



June 12, 2018

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

Regarding: Federal Housing Finance Agency Proposed Rulemaking and Request for
Comments: Affordable Housing Program Amendments (RIN 2590-AA83)

Dear Mr. Pollard:

The Community Bankers Association of Illinois (“CBAI”) which proudly represents 325 Illinois community banks, the overwhelming majority of which are members (“Members”) of the Federal Home Loan Bank of Chicago (“FHLB-C” or the collectively the “FHLBanks”) is pleased to provide our observations and recommendations regarding the Federal Housing Finance Agency (“FHFA”) Proposed Rule (“Proposal”) regarding Affordable Housing Program (“AHP” or “Program”) Amendments.

For over 25 years, the FHLB-C’s AHP has been a valuable source of funding for affordable housing needs throughout its district. In Illinois alone, it has provided nearly \$300 million to help more than 57,000 low and moderate income individuals and families to obtain, develop,

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rehabilitate or preserve safe, decent and affordable housing. Members and their housing development partners all agree that it is a very successful program. While any program can be improved, the current AHP is not broken. The objective of prior discussions was, and the goal of the FHFA's Proposal should be, to build upon the Program's successes by finding ways to help the FHLBanks more efficiently and effectively respond to the housing needs in their districts and better harmonize the use of the Program.

A key hallmark of the AHP has been its relatively simple structure that encourages Members to submit applications on behalf of needed housing projects in their communities, and then scores each application in an objective, straightforward and transparent manner. This approach also allows each FHLBank some flexibility to tailor its AHP project awards to the specific district needs. The affordable housing needs in Illinois are undoubtedly very different than those in other parts of the country and the current Program allows the FHLBanks some discretion to take such considerations into account. While additional flexibility and discretion would better ensure the districts' needs are met, we are concerned the Proposal moves in quite the opposite direction.

When considering how to revise this already successful Program, the FHFA must take care to ensure that the current benefits of the AHP are not unintentionally distorted or negatively impacted. CBAI is concerned that the Proposal does just that. Taken as a whole, the Proposal does not appear to advance or modernize the AHP in the beneficial way that was originally intended. Rather, it seeks to impose a complicated, top-down approach that promotes a number of national housing priorities that may or may not align with the housing priorities and needs within the FHLBank districts.

The Proposal substitutes a prescriptive outcome-based framework in place of the current scoring-based model for awarding the AHP funds. This new approach would direct the majority of the AHP contributions to meet targeted outcomes and preferences for certain types of projects, as determined in Washington, D.C., rather than rewarding projects most aligned with the priorities of the individual FHLBanks. This is contrary to the current AHP scoring methodology, which incentivizes projects to respond to the most pressing local housing needs. To mitigate the risk of not meeting the FHFA's requirements, the Proposal requires the FHLBanks to re-rank their applications, following the initial scoring results. In effect, the proposed top-down approach will increase the chances of some project applications receiving funding at the expense of others. The concept of re-ranking is contrary to the intentions, and obscures the transparency, of the current Program and would result in a more compliance-orientated structure by requiring the FHLBanks

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to ensure that a specified number of dollars and units are awarded to the FHFA-prescribed priorities. This unnecessary complexity will likely discourage Program participation and would also result in less flexibility to respond to the unique local affordable housing needs of the districts. The Proposal could hurt communities that have been designated as most in need of housing production, making it more difficult for Members to best serve their customers and communities. All of this would threaten the relevancy of the AHP and lessen the value of FHLB membership.

In summary, we believe that the Proposal would result in unintended consequences for users and beneficiaries of the AHP, by making the Program more complex, less flexible and less transparent. Replacing the current successful AHP with a top-down approach that promotes the FHFA's prescribed outcomes would also limit the ability of the FHLBanks to best meet their local needs and discourage Member participation.

For these reasons, CBAI urges the FHFA to either withdraw the Proposal and resubmit at a later date, following further consultation with the FHLBanks, Members and other stakeholders, or allow each FHLBank the ability to retain its current AHP structure and requirements, if it so chooses. Alternatively, any final rule should provide the FHLBanks with the maximum flexibility to make their AHP easier for their members to access and use, as well as to design their AHP scoring model in a manner that reflects the unique housing needs in their districts.

CBAI appreciates the opportunity to provide our observations and recommendations on this Proposal. If you have any questions or need additional information, please do not hesitate to contact me at (847) 909-8341 or davids@cba.com.

Sincerely,

/s/

David G. Schroeder
Senior Vice President
Federal Governmental Relations

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