

June 7, 2018

Alfred M. Pollard  
General Counsel  
Federal Housing Finance Agency  
400 Seventh Street S.W.  
Washington, DC 20219

Attention: Comments/RIN 2590-AA83

**Re: Notice of Proposed Rulemaking – Affordable Housing Program (AHP)**

Dear Mr. Pollard,

The Federal Home Loan Bank Atlanta’s Affordable Housing Advisory Council (“Atlanta AHAC”) is pleased to respond to the proposed rulemaking for the Affordable Housing Program (“AHP”) published in the Federal Register on March 14, 2018. We also acknowledge, with appreciation, the opportunity the Federal Housing Finance Agency (“FHFA”) afforded the AHAC Leadership Group to share its views on the proposed rule at the April 26-27 meeting in Cincinnati. The Atlanta AHAC supports the views expressed by the leadership group in their presentation (PowerPoint dated April 26) to FHFA at the conclusion of that meeting.

The Atlanta AHAC (as is consistent with the other AHACs throughout the system) is composed of a broad diversity of highly experienced practitioners, developers, and affordable housing supporters from the varied corners of our region. The FHLB Atlanta’s region represents the full spectrum of urban, suburban and rural populations, which requires and benefits from the combined expertise of its dedicated AHAC, Board of Directors and management team. We have a history of effectively and collectively assessing the needs of our diverse region and designing programs to respond to those needs in innovative and agile ways while ensuring compliance and reducing risk.

*Unfortunately, we believe the proposed rule fails to recognize our regional expertise and partnerships by attempting to impose a national program and priorities. In other words, the proposed rule undermines our efforts and nimbleness in providing affordable housing across our diverse region by significantly reducing our flexibility at local and regional levels. It also greatly impacts the ability of the Atlanta AHAC and FHLB Atlanta staff to advise, inform and provide oversight to the goals and priorities of FHLB Atlanta’s housing finance and community lending mission.*

The Atlanta AHAC has four core concerns:

1. The proposed rule states it is intended “to provide the Banks additional flexibility to allocate their annual AHP funds.” Our interpretation of this rule is just the opposite. Rather than permitting the expertise existing at each Bank to determine regional priorities and respond to changing market dynamics and emerging concerns (such as disaster relief), the rule prescribes national priorities for all FHL Banks, thus removing one’s ability to be flexible in adjusting to what *we* assess as our most important regional needs.

This is best exemplified by the proposed rule’s “outcomes framework” which requires a specific percentage of AHP funds to be awarded to certain types of projects and sponsors as opposed to permitting individual Banks to address the particular needs of their regions. This outcomes framework essentially replaces our carefully thought out and regionally developed scoring and needs allocation system (which

is regularly informed with data and current information provided by AHAC members) with a more restrictive and national program. *We strongly urge you to consider the options proposed by each FHL Bank's community investment officers, which are based on regional needs and FHFA priorities.*

AHP is a critical source of funds (albeit, frequently it is a supplemental source) for housing and development. As such, we are partners with other entities so, the system should be flexible enough to support the projects needed in the communities served by our shareholders. To date, we have been able to do that, but this proposed rule removes the needed flexibility.

2. The proposed rule increase in the (i) percent of awarded projects required to serve targeted populations and (ii) number of AHP rental units that must be affordable at 50% or below AMI, fails to recognize the benefits of mixed-income occupancy developments. Mixed-income projects assist in cross-subsidization and contribute to local community goals, which deconcentrate poverty and help to stabilize communities. In addition, many other funders contributing to these projects encourage or even require a mixture of incomes. *Our programs must be compatible with affordable housing programs of other major funders.*
3. The proposed rule eliminates the ability of FHL Banks to have retention agreements on homeownership projects. The Atlanta Bank has found retention agreements to be a useful tool across many projects. Our Atlanta AHAC members associated with nonprofits feel particularly strong about this issue. These nonprofit organizations have recounted numerous examples of how “unprotected” equity of first time low-income homeowners has become the intentional target of predatory practices such as high interest subprime lending, thus increasing the homeowner’s debt beyond their means to pay and compromising the ownership of these units. *Further, many developers applying to use AHP funds do require retention clauses. Therefore, retention agreements should be at the discretion of each FHL Bank.*
4. The proposed rule requires Banks to fund alternates if funds become available. The reality is that many “alternate” projects not initially awarded AHP funds will significantly modify their effort to seek other funding options, which in turn, could change the project’s (i) sources and uses, and (ii) overall profile (i.e. unit and income mix), from that originally submitted to the FHL Bank. This will increase issues with respect to risk and compliance with regulatory guidelines. *We strongly urge you to allow FHL Banks to retain their existing decision-making authority as it relates to funding alternatives.*

In summary, we applaud the extension of the comment period and the enhanced opportunity that extension provides AHACs and many practitioners across the country to provide input on the proposed rule. While we do appreciate the FHFA has stated its intention to ensure that the proposed rule gives increased flexibility in operations, the members of the Atlanta AHAC, who collectively work in this area on a daily basis do not agree that more flexibility will be forthcoming and assess the opposite effect will transpire. We have shared the candid thoughts and concerns of our Atlanta AHAC members and request our concerns be fully addressed in rewriting the proposed rule. We continue to believe that *flexibility in regional priorities is paramount to the effective execution of AHP* on behalf of our many diverse communities, which seek to make affordable housing available. We believe, as written, the proposed rule will substantively and negatively impact our efforts to provide the types of affordable housing programs which are needed across our region.

We urge that the proposed rule, be substantially rewritten, or simply put aside, in favor of a transparent and collaborative process (with the FHFA, AHACs and other active stakeholders in affordable housing) to collectively draft a rule, which does allow intended flexibility in implementation.

Sincerely,

Atlanta AHAC