



Housing Assistance Council

1025 Vermont Ave., N.W., Suite 606, Washington, DC 20005, Tel.: 202-842-8600, Fax: 202-347-3441, E-mail: hac@ruralhome.org

Web site: www.ruralhome.org

June 12, 2018

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA83
Federal Housing Finance Agency
Eighth Floor
400 7th Street, SW
Washington DC 20219

Re: **Affordable Housing Program Amendments 12 CFR Parts 1290 and 1291. RIN 2590-AA83**

Dear Mr. Pollard:

The Housing Assistance Council (HAC) appreciates the opportunity to comment on the Federal Housing Finance Agency's (FHFA's) proposed Rule on the Federal Home Loan Bank's Affordable Housing Program Amendments, 12 CFR Parts 1290 and 1291, RIN 2590-AA83. The proposed amendments modify the Banks authority to allocate their AHP funds; authorize the Banks to establish special competitive funds that target specific affordable housing needs in their districts; provide the Banks authority to design and implement their own project selection scoring criteria, subject to meeting certain FHFA-prescribed outcome requirements; remove the requirement for retention agreements for owner-occupied units; further align the project monitoring requirements with those of other federal government funding programs; clarify the provisions on remediating AHP noncompliance; clarify certain operational requirements; and streamline and reorganize the regulation.

The Housing Assistance Council is a national nonprofit organization that helps build homes and communities across rural America. HAC has a longstanding relationship with the Federal Home Loan Bank system and is pleased that FHFA is placing attention on this important affordable housing resource nationwide. With nearly 50 years as a thought leader and voice for rural America, the Housing Assistance Council is uniquely positioned to provide comments on this proposed Rule. The proposed Rule presents a comprehensive review and proposed modifications to the Banks Affordable Housing Program (AHP). Given our organizational expertise in rural markets, HAC has primarily focused its remarks on elements of the proposed Rule that impact rural communities and housing.

Building Rural Communities

Southeast Office
600 W Peachtree St., N.W.
Suite 1500
Atlanta, GA 30308
Tel.: 404-892-4824
Fax: 404-892-1204
southeast@ruralhome.org

Western Office
western@ruralhome.org

Southwest Office
southwest@ruralhome.org

Midwest Office
10920 Ambassador Drive
Suite 220
Kansas City, MO 64153
Tel.: 816-880-0400
Fax: 816-880-0500
midwest@ruralhome.org

HAC is an equal opportunity lender.

TARGETED PRIORITIES

Housing in Rural Areas

The Housing Assistance Council *generally* agrees with FHFA's proposal of regulatory priorities and supports the inclusion and continuation of 'rural housing' as a specified need under the *Underserved Communities and Populations* priority.

HAC is well-aware that the Banks have been active in rural communities since their inception. However, it is somewhat difficult to assess the level and efficacy of rural activity by the Banks. HAC increasingly hears from its partners, largely comprised of rural community-based housing providers, that AHP simply does not work as well for them as it once did. For various reasons, rural proposals do not score as well as urban or suburban competitors who more easily provide elements of scale, infrastructure, and underlying economics. Mortgage dollars often flow to suburban and more urbanized communities for a number of reasons ranging from higher incomes to greater access to financial services. Therefore, HAC hopes the improvements presented in the proposed Rule can stimulate greater AHP investment and activity across rural America.

Defining 'Rural' for AHP

The proposed Rule indicates that the respective Banks use varying methods and classifications for determining 'rural area' in their current administration of AHP priorities. In principal, HAC believes that local communities and entities best know and understand their markets. But each of the Banks have substantial rural territory, and therefore the Housing Assistance Council agrees with FHFA's proposal to implement a more comprehensive and structured classification for rural areas under AHP.

Ultimately, there is no perfect definition of rural, and each system of classification has positive and negative attributes. It is the Housing Assistance Council's belief that FHFA's proposed Rural Area definition is an enhancement that relies on more accurate definition of rural territory and minimizes the occurrence of erroneous rural activity in suburban or exurban areas. The incorporation of a standard classification across Banks would also enhance the ability to assess and understand the geography of investments – not just in rural areas, but in suburban and urban places too. The implementation of improved geography classifications would benefit a wide range of interested and invested entities, including the Banks, who could use this tool to better understand and inform their business practices. HAC does recommend that FHFA develop an easy to use and access Geographic Information System (GIS) platform to better inform the Banks, partners, and the public on these rural classifications.

Rental Housing for Very Low, and Extremely Low-Income Households

The proposed rule would require at least 20 percent of units in a rental project be reserved for extremely low income households in order to achieve consideration under this outcome measure. The Housing Assistance Council generally follows the National Low Income Housing Coalition's submitted recommendations of caution and tiered scoring for the level of extremely low income residents served in a project.

For both Very Low, and Extremely Low scoring proposals in the Rule, *HAC strongly recommends that FHFA implement an **alternative floor or threshold** for Area Median calculations in rural areas.* Some rural counties in economically depressed areas have such low incomes that serving predominately 30, or even 50 percent of the area median income results in projects that are often not financially viable. According to HAC tabulations of 2012 – 2016 American Community Survey data, there are

approximately 107 counties in the US that have an overall household median income lower than \$30,000. These counties are almost exclusively rural, and most are located in high need rural areas such as Central Appalachia, the Lower Mississippi Delta and rural Southeast, Border Colonias and Native American Lands. For example, McCreary County, Kentucky, located in Central Appalachia, has a median household income of \$18,972. Thirty percent of median in this county would be an annual income of roughly \$5,700.

HAC suggests that FHFA investigate alternative methodologies incorporated in various other housing programs to ameliorate this challenge. One common method is to utilize the higher value of Area Median Income, or the Statewide Outside Metropolitan Median Income for rural areas. Certain poverty level thresholds are also used as an alternative to very low median income bases in rural communities. Two articles by the Office of the Comptroller of the Currency and the Minneapolis Federal Reserve Bank are presented to better illustrate and investigate this issue of alternative AMI calculations and thresholds in extremely low income rural areas:

<https://www.occ.treas.gov/publications/publications-by-type/other-publications-reports/cdi-newsletter/rural-development-nov-2013/rural-development-ezine-article-7-cra.html>

<https://www.minneapolisfed.org/publications/community-dividend/2005-revisions-define-new-craeligible-geographic-areas>

Housing for Other Targeted Populations

The Housing Assistance Council has a long-standing history of activity and efforts with nearly all of the populations (agricultural workers, military veterans, Native Americans, and multi-generational households) identified in the “Housing for Other Targeted Populations.” Many of these populations reside in rural communities and HAC strongly supports Housing for Other Targeted Populations as a specified housing need. HAC again agrees with the National Low Income Housing Coalition’s comments on this aspect of the Rule cautioning the level, scale, and concentration of populations, and recommending a 20 percent threshold for targeting these activities, and that a project would not be penalized for targeting more than 20 percent of the units, including up to 100 percent of the units.

Furthermore, HAC recommends that FHFA modify the targeting of “Native Americans” to *Native Americans, on or near, federally recognized tribal lands* where housing needs are most acute for this population. For additional information on Native American Housing needs and the concept of “on or near tribal lands” please consult HAC’s 2018 report *Exploring the Opportunities and Challenges for Mortgage Lending in Indian Country*, <http://www.ruralhome.org/sct-information/mn-hac-research/mn-rrr/1565-rrr-native-mortgage-finance>

Affordable Housing Preservation

The Housing Assistance Council welcomes the targeted priority for affordable housing preservation. One of the most pressing housing challenges in rural communities today is looming “maturing mortgage crisis” of USDA Section 515 rural rental housing properties. The number and availability of these USDA-supported rental homes are declining. No new Section 515 properties have been financed in the last several years, and many of the remaining loans are reaching maturity or are otherwise projected to leave the portfolio in the next few decades. For rural communities and residents, the coming wave of maturing mortgages is a crisis.

Financing availability is essential for preservation and the availability of cost-effective financing – or its absence – is the issue most often raised by stakeholders attempting to preserve the valuable

stock. Federal Home Loan Bank financing could be instrumental in solving this crisis in many rural communities and HAC encourages the Banks and FHFA to commit attention and resources to this particular target market.

MONITORING

The Housing Assistance Council generally supports the concept laid forth by FHFA to rely upon the monitoring conducted by USDA Rural Development for projects involving USDA Section 514, and Section 515 properties to help streamline the process and reduce regulatory and reporting burden.

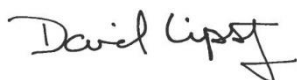
GENERAL COMMENTS

Rural America needs investment and is worthy of investment. HAC's experience is that rural communities – even the most challenged – are largely credit-worthy and ripe for investment, provided that relationship building, and an understanding of rural nuance is in place. Rural America is large with many different housing markets. To make the Affordable Housing Program a success across this wide spectrum, the Federal Home Loan Banks must not only continue, but improve their relationship with rural communities, better understand these often-forgotten markets, and commit meaningful efforts and investment.

The Housing Assistance Council is generally supportive of provisions in the Rule intended to increase and improve the Banks activity and efforts in rural communities. HAC also acknowledges the immense contribution the Federal Home Loan Banks have made to improving the living conditions of countless rural Americans. HAC believes in local community control and one of the strengths of the FHLB system is a connection and understanding to its markets and partners. HAC encourages improvement in the Affordable Housing Program, but also impresses a continuation and fostering of autonomy that allows the Banks to serve the unique and diverse needs of their markets.

The Housing Assistance Council is pleased to have this opportunity to comment on the proposed rule for the Affordable Housing Program. As a long-time supporter, developer, and advocate of affordable housing in rural America, HAC wishes to see AHP work for all involved. We thank FHFA and the Banks and are willing to assist in any way that we can towards the implementation of this important effort. Please do not hesitate to contact me if you need additional information or clarification of our comments.

Sincerely,



David Lipsetz
Chief Executive Officer