



Comment #36

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Community Investment Department  
8500 Freepoint Parkway South  
Suite 100  
Irving, Texas  
75063-2647

P.O. Box 619026  
Dallas, Texas  
75261-9026

214.441.8500  
fax 214.441.8577  
www.fhlb.com

Via facsimile

Federal Housing Finance Agency  
1625 Eye Street, N.W.  
Washington, DC 20006  
Attention: Public Comments/RIN 2590-AA04

Subject: Federal Housing Finance Agency  
Interim Final Rule with Request for Comments:  
Affordable Housing Program Amendments:  
Federal Home Loan Bank Mortgage Refinancing Authority  
RIN 2590 – AA04

Ladies and Gentlemen:

The Federal Home Loan Bank of Dallas ("FHLB of Dallas") appreciates the opportunity to comment on the Federal Housing Finance Agency's ("FHFA") interim final rule (the "IFR") related to the Federal Home Loan Banks' proposed mortgage refinancing authority under the Affordable Housing Program ("AHP").

The FHLB of Dallas applauds the FHFA's efforts to implement section 1218 of the Housing and Economic Recovery Act of 2008, which allows Federal Home Loan Banks ("FHLBanks") until July 30, 2010, to use AHP homeownership set-aside funds to refinance low- or moderate-income households' mortgage loans. This proposed initiative, if properly implemented, will allow the FHLBanks the opportunity to be part of the solution to the national housing crisis. In light of the above, we offer the following comments for your consideration.

**1. Eligible Programs and Eligible Lender Participants**

The FHLB of Dallas respectfully requests that the FHFA allow AHP set-aside funds to be used in conjunction with mortgage refinancing programs other than the Federal Housing Administration's ("FHA") HOPE for Homeowners Program ("H4H"). Pursuant to the IFR, a loan is eligible to be refinanced with an AHP grant only if the loan is refinanced under H4H. The FHLB of Dallas understands and appreciates the FHFA's reasons for linking the use of AHP subsidy to refinancing under H4H. To date, however, the H4H program has generated little interest from lenders or servicers on a national basis, and the FHLB of Dallas is concerned that requiring the AHP subsidy to be used only in conjunction with H4H limits the use of AHP subsidy for preventing foreclosures.

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By providing flexibility with respect to the use of AHP subsidy for mortgage refinancing, the FHLB of Dallas believes that AHP subsidy will reach a broader spectrum of deserving homeowners and enable more loans to be refinanced using AHP subsidy. One example of a mortgage refinancing program that might be available for use in conjunction with AHP subsidy would be the Streamlined Modification Program to be launched by Fannie Mae and Freddie Mac on December 15, 2008.

By expanding the use of AHP subsidy beyond H4H, as requested above, the mortgage refinancing initiative would also be expanded to include mortgage refinancing products offered by our members that are not FHA-approved lenders. Pursuant to the IFR, and in conjunction with H4H, an FHLBank may provide the AHP direct subsidy to members that are FHA-approved lenders for the purpose of refinancing an eligible loan into an FHA-insured loan originated by the member. Alternatively, the IFR allows an FHLBank to offer the subsidy to members that are not FHA-approved lenders that will in turn provide the subsidy to FHA-approved lenders that are not members of the FHLBank.

Currently, only 16.3% of the FHLB of Dallas' members are FHA-approved lenders. The FHLB of Dallas believes it is important to use its AHP funds as much as possible to assist its members with their own mortgage lending and/or mortgage refinancing programs. Therefore, the FHLB of Dallas encourages the FHFA to consider mortgage refinancing programs that would expand the ability of FHLBank members to participate.

## **2. Household Income Eligibility**

The FHLB of Dallas respectfully requests that the FHFA allow FHLBanks to rely on the income and other relevant calculations (such as debt-to-income ratios) done by lenders under H4H and other mortgage refinancing programs (if allowed by the FHFA), and not require the FHLBanks to recalculate the income or related ratios of applicants, so long as under the lender's calculation method the household's income is at or below 80% of the area median income.

Pursuant to the IFR, eligible borrowers who receive AHP assistance under the proposed mortgage refinance program must have incomes at or below 80% of the area median income, adjusted for family size. Under the existing AHP set-aside programs, FHLBanks are required to use a household's current income to project the household's future income in order to determine income eligibility. The FHLBanks also are required to include all sources of income (including income that could be sporadic, such as overtime and bonuses) from all adult household members.

The calculation of a household's income by a mortgage lender pursuant to H4H or, if allowed by the FHFA, another mortgage refinancing program, however, may not be comparable to the FHLBanks' income calculation. The requirement that the FHLBanks count overtime in determining a household's income runs counter to FHA and most other lender income calculation standards. Therefore, a homeowner might qualify for mortgage refinancing pursuant to H4H or another mortgage refinancing program, based on the lender's income calculation, but not qualify for AHP subsidy, based on an FHLBank's income calculation. We suggest that it would be prudent to allow FHLBanks

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to rely on the income and other relevant calculations (such as debt-to-income) done by lenders under H4H and other mortgage refinancing programs, and not require the FHLBanks to recalculate the income or debt ratios of applicants, so long as under the lender's calculation method the household's income is at or below 80% of the area median income.

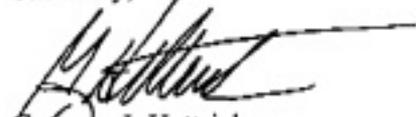
**3. AHP Compliance**

Under H4H, the homeowner must make the first mortgage payment due under an H4H refinanced mortgage before the FHA will issue insurance for the mortgage. Thus, it is possible for a homeowner to be conditionally approved for an H4H refinanced mortgage, apply for and receive AHP subsidy, miss the first mortgage payment and, therefore, no longer qualify for the H4H refinanced mortgage. The FHLB of Dallas is concerned that this could cause a compliance issue for the FHLBanks. The FHLB of Dallas respectfully requests that the FHFA clarify that as long as the FHLBank made the grant to a homeowner under the terms of the H4H program, that the FHLBank will not be deemed out of compliance by the FHFA if the loan is not ultimately accepted by FHA under H4H.

I thank you again for the opportunity to comment on the proposed AHP amendments. We look forward to assisting our members in finding new solutions to the mortgage foreclosure crisis.

If you have questions, please contact me.

Sincerely,



Gregory J. Hettrick  
Director of Community Investment  
Federal Home Loan Bank of Dallas  
(214) 441-8844