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June 12, 2018

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

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

Mr. Pollard,

Thank you for the opportunity to comment on your recent release of proposed rulemaking regarding the Affordable Housing Program (“AHP”) of the Federal Home Loan Banks (FHLBanks). As the Principal Consultant of Full Quiver Consulting, I have assisted clients with submitting AHP applications since 2004, resulting in the new construction or rehabilitation for resale of 163 affordable homeownership units.

I have concerns with the outcomes framework as outlined in the proposed AHP regulation amendments. The outcomes-based framework prioritizes the Federal Housing Finance Agency’s (FHFA’s) overall housing goals. The unintended consequence of this approach is that the proposed outcomes establish preferences for certain project types of projects which lessens FHLBank and its Member Bank’s connection to and support for community development. I believe that community based organizations, such as those I consult, better understand their communities and the unmet housing needs within those communities. Many are experts in their field. It would be a shame if the FHFA’s proposal to modernize the Affordable Housing Program further burdened community based affordable housing providers. The current scoring process is transparent and easy to navigate, which makes putting together a competitive application straight forward. I believe the proposed changes will make the scoring process ambiguous and more complicated, which places an unnecessary burden on affordable housing providers.

Affordable housing providers are creative and frequently manage multiple layers of funding and financing to put a project together. This process often takes years to assemble. AHP is typically only one of several funding sources in the total project financial package. One of the things that makes AHP a great program is that it has historically been streamlined, transparent and operationally efficient. The outcomes framework, as proposed in the amendments, introduces a complex award structure that makes the AHP process unclear and ultimately a less-attractive funding resource. A scoring-based system, which has worked well for 28 years, is strongly preferred over an outcomes-based framework and will allow FHLBanks to encourage all project types to apply and better support the work of community based affordable housing providers.

I also have the following additional concerns about the proposed amendments:

- The proposed amendments change the threshold amount needed for projects to qualify as serving targeted populations from 20 percent to 50 percent. This new threshold is not compatible with other funders and does not recognize the benefit of a mixed-occupancy development, which allows developers to cross-subsidize units in a project. I recommend retaining the current 20-percent threshold amount.

- Under the proposed amendments, AHP project modifications may be delayed, and AHP sponsors unduly burdened, due to a new “cure-first” requirement. I recommend that the proposed cure-first requirement be eliminated and the FHLBanks retain their current practice of verifying that any modified project would still have scored high enough in the funding round to receive the AHP award had the sponsor applied for AHP funding with the modifications in place.
- The proposed amendments require FHLBanks to evaluate the ability of the sponsor and all members of the development team to perform the responsibilities committed to in the application. The entire development team may not be in place at the time of AHP application, making it impossible to assess total capacity. I recommend retaining the FHLBanks’ current practice of reviewing the prior experience of the development team.
- The proposed amendments eliminate the five-year retention requirement for homeownership projects. Although this is a beneficial change in most instances, it introduces a risk of misuse in certain situations when the AHP per-unit amount is relatively high that FHLBanks need to have the flexibility to address. I recommend allowing FHLBanks the discretion to impose a retention requirement.
- The “need for subsidy” and “project costs” sections of the proposed amendments do not specifically allow for the maximization of coordination with other funding sources. Requiring an FHLBank to independently underwrite a project's need for subsidy and viability is unnecessary and increases the burden on sponsors in cases where other funding sources have already underwritten the project. I recommend allowing FHLBanks to rely on the underwriting of other funders with comparable standards in terms of cost reasonableness, viability of operations, development team capacity and need for subsidy.
- The amendments require rental projects with supportive services to create two operating pro formas: one for housing operations and the other for supportive services. The requirement causes projects to arbitrarily separate costs and funding streams. I recommend allowing projects to include supportive services in a project’s operating pro forma.

I wish to commend FHFA for working to update the AHP regulations. However, in light of the concerns above, I respectfully ask that you reconsider parts of the proposed amendments, especially the required outcomes framework. Thank you for taking my concerns into consideration. If you have any questions, please feel free to contact me by phone at 304.668.4300 or by email at john@fullquiverconsulting.com.

Sincerely,



John L. Connor
President & Principal Consultant