considered and rated among similar programs with similar outcomes.

NNA does not support an outcomes approach due to the fact that only focusing on outcomes, will skew the successful applications away from flexibility, competitiveness and high score, and only focus on "outcomes". While we believe outcomes are important, it does not seem to make sense in the use of AHP funds to only focus on that aspect for awarding funding. Also, creating a required threshold limit of 55% at 50% AMI would chill participating due to the exponential increase in subsidies needed.

In terms of minimum thresholds reserved for homeless households, households with specific special needs and/or other targeted populations, we believe that increasing the threshold from 20% to 50% limits the flexibility, efficiency and impact of AHP. NNA does not support this increase. The current threshold of 20% will keep projects viable and fundable. A caveat we would propose is that the FHLB award "bonus" points for those projects that go above the 20% threshold.

The proposed 20 percent minimum threshold for the number of units in a project reserved for extremely low-income households is appropriate

NNA supports the explicit denoting of additional specific housing needs, including urban community stabilization, revitalization of distressed neighborhoods, housing construction, more defined shared equity programs, and the permanent preservation of manufactured housing communities.

As previously stated, NNA proposes employing a separate grant round for homeownership activities so that rental and homeownership applicants are considered and rated among similar programs with similar outcomes

Monitoring

The proposed reductions in the Banks' monitoring requirements reasonable, taking into consideration the risks of noncompliance and the costs of project monitoring are appropriate.

Remedial Actions for Noncompliance

NNA supports the current system for subsidy collection for noncompliance as opposed to the proposed system.

National NeighborWorks[®] Association is very appreciative and supportive of the Federal Housing Finance Agency's efforts to update the Affordable Housing Program. We believe that if FHFA takes into account the above comments and suggestions, that this program would be

more flexible, accountable and impactful. Thank you for the opportunity to provide comments, if you have any questions, please do not hesitate to contact me at 202.223.2526.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lou Tisler". The signature is fluid and cursive, with a long horizontal stroke at the end.

Lou Tisler, Executive Director
National NeighborWorks® Association