June 11, 2018

VIA E-MAIL TO REGCOMMENTS@FHFA.GOV

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

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

Dear Mr. Pollard:

We are writing on behalf of our respective member financial institutions, the vast majority of which are members and shareholders of the Federal Home Loan Bank of Chicago, to submit comments and register our concerns about the Federal Housing Finance Agency's proposed changes to the Affordable Housing Program (AHP). We appreciate the opportunity to submit these views.

For over 25 years, the FHLB Chicago's AHP has been a valuable and crucial 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, rehabilitate or preserve safe, decent and affordable housing. Both our members and their housing development partners agree it is a very successful program. While it can always be improved, it is not broken. The goal of the FHFA's proposal should be to build upon the program's successes by proposing ways to help the FHLBs more efficiently respond to the housing needs in their districts and better harmonize program use among members, sponsors and stakeholders.

A key hallmark of the AHP has been its relatively simple structure that encourages all 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 FHLB some flexibility to tailor its AHP project awards to the specific needs of its district and region. The affordable housing needs of Illinois are undoubtedly different from those of Florida or California and the current program allows the FHLBs some discretion to take such considerations into account. While additional flexibility and discretion would better ensure these regional needs are met, we are concerned the proposed rule moves in the opposite direction.

Above all, when considering how to reform such a successful program, the first objective must be to do no harm. The FHFA must take care to ensure that the current benefits of the AHP are not unintentionally distorted or negatively impacted. We are concerned that the proposed rule does just that. Taken as a whole, the proposal does not appear to advance or modernize the AHP in the way in which it 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 each FHLB region.

The FHFA is proposing to substitute a prescriptive outcome-based framework in place of the current scoring-based model for awarding AHP funds. The new approach would direct the majority of the Bank's AHP contribution to meet targeted outcomes and preferences for certain project types, as determined in Washington, D.C., rather than rewarding projects most aligned with the priorities of the regional FHLBs. 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 FHLBs to re-rank their applications, following the initial scoring results. In effect, the proposed top-down approach will elevate the chances of some project applications receiving funding at the cost of others. However, the concept of re-ranking obscures the transparency of the current program and would result in a more compliance-orientated structure that requires the FHLBs to ensure that a specified number of dollars and units are awarded to FHFA-prescribed priorities. Unnecessary complexity would likely discourage member participation. Worse, it would leave the FHLB Chicago and its member/shareholders with less flexibility to respond to our unique local and regional affordable housing needs. This proposal could hurt communities that have been designated as most in need of housing production, making it more difficult for our members to best serve their customers and communities. All of this would threaten the value and relevancy of the AHP.

In summary, we believe that the proposed rule would result in unintended consequences for users and beneficiaries of the AHP by making the program less flexible, less transparent and more complex. Replacing the current successful AHP with a top-down approach that promotes FHFA-prescribed outcomes would limit the ability of the FHLBs to best meet their local needs and discourage member participation. For these reasons, we urge the FHFA to either withdraw the proposal and resubmit at a later date, following further consultation with the FHLBs, members and other stakeholders, or allow each FHLB the opportunity to retain their current AHP as is, if it so chooses. Alternatively, any final rule should provide the FHLBs 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.

We appreciate the opportunity to submit these comments and your consideration of them.

Sincerely,

Linda Koch
President and CEO
Illinois Bankers Association

Erich Bloxdorf
President and CEO
Illinois League of Financial Institutions