



June 12, 2018

Alfred Pollard, General Counsel
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, DC 20219
RE: RIN 2590-AA83, Comments on Proposed Amendments to Affordable Housing Program (the "Notice")

Dear Mr. Pollard:

Thank you for the opportunity to provide comments on the Federal Housing Finance Agency's (FHFA) proposed rule for the Affordable Housing Program (AHP) of the Federal Home Loan Banks (FHLB). CSH is grateful for the work of FHFA in its supervision of the FHLBs and the AHP, and also for its oversight of Fannie Mae and Freddie Mac's Duty to Serve and the financial contributions to the National Housing Trust Fund and the Capital Magnet Fund.

CSH is a national non-profit and Community Development Financial Institution that works with communities across the country to create supportive housing – affordable housing connected to the health, human services, and community supports that help vulnerable individuals and families secure better lives. For over 25 years, CSH has partnered with communities and providers to meet local and state housing needs. In those decades, the FHLB AHP has provided much needed capital for affordable housing, the lynchpin of supportive housing. This housing has directly benefitted seniors, the disabled, our veterans, working families, the homeless, and the impoverished who might otherwise find themselves on our streets.

As such, CSH takes its role as the national leader in promoting supportive housing and our responsibility to safeguard the development of all affordable housing very seriously.

In reviewing the proposed rule, CSH would like to submit the following comments:

Proposed Changes to Affordable Housing Program Structure

Although CSH believes the Targeted Funds proposal presents a unique opportunity to elevate housing for specific populations and/or affordable housing capital needs, we are concerned about the FHLBs capacity to implement while they juggle other statutory requirements, regulatory priorities, minimum homeownership set asides, and income targeting. Should the FHFA move forward with permitting Targeted Funds, we view the phase-in period as appropriate and would strongly suggest that the final rule require input from each FHLB Advisory Council and other community stakeholders in order to effectively gauge FHLB capacity.

CSH recognizes homeownership is an important path to economic security and wealth building for many low-income families, but we do not support the increase in the maximum percentage of AHP funds that may be used for homeownership from 35% to 40%. Basic housing affordability challenges for the lowest-income households have grown consistently worse, and with the recent changes in the equity market for the Low Income Housing Tax Credit (LIHTC), we believe this trend will continue.

In light of this, every effort should be made to ensure the preservation of existing dollars that spur the creation of affordable rental housing. Coupled with other proposed changes for the Homeownership Set-Aside, we believe the existing cap of 35% should remain in place to ensure low-income families are not further burdened with additional obstacles that prevent them from being housed.

Proposed Changes to Reporting of Noncompliance by LIHTC Project Sponsor

CSH believes that the proposed §1291.15(a)(5)(ii) to require notice of noncompliance in AHP agreements between LIHTC project sponsors and member banks is unnecessary. The proposed rule already concedes that LIHTC projects are rarely out of compliance due to the nature of the private equity investments.

Proposed Changes to Review for Need of AHP Subsidy and Review of Pro Formas

CSH recognizes the challenges when underwriting affordable housing developments with the additional step to review pro formas to ensure adequate operating expenses and supportive services. In implementing §1291.24(a)(3)(B), CSH stands ready to assist the FHLBs in understanding various service streams across the public sector and how to determine whether there is adequate income to pay for the services. CSH would also be willing to work with the FHLBs to create a template for supportive services budgets to help streamline the application process for member banks and sponsors alike.

Proposed Changes to Housing for Homelessness, Special Needs Populations and Other Targeted Populations

CSH greatly appreciates being cited by FHFA in the proposed rule regarding the need for additional supportive housing across the country. However, CSH cautions FHFA from increasing the threshold from 20% to 50% without more careful consideration. From CSH's perspective, AHP dollars are flexible gap-financing that propel deals across the finish line, and a dramatic increase in the threshold could potentially have the unintended consequence of creating less supportive housing.

Except in instances where other funding streams may support a specific population or threshold, CSH believe that AHP dollars should be aligned with local financing programs. Otherwise, we stand the risk of completely disqualifying certain geographies with these increased thresholds.

AHP dollars are not the driver in the decision as to whether or not a developer is going to increase supportive housing ratio. Instead the proposed changes to thresholds for homeless, special needs populations and other targeted populations would cut out those local markets that are not incentivizing higher percentages of supportive housing units being produced.

As an alternative, CSH would urge FHFA to support the FHLBs in encouraging localities to increase their very low thresholds (e.g. like the 5% set aside) or leverage their AHP funding to incentivize greater percentages of supportive housing units.

In reviewing CSH's portfolio since 2015, 51 supportive housing projects anticipated using AHP funds, and 17 of those projects or one-third had less than 50% supportive housing, but still resulted in 320 supportive housing units. These are units that may not have been pursued if the higher 50% threshold were in place. This percentage seems to be in line with the rest of our portfolio in that timeframe, confirming that increasing the threshold to 50% could diminish the

flexibility developers desperately need and thus further impede supportive housing development in some communities (see chart below). These projects span 9 states (CA, CO, CT, IL, IN, MI, NY, PA, VA) and the District of Columbia, and represent 8 of the 11 FHLB districts – Atlanta (DC, VA), Boston (CT), Chicago (IL), Indianapolis (IN, MI), New York (NY), Pittsburgh (PA), San Francisco (CA), Topeka (CO).

	Number of Project Closings (2015-Present)	Number of Project Closing with Less than 50% SH (2015-Present)	Percentage of Closings with Less than 50% SH (2015-Present)	Number of SH Units
With AHP	51	17	33%	320 units
Without AHP	85	25	29%	345 units
TOTAL	136	42	31%	665 units

With respect to updating the list of special needs populations, CSH enthusiastically supports the inclusion of formerly incarcerated persons, victims of domestic violence, dating violence, sexual assault or stalking, and unaccompanied youth. As the proposed rule notes, these populations could particularly benefit from housing with supportive services targeted to address their specific needs. CSH would further amend the listing of special needs populations by explicitly listing families involved in the child welfare system as another critical population that benefits from supportive housing. CSH launched One Roof (1RoofFamilies.org) nearly two years ago to bring special attention to the impact of homelessness and housing instability on families involved in the child welfare system and the high correlation between children involved in the child-welfare system and homelessness later in life as adults.

With the recent enactment of the Family First Prevention Service Act, CSH is engaging policymakers and communities to use child welfare dollars to provide supportive services as a preventative measure to break this cycle. CSH would also note that data on the housing needs for various special needs populations is readily available at csh.org/data.

Proposed Changes to Promotion of Empowerment

Finally, CSH applauds the addition of health services under the eligible empowerment activities. CSH would urge FHFA to explicitly mention mental and behavioral health services in the final rule as noted in the case study from Oregon in the proposed rule.

Thank you again for the opportunity to provide comments on the proposed rule. Please do not hesitate to contact me with any questions about our comments.

Sincerely,



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