

Federal Housing Finance Agency



## **FHLBank Affordable Housing Program**

**Presentation to Mortgage Finance Working Group**

**May 11, 2018**



Federal Housing

# BREAKING NEWS



## FHLBank Affordable Housing Program

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### Calculation of Regulatory Priorities Outcome Requirement

- Correction to proposed § 1291.48(d): “Each year, each Bank shall ensure that at least 55 percent of the Bank’s required annual AHP contribution is awarded under the Bank’s General Fund and any Bank Targeted Funds and Homeownership Set-Aside Programs to projects or households, as applicable, that, in the aggregate, meet at least two of the three regulatory priorities in this paragraph . . . .” (emphasis added)
- FHFA has extended the comment period by an additional 30 days. This will result in a total comment period on the proposed rule of 90 days, expiring June 12, 2018.

# AHP STATUTE

## Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), 1989



The Federal Home Loan Bank Act, as amended, requires the FHFA Director to promulgate regulations to implement the AHP, which regulations must, at a minimum:

- Specify activities eligible to receive AHP funds from the FHLBanks; and
- Specify priorities for the use of such AHP funds.

**12 U.S.C. 1430(j)(9)(A), (B).**

# CURRENT COMPETITIVE SCORING FRAMEWORK

Scoring matrix consists of 100 points allocated among 9 mandatory categories.

Scoring Priorities	MINIMUM Point Allocations
<b>Priorities: Statutory</b>	
Federal government/donated or conveyed properties	5
Sponsorship – Nonprofit or government	5
<b>Priorities: Regulatory</b>	
Targeting to lower income households	20
Housing for homeless households	5
Promotion of empowerment	5
Community stability	5
Amount of AHP subsidy per unit	5
<b>Priorities: FHLBanks</b>	
First FHLBank District Priority (list of housing needs identified in regulation)	5
Second FHLBank District Priority (housing needs identified by FHLBanks)	5



## AHP COMPETITIVE FUNDS

- **General Fund – Competitive funds. Scoring categories and point system determined by FHLBanks.**
- **Targeted Funds – Competitive funds created to target specific affordable housing needs within a FHLBank district that have proven difficult to address through the existing competitive application process:**
  - Enhances FHLBanks' ability to address district affordable housing needs.
  - Retains competitive application process.
  - FHLBanks could assign up to 40% of their total annual AHP allocations to establish a maximum of 3 Targeted Funds, subject to certain phase-in restrictions.

### **Examples of potential Uses for Targeted Funds:**

- Rental housing in Puerto Rico and the US Virgin Islands;
- Supportive housing for people addicted to opioids; and
- Owner-occupied rehabilitation in urban areas.

# MEASURING PRIORITY OUTCOMES

- 1. 55% of total AHP competitive awards (General Fund/Targeted Fund(s)) must meet first or second statutory priority (measured in dollars).**
    - Federal government/donated or conveyed properties
    - Nonprofit or government sponsorship
  - 2. 10% of total AHP awards (General Fund/Targeted Fund(s)/Set-Aside) must meet third statutory priority (measured in dollars).**
    - Home purchase
  - 3. 55% of total AHP awards (General Fund/Targeted Fund(s)/Set-Aside) must meet two or more regulatory priorities (measured in dollars).**
    - Underserved Communities and Populations
    - Creating Economic Opportunity
    - Preservation
  - 4. 55% of rental units awarded in AHP competitive program (General Fund/Targeted Fund(s)) must serve households at 50% AMI or below (measured in units).**
    - Targets AHP to lowest-income households
- **Cannot double count projects within a priority group.**

# EXAMPLES: REGULATORY PRIORITY #3 (CORRECTED FORMULA)

Total AHP Allocation	\$30 million
Needed to Meet Regulatory Priority #3: (55%)	\$16.5 million

- Approximately 90% of Set-Aside funds will meet Creating Economic Opportunity (Homeownership Counseling) or Preservation (Rehabilitation).

## Scenarios of FHLBank Allocations

- Set-Aside 20% (\$6 million); Competitive Funds 80% (\$24 million)
- Set-Aside 30% (\$9 million); Competitive Funds 70% (\$21 million)
- Set-Aside 40% (\$12 million); Competitive Funds 60% (\$18 million)

## Amounts Needed to Meet Regulatory Priorities

	Set Aside (\$ in millions)				Competitive Funds (\$ in millions)			
	Allocation/Amount		Counts Towards Regulatory Priorities		Allocation/Amount		Needed for Regulatory Priorities	
1	20%	\$6	90%	\$5.4	80%	\$24	46%	\$11.1
2	30%	\$9	90%	\$8.1	70%	\$21	40%	\$8.4
3	40%	\$12	90%	\$10.8	60%	\$18	32%	\$5.7





# EXAMPLES: REGULATORY PRIORITY #3 (CORRECTED FORMULA)

## Assumptions

- 55% of total AHP awards (General Fund/Targeted Fund(s)/Set-Aside) must meet two or more regulatory priorities (measured in dollars). Each priority > 10%
  - Underserved Communities and Populations
  - Creating Economic Opportunity
  - Affordable Housing Preservation
- Total AHP Allocation: \$30 million; Three scenarios.

Set Aside Allocation (in millions)		General Fund & Targeted Fund(s) (in millions)			
<u>Home Purchase</u>		<u>Amount Available</u>		<u>Required to meet Outcome Requirements</u>	
\$6	20%	\$24	80%	\$16.5	<del>69%</del> 46% (of \$24)
\$9	30%	\$21	70%	\$16.5	<del>79%</del> 40% (of \$21)
\$12	40%	\$18	60%	\$16.5	<del>92%</del> 32% (of \$18)



# PROPOSED REGULATORY PRIORITIES

## CREATING ECONOMIC OPPORTUNITY

- Promotion of Empowerment (Housing in Combination with Services)
  - Employment
  - Education
  - Training
  - Homebuyer homeownership or tenant counseling
  - Child care
  - Adult daycare services
  - Afterschool care
  - Tutoring
  - Health services
  - Resident councils
  - Workforce preparation and integration
- Economic Diversity
  - High opportunity areas
  - Mixed-income housing in an area of concentrated poverty
- Other as provided by FHFA guidance

## HOUSING PRESERVATION

- Rental housing preservation
  - Rehabilitation
  - Expiring use
  - Energy efficiency
- Homeownership preservation
  - Rehabilitation
  - Shared equity
  - Energy efficiency
- Other as provided by FHFA guidance

## UNDERSERVED COMMUNITIES AND POPULATIONS

- Housing for homeless households
- Housing for special needs populations
  - Elderly
  - Persons with disabilities
  - Formerly incarcerated
  - Persons recovering from physical, drug, alcohol abuse
  - Victims of domestic violence
  - Persons with HIV/AIDS
  - Unaccompanied youth
  - Visitable housing
- Housing for other targeted populations
  - Agricultural workers
  - Military veterans
  - Native Americans
  - Multigenerational households
  - Persons with disabilities
  - Households requiring large units
  - Rural
  - Rental housing for less than 30% AMI households
- Other as provided by FHFA guidance

# PROPOSED REGULATORY PRIORITIES

## Not Included Within Proposed Regulatory Priorities

- New Construction
- Adaptive Reuse
- Urban
- Housing for the homeless, special needs or other targeted populations where fewer than 50% of the units are reserved for that population

*Note: Included in Affordable Housing Preservation Priority*

- *Zombie properties*
- *“Green” building*

# OUTCOME MEASURE #1: STATUTORY PRIORITIES

1. **55% of total AHP competitive awards (General Fund/Targeted Fund(s)) must meet first or second statutory priorities (measured in dollars):**
  - Federal government/donated or conveyed properties
  - Nonprofit or government sponsorship

Bank	Statutory Priorities		
	Nonprofit/Gov't Sponsorship	Fed Gov't/Donated Property	Total, Statutory Priorities 1&2
BOS	100%	0%	100%
NYK	94%	9%	100%
PIT	100%	2%	100%
ATL	76%	0%	76%
CIN	90%	0%	90%
IND	98%	0%	98%
CHI	94%	8%	100%
DSM	86%	0%	86%
DAL	100%	0%	100%
TOP	81%	0%	81%
SFR	100%	0%	100%

Based on 2017 awards.





## OUTCOME MEASURE #2: STATUTORY PRIORITY

2. **10% of total AHP awards (General Fund/Targeted Fund(s)/Homeownership Set-Aside Program) must meet third statutory priority (measured in dollars):**
- Home Purchase

Bank	Statutory Priority
	Home Purchase
BOS	16%
NYK	26%
PIT	44%
ATL	32%
CIN	38%
IND	11%
CHI	42%
DSM	43%
DAL	22%
TOP	54%
SFR	9%

Based on 2017 awards.

## OUTCOME MEASURE #4: INCOME TARGETING

4. 55% of rental units awarded in AHP competitive program (General Fund/Targeted Fund(s)) must serve households at 50% AMI or below (measured in units):
- Targets AHP to lowest-income households

Bank	
	Income Targeting
BOS	73%
NYK	69%
PIT	76%
ATL	64%
CIN	57%
IND	61%
CHI	63%
DSM	74%
DAL	80%
TOP	59%
SFR	82%

Based on 2017 awards.

# OUTCOME MEASURE #3: REGULATORY PRIORITIES

- \$33.3 Million Needed to Meet Regulatory Priority.

		FHLBank A
<b>Total AHP Allocation</b>		<b>\$60.6</b>
<b>Set-Aside Allocation</b>		<b>\$16.0</b>
Regulatory Priorities	Empowerment (Creating Econ Opportunity)	\$14.6
	Preservation	\$0.0
	<b>Total, Reg. Priorities</b>	<b>\$14.6</b> 91%
<b>Competitive Allocation</b>		<b>\$44.6</b>
Regulatory Priorities	Empowerment (Creating Econ Opportunity)	\$42.5
	Preservation	\$0.8
	Rental <30% AMI	\$0.6
	<b>Total, Reg. Priorities</b>	<b>\$43.9</b> 98%
<b>Total Regulatory Priorities</b>		<b>\$58.5</b> 97%

Based on 2017 awards.

# OUTCOME MEASURE #3: REGULATORY PRIORITIES

		B	C	D	E	F
<b>Total AHP Allocation</b>		<b>\$78.9</b>	<b>\$39.1</b>	<b>\$14.7</b>	<b>\$41.7</b>	<b>\$34.8</b>
<b>Set-Aside Allocation</b>		<b>\$7.0</b>	<b>\$10.5</b>	<b>\$4.8</b>	<b>\$15.3</b>	<b>\$15.0</b>
Regulatory Priorities	Empowerment	\$7.0	\$9.5	\$1.4	\$14.4	\$10.0
	Preservation	\$0.0	\$0.0	\$3.4	\$0.0	\$4.9
	Total, Reg. Priorities	\$7.0	\$9.5	\$4.8	\$14.5	\$14.9
		100%	90%	100%	95%	99%
<b>Competitive Allocation</b>		<b>\$71.9</b>	<b>\$28.6</b>	<b>\$9.9</b>	<b>\$26.4</b>	<b>\$19.8</b>
Regulatory Priorities	Empowerment	\$71.8	\$27.7	\$3.5	\$26.4	\$19.8
	Preservation	n/a	\$0.8	\$1.3	n/a	n/a
	Rental <30% AMI	n/a	\$0.1	\$0.8	n/a	n/a
	Rural	\$0.11	n/a	\$2.7	n/a	n/a
	Total, Reg. Priorities	\$71.9	\$28.6	8.3	\$26.4	\$19.8
		100%	100%	57%	100%	100%
<b>Total Regulatory Priorities</b>		<b>\$78.9</b>	<b>\$38.1</b>	<b>\$13.1</b>	<b>\$40.9</b>	<b>\$34.7</b>
		<b>100%</b>	<b>97%</b>	<b>89%</b>	<b>98%</b>	<b>100%</b>

Based on 2017 awards.



## MEETING PRIORITIES: EXAMPLE

Total AHP Allocation	\$30 million
Homeownership Set-Aside Program (40%)	\$12 million
Competitive Funds (General and Targeted Funds) (60%)	\$18 million
<b>\$16.5 Million Needed to Meet Outcome Measure #3</b>	

- **Set-Aside (Regulatory Priorities):**

- ✓ First-Time Homebuyers (Homeownership Counseling)
- ✓ Owner-Occupied Rehabilitation (Preservation)

**\$10.8 million**

- **Competitive Funds (Regulatory Priorities):**

- ✓ Economic Diversity (Creating Economic Opportunity)
- ✓ Expiring Use Rental Projects (Preservation)

**\$5.7 million**

- **Competitive Funds (FHLBank District Priorities):**

- ✓ Urban
- ✓ New Construction
- ✓ Adaptive Reuse

\$12.3 million

# NONCOMPLIANCE WITH OUTCOME REQUIREMENTS

...if the Director of FHFA determines that a Bank has failed to comply with an outcome requirement for the statutory and regulatory priorities and compliance was feasible, the Director may require the Bank to take actions to remedy the noncompliance, including but not limited to:

- Reimbursement by the Bank of its AHP Fund for the difference in the amount of AHP funds required to be awarded to meet the outcome requirement and the amount the Bank actually awarded; or
- Implementation of a housing plan.

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- Feasibility
  - Transition Period

# NPR CLARIFICATIONS

- 1. Re-ranking Applications**
- 2. Increased target for special needs projects from 20% to 50% of units**
- 3. Role of FHLBanks' Affordable Housing Advisory Councils**
- 4. Outcome framework impact on AHP applicants**
- 5. Self-help projects**

## AHP HOMEOWNERSHIP SET-ASIDE PROGRAM

- **Increase the maximum subsidy limit per household from \$15,000 to \$22,000 (adjusted annually for increases in FHFA's House Price Index).**
- **Increase annual maximum allocation from 35% to 40%, while retaining the current alternate \$4.5 million limit.**
- **Remove the requirement for a 5-year retention period agreement and the related AHP subsidy repayment requirements.**
- **Revise the one-third funding allocation requirement for first-time homebuyers to include owner-occupied rehabilitation.**



## MONITORING REQUIREMENTS (RENTAL)

- **Revise monitoring standards for AHP projects receiving LIHTC by:**
  - Eliminating requirement that FHLBanks review back-up income and rent documentation (other than rent rolls) at initial monitoring.
- **Revise initial and long-term monitoring standards for AHP projects receiving other government funding by:**
  - Eliminating requirement that FHLBanks review back-up income and rent documentation (other than rent rolls at initial monitoring) for projects receiving funds from 4 federal housing programs to be specified in separate FHFA guidance.

# AHP NONCOMPLIANCE REMEDIATION

- **Revise the remedial section of the regulation to clarify the responsibilities and potential liabilities of the FHLBank, FHLBank members, project sponsors, and project owners in the event of AHP noncompliance.**
- **Eliminate the option for a FHLBank to obtain prior approval from FHFA of proposed AHP subsidy settlements.**
- **Clarify the order in which AHP project noncompliance must be addressed:**
  1. Cure (if noncompliance is curable)
  2. Project Modification
  3. Recovery of AHP subsidy/settlement