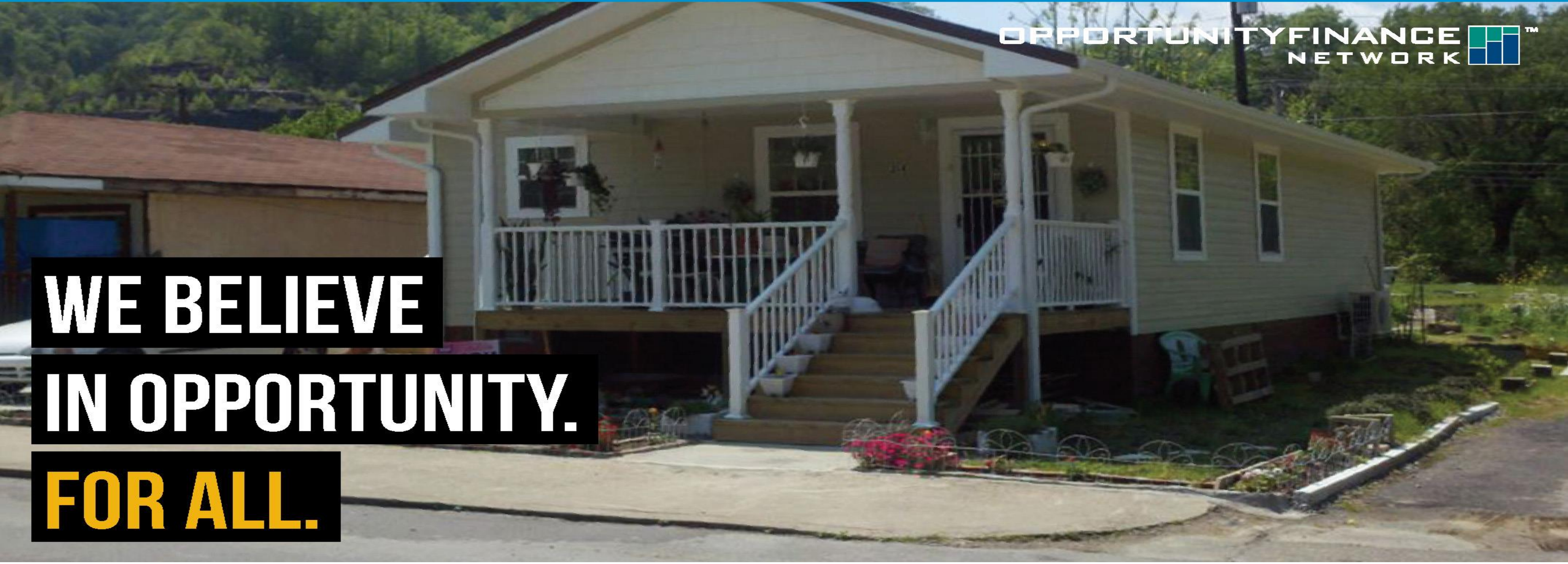

Federal Home Loan Banks Affordable Housing Program

April 17, 2018

Key Dates: Deadlines to Submit Comments

- Weigh in on OFN's letter
  - Due by April 25, 2018
  - Email comments to dwilliams@ofn.org

- Submit comments to the FHFA
  - Due to FHFA by May 14, 2018
  - Submit here: https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/Affordable-Housing-Program-Amendments-NPR.aspx

Affordable Housing Program (AHP)

- Provides subsidies to its members for the provision of very low, low- and moderate-income owner-occupied or rental housing.
- The Federal Home Loan Banks (FHLBs) offer AHP subsidies through two programs:
  - Competitive Application Program
  - Homeownership Set-aside Program
- FHLBs must contribute 10% of previous year’s net income from to AHP
  - Minimum annual combined contribution by the 11 FHLBs of $100 million.
- Governed by AHP Implementation and Targeted Lending Plans
- Tailored to meeting housing needs in FHLB District

CDFI Participation in AHP

- Current CDFI FHLB Members can submit applications on behalf of project sponsors or apply for homeownership subsidy

- CDFIs can serve as project sponsors
  - Project sponsors are nonprofit, for-profit or public entities that:
    - Have an ownership interest in a rental project;
    - Are integrally involved in an owner-occupied project;
    - Operate a loan pool; or
    - Is a revolving loan fund

- CDFIs can serve on FHLB Boards and Advisory Councils

AHP Implementation Plans

- Targeted Community Lending Plans
  - Currently used to address economic development needs in the district
  - Proposed rule requires FHLBs to identify affordable housing needs at least 6 months before the AHP Plan year
- AHP Implementation Plans
  - Developed by FHLB Board in consultation with Advisory Council and details policies and procedures governing the AHP programs
  - Addresses income limits, scoring methodology for competitive program, retention agreements, monitoring, requirements for Homeownership set-aside, revolving loan funds, loan pools
  - Proposed rule requires addition of funding allocations for the FHLB's AHP programs and scoring frameworks

For Comment: AHP Implementation and Targeted Community Lending Plans

- What are the benefits of the proposed expansion of the contents of the Targeted Community Lending Plans and their linkage to the AHP Implementation Plans?

- Would the proposed expansion of the contents of the Targeted Community Lending Plans impede the Banks' ability to respond to disasters through the AHP?

Competitive Application Program

- Currently at least 65% of annual AHP contributions are allocated to Competitive Application Program
- FHLB Member banks partner with developers, community organizations, and CDFIs to build and renovate housing for low- and moderate-income households.
- Funds can be used for:
  - The purchase, construction, or rehabilitation of an owner-occupied project by or for very low-income or low- or moderate-income households.
  - The purchase, construction, or rehabilitation of a rental project, where at least 20 percent of the units in the project are occupied by and affordable for very low-income households

Targeted and General Funds

- Proposed rule eliminates the current Competitive Application Program
- Banks are required to allocate at least 50% of their annual AHP obligation to a new General Fund
  - Decrease from 65 percent with current Competitive Application Program
- Banks can allocate up to 40% of their annual AHP obligation to up to three Targeted Funds
  - Optional competitive program to meet specific housing needs that have proven difficult to address through the existing competitive application process

For Comment: General and Targeted Funds

- What are the benefits and risks of allowing the Banks to establish Targeted Funds?

- Is the proposed allocation of 40 percent of total AHP funds to Targeted Funds an appropriate percentage, or should the percentage be higher or lower?

Homeownership Set-Aside Program

- FHLBs currently may allocate up to the greater of 35 percent or $4.5 million to the homeownership set-aside program each year

- Members obtain the AHP set-aside funds directly from the FHLB and pass through the funds as grants to eligible households:
  - Eligible households at or below 80 percent of AMI
  - At least one-third of the annual set-aside must be reserved for first-time homebuyers

- Funds may be used for:
  - Down payment, closing costs, counseling or rehabilitation costs in connection with a household’s purchase or rehabilitation of an owner-occupied unit

Proposed Changes to the Homeownership Set-Aside

- Increase set-aside to the greater of 40% or $4.5 million to Homeowner Set-Aside Programs
  - Up from current 35% maximum
  - One-third set-aside for first time homebuyers expanded to cover owner-occupied rehabilitation

- Maximum grant amount increase for homeownership
  - Connect to Housing Price Index
  - Increase maximum subsidy from $15,000 to $22,000

For Comment: Homeownership Set-Aside

- Are there any potential positive and negative impacts of increasing the subsidy limit per household from $15,000 to $22,000, and should the subsidy limit be higher or lower?

- Is the proposed use of FHFA's Housing Price Index to automatically adjust the subsidy limit upward over time appropriate?

- Are there other housing price adjustment indices that would be preferable? If so, why?

Retention Agreements for Homeownership

- Households must repay AHP subsidy if they sell or refinance their homes under certain circumstances during the five-year retention period
  - Proposed rule would to remove the requirement for retention agreements on owner-occupied units
    - Intended to prevent “flipping”
    - Repayments could be a burden on households
- Banks cite administrative cost and time required to track and collect the repayment of subsidy
- Retention agreement requirements for rental projects remain

For Comment: Retention Agreements

- Should FHFA eliminate owner-occupied retention agreements?
  - Are they reducing wealth creation opportunities for LMI households?
  - Would this change encourage speculative behavior?

- If not, how should retention agreements be calculated?
  - Current rule requires households to pay pro-rata share of the “net gain”
  - Other subsidy repayment approaches?

- Are there other methods to determine if the subsequent purchaser of an AHP-assisted unit is low- or moderate-income?

Revolving Loan Funds

- Each FHLB’s Board creates revolving loan fund policies

- The revolving loan fund's subsequent lending of AHP subsidy principal and interest repayments must be used for:
  - Purchase, construction, or rehabilitation of owner-occupied projects for households with incomes at or below 80 percent of AMI, or
  - Purchase, construction, or rehabilitation of rental projects where at least 20 percent of the units are occupied by and affordable for households with incomes at or below 50 percent of AMI

- Revolving loan funds may provide part or all of subsidy and interest repayments as grants to eligible projects

For Comment: Revolving Loan Funds

- Are the current AHP revolving loan fund provisions reasonable?
- How can the AHP program be improved to increase loan fund participation?
- What current challenges have CDFI loan funds faced when applying for AHP subsidies?
  - Scoring criteria
  - Demonstrating project need for subsidy
  - Repayment related to project noncompliance
- FHFA considering separate revolving loan fund rulemaking

Statutory Priorities

- Use of federal government donated or conveyed properties or nonprofit or government project sponsorship
  - Proposed rule would require 55% of total competitive funds meet one of these two statutory priorities

- Purchase of homes by low- or moderate-income households
  - Proposed rule would require 10% of total AHP awards allocated for home purchases by low- and moderate-income households (at or below 80% AMI)

For Comment: Statutory Priorities

- Is the 55 percent threshold for competitive awards to government or nonprofit sponsored properties sufficient to meet the statutory priority?
  - Should the percentage be higher or lower?

- Is the 10 percent requirement for total AHP awards to be allocated to home purchase by low and moderate-income households sufficient to meet the statutory priority?
  - Should the percentage be higher or lower?

Regulatory Priorities

- Outcome Requirements for Regulatory Priorities
  - Current rule awards points based on FHLB priorities
  - Proposed rule requires 55% of total AHP awards meet at least two of three regulatory priorities:
    - **Underserved Communities and Populations**
    - **Creating Economic Opportunities**
    - **Affordable Housing Preservation**

- Rental Units for Very Low-Income Households
  - Proposed rule requires 55% of all rental units in projects receiving AHP awards through either the General or Targeted Funds be targeted to very low-income households (at or below 50% AMI)

Underserved Communities and Populations

- Homeless Populations
  - Proposed rule to increase the minimum threshold for number of units in a project dedicated to homeless populations from 20 to 50 percent
- Housing for Special Needs
  - Projects must include supportive services or access to supportive services
  - Proposed rule expands list of special needs population to include formerly incarcerated people, victims of domestic violence, and unaccompanied youth
  - Proposed rule to increase the minimum threshold for number of units in a project dedicated to households with special needs from 20 to 50 percent

Underserved Communities and Populations

- Housing for Other Targeted Populations
  - Agricultural workers, military veterans, persons with disabilities, Native Americans, multi-generational households, and households requiring large units
  - Projects have 50% minimum threshold for the number of units reserved for these targeted populations
- Housing in Rural Areas
  - Aligns definition of rural with FHFA's Duty to Serve regulation
- Rental Housing for Extremely Low-Income Households
  - Adds Regulatory Priority for rental projects in which at least 20 percent of units are designated for households at or below 30 percent AMI

Creating Economic Opportunity

- Financing housing that facilitates economic opportunity for residents
- Proposed rule keeps "promotion of empowerment" as a regulatory priority
  - Adds childcare, adult daycare, afterschool care, tutoring, health services, and workforce preparation and integration to list of empowerment services
- Adds residential economic diversity
  - Defined as financing affordable housing in a high opportunity area, or mixed-income housing in an area of concentrated poverty to align with Duty to Serve regulations

Affordable Housing Preservation

- Affordable Rental Housing Preservation
  - Proposed rule includes specific programs identified in Duty to Serve
    - Rental housing with energy or water efficiency improvements;
    - HUD Section 8, Section 236, Section 221(d)(4), Section 202, Section 811, McKinney-Vento Homeless Assistance;
    - USDA Section 515;
    - Low-income housing tax credits; and
    - Other comparable state/local affordable housing programs
- Affordable Homeownership Preservation
  - Proposed rule includes affordable homeownership preservation as a regulatory priority and includes:
    - Shared equity homeownership programs
    - Owner-occupied housing with energy or water efficiency improvements

For Comment: Regulatory Priorities

- Do the three proposed regulatory priorities constitute significant housing priorities? Are there other housing priorities that should be included?

- Other comments on the proposed outcome approach to income targeting, the proposed 55 percent threshold, its applicability solely to rental units, and income-targeting at 50 percent of AMI?

- Is the proposed increase from 20 to 50 percent in the minimum of number of units reserved for homeless households, households with special needs, or other targeted populations appropriate?

Proposed Changes to Scoring Methodology

- Current system requires banks to direct AHP subsidy to predetermined housing needs
  - Proposed rule shifts to outcome-based evaluation criteria to increase flexibility for FHLBs to meet housing needs in their districts

- Regulation removes existing regulatory scoring framework and requires each FHLB to create scoring methodology
  - Allows different scoring for General and Targeted Funds
  - Must reflect and address the affordable housing needs identified in Bank's Targeted Community Lending Plan

For Comment: Scoring Methodology

- Should the FHFA adopt the new scoring criteria or do the FHLBs have sufficient flexibility under the current scoring system to target specific housing needs in their districts?

- Should the current regulatory scoring system be maintained without change?

Compliance and Monitoring

- Proposed rule reduces compliance for projects using funds from:
  - LIHTC projects
  - HUD Section 202 Program for the Elderly;
  - HUD Section 811 Program for Housing the Disabled;
  - USDA Section 515 Rural Multifamily Program; and
  - USDA Section 514 Farmworker Multifamily Program.
- Ineligible programs for reduced compliance include: HUD's HOME, CDBG program, Rental Assistance Demonstration, Housing Trust Fund, Project Based Rental Assistance