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June 12, 2018

VIA ELECTRONIC SUBMISSION ONLY

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

**RE: Proposed Rulemaking and Request for Comments: Affordable Housing Program Amendments (RIN 2590-AA83)**

Dear Mr. Pollard:

Thank you for the opportunity to comment on the proposed rulemaking regarding the Affordable Housing Program (AHP) of the Federal Home Loan Banks (FHLBanks). In conjunction with Bank Mutual, Associated Bank has been a strong supporter of the FHLB's AHP program for over 20 years. This program is integral in our efforts to promote homeownership and affordable rental housing to low- to moderate-income customers and communities within our footprint, and we truly appreciate the opportunity to work with passionate nonprofit sponsors in support of these goals.

We applaud the Federal Housing Finance Agency (FHFA) in its efforts to modernize the AHP program. However, our institution is concerned with some of the unintended outcomes of the proposed rule changes. The comments below identify our significant areas of concern:

**I. An owner-occupied retention mechanism should be required to maintain the low risk nature of the AHP program.**

While the proposed rule would eliminate a retention mechanism requirement on owner-occupied, AHP-assisted units, we recommend that a retention mechanism continue to be required for all projects. Our institution has been able to consistently support the AHP program because of the successful and low-risk nature of the program. We feel that these qualities have been aided by the fact that a retention mechanism has been recorded for all projects.

Although a retention agreement is important in high cost AHP rental projects, its value on even small owner-occupied projects should not be overlooked. Within the last year, Associated Bank and Bank Mutual have each been involved in projects where the Sponsor used the retention mechanism as leverage to obtain required documentation from the Owner. Bank Mutual also experienced a situation where the Owner chose not to complete a project but was unable to reimburse the Sponsor for funds they received to initiate rehab work on their property. In that situation, Bank Mutual was able to assign the mortgage and grant agreement to the Sponsor so that they could pursue recovery of these funds.

Our institution also agrees with the Federal Home Loan Bank of Chicago that a retention

mechanism is pertinent to discourage the flipping of properties, which benefit from an AHP award.

II. **Owner-occupied applications should be evaluated separately from rental applications and should not compete for the same pool of funds.**

Our institution supports the proposal to increase the maximum amount of funds that can be allocated to set-aside programs from 35% to 40%. However, we also believe that our Intended Customers and Communities would greatly benefit from an increased emphasis on homeownership within the competitive program. In 2017 only 5 of the 42 grants awarded by the FHLBank Chicago were dedicated to homeownership.

While we have confidence in the FHLBank Chicago to effectively direct AHP funds to meet the needs of our local district, our institution recommends that the proposed rule be updated to create separate pools of funds for owner-occupied and rental projects. If the projects continue to compete against each other for the same pool of funds, we fear that Sponsors may hesitate to submit owner-occupied applications in the future. Furthermore, we hope that this approach may increase support for owner-occupied AHP projects within our community, thereby revitalizing aging housing stock, stabilizing neighborhoods, reducing competition for existing affordable rental housing, and perpetuating homeownership as an attainable element of the American Dream.

Thank you for taking our comments into consideration.

Sincerely,

A handwritten signature in black ink that reads "Lisa Barwinski". The signature is written in a cursive, flowing style.

Lisa Barwinski  
Community Accountability Program Manager  
NMLS 1748008