

April 17, 2006

Federal Housing Finance Board
1625 Eye St., NW
Washington, DC 20006
ATTENTION: Public Comments

Re: Federal Housing Finance Board. Proposed Rule: Affordable Housing Program Amendments. RIN Number 3069-AB26. Docket Number 2005-23

Thank you for the opportunity to provide comments on proposed changes to the regulations governing the Affordable Housing Program (AHP). We appreciate the efforts of the Federal Housing Finance Board directors and staff in taking action to improve the program. The AHP has developed over the years into an outstanding program. It is praised by members of Congress and often suggested as a template when new housing grant programs are being considered. However, our current success should not be used as an excuse to simply maintain the status quo. Where improvement is possible, changes should be made. It is in the spirit of improving an already outstanding program that we provide these comments. Overall, we are supportive of the changes being proposed, particularly the changes with respect to monitoring and the use of revolving loan funds and loan pools. We were disappointed, however, that the proposed rule did not address scoring criteria.

Performance Objectives for Monitoring. We compliment the Finance Board on proposing to allow more flexibility for individual FHLBanks to design monitoring programs so long as these meet the listed performance objectives. Requiring monitoring controls based on performance objectives allows the FHLBanks to better tailor controls to the risks presented. It is often easy to justify enhanced controls as the benefit (reduced risk) is clear but the cost is often hidden, especially when those costs are not borne by the grant dollars themselves as is the case with the AHP. But we must recognize that every dollar unwisely spent on controls ultimately means that FHLBanks, members and project sponsors have fewer resources to further their missions. We need to have the flexibility to tailor controls appropriately to the risk, both in terms of the nature of that risk as well as its severity.

We also need to be opportunistic as we evaluate necessary controls. The amount of AHP dollars in a project is relatively small (generally no more than 5 percent) compared to the size of the overall project. The compliance burden associated with using AHP funding should be consistent with its share of overall project cost. Very often, other programs are involved at a much higher funding level and incorporate their own set of requirements for feasibility, subsidy need and monitoring. We strongly support the proposed rule's provision allowing greater reliance on monitoring provided by other funding sources.

Revolving Loan Funds/Loan Pools. It is common knowledge that funding to support affordable housing has declined significantly over the last 20 years. Current budget deficits and the growth in entitlement programs suggest that the situation is not likely to improve in the foreseeable future (further budget cuts are more likely). In this light, it is imperative that significant providers of funding for affordable housing seek to maximize the impact of those funds. We believe that revolving loan funds and loan pools are a prime example of how to increase the impact of AHP subsidies. By using loans rather than outright grants, the economic benefit of \$1 of subsidy can be leveraged many times over. We strongly support allowing FHLBanks the option to use AHP grants in conjunction with revolving loans funds and loan pools.

Scoring Flexibility. Although no significant changes to current practice were included in the proposed regulation, we urge the Finance Board to consider making changes in the scoring area. Each FHLBank's AHP should target the most critical affordable housing needs in its district. To accomplish that objective, two steps are necessary. First, we must appropriately identify those needs through a rigorous assessment process. We have the benefit of excellent Affordable Housing Advisory Councils that provide great perspective on the needs in each district. The second step is to design project scoring so that projects targeted to meet those critical needs receive the highest scores and are selected for funding. FHLBanks must have sufficient flexibility in designing scoring criteria in order to allow for those needs to be fully integrated into the scoring process. *FHLBank flexibility to tailor scoring criteria to the identified needs is the single most critical element determining the overall effectiveness of the AHP.* Unfortunately, under the current system, too many of the scoring criteria are predetermined. We urge the Finance Board to modify the AHP regulation to provide significantly greater flexibility to the FHLBanks in adopting scoring criteria that are tailored to the needs in their districts.

Although FHLBank Topeka supports many of the provisions of the proposed rule, we believe the following recommendations would enhance the effectiveness of the AHP in helping the FHLBanks accomplish their housing finance mission.

§951.1 Definitions.

1. The proposed rule modifies the definition of "Retention period" for owner-occupied units to require: *"(1) Five years from closing for an AHP-assisted owner-occupied unit, or in the case of rehabilitation of a unit currently occupied by the owner where there is no closing, 5 years from the date of completion of the rehabilitation;"* We request that the FHFB consider granting the FHLBanks the ability to adopt a more flexible approach to establishing the retention period for rehabilitation of a currently occupied ownership unit. The need to establish a specific retention start date for owner-occupied rehabilitation is less critical when the recipient already occupies the home benefiting from an AHP-assisted rehabilitation and continues to occupy the unit during and after completion. The definition of retention period should allow the FHLBanks to define the retention period for owner-occupied rehabilitation in their Implementation Plan with the only restriction being that the retention period could begin no earlier than the disbursement date of the AHP funds for that unit. This would allow the retention mechanism to be put in place and begin the retention period at any time after disbursement of funds but would not require a specific date that may be difficult to document.

2. There is no definition of “first-time homebuyer” in the proposed rule and there is no specific reference to requiring the FHLBanks to include a definition in their Implementation Plans. We recommend that the rule be amended to require the FHLBanks to establish a definition of “first-time homebuyer” as part of each FHLBank’s Implementation Plan.

§951.2 Annual AHP Contributions. §951.2(b)(2) requires “*that at least one-third of the Bank’s aggregate annual set-aside allocation to such programs shall be to assist first-time homebuyers*” For purposes of clarification, we ask if it is the FHFB’s expectation that final distributions (which could be interpreted to mean allocation) will have to show that one-third of the households actually receiving set-aside funds were first-time homebuyers? If so, we encourage the FHFB to explicitly state this in the rule.

§951.3 Implementation Plans. Generally, throughout the proposed rule, there are consistent references to requirements that require the adoption of written policies and procedures and for these, in many instances, to be specifically part of the IP. In some cases, the IP portion of the regulation discusses including the FHLBank’s requirements in its IP. However, some sections of the regulations require “policies and procedures” but fail to reference the IP in terms of inclusion. It will be important for the FHLBanks to be able to determine the extent to which policies and procedures required under the proposed rule are to be part of the IP. We believe it would be helpful to require an FHLBank to include appendices to the IP that contain all policies and procedures related to an FHLBank’s AHP. In short, we seek clarification as to whether the IP is intended to include all policies or procedures or just those specifically cited in this section.

§951.5 Competitive Program Requirements. Quoting §951.5(c)(2) *Need for subsidy: The project’s estimated cash uses of funds shall equal its estimated cash sources of funds as reflected in the project’s development budget. A project’s cash sources of funds shall include estimates of funds the project sponsor intends to obtain from other sources but which have not yet been committed to the project.*” The evaluation of sources of funds intended to be obtained that have not yet been committed creates problems when the need for subsidy is evaluated at the time of disbursement of funds. The language of the proposed rule could be interpreted to require an FHLBank to disburse funds even though all sources of funds have not been committed to a project. For example, project sponsors could request funds for the acquisition of land without having all other sources of funding being in place. This would place an FHLBank in the position of having provided funds for an AHP eligible cost but assuming the risk that the project might not be completed because other sources of funds could not be obtained. FHLBank Topeka recommends that the need for subsidy language be retained but we ask for additional language that would allow the FHLBanks to require that, at the time of disbursement and post-completion, if applicable, the evaluation be based on funds actually committed.

Quoting §951.5(c)(6) *Timing of AHP subsidy use: The AHP subsidy must be likely to be drawn down by the project or used by the project to procure other financing commitments within 12 months of the date of approval of the application for AHP subsidy funding the project.*” This current 12-month requirement as to timely project start conflicts with the more flexible provisions of §951.3(a)(2) of the proposed rule that merely requires an FHLBank to include in its IP a standard for the timely use of funds as follows: (2) *The Bank’s requirements for its*

*competitive application program established pursuant to §951.5, including the schedule for AHP funding periods, definition of sponsor, project cost, and feasibility guidelines, any additional optional District eligibility requirements, scoring guidelines, and related definitions, **requirements for timely use of AHP subsidies**, and requirements for determining compliance upon disbursement of AHP subsidies;* (emphasis added). We recommend that §951.5(c)(6) be modified to replace the reference to project start within twelve months of approval with language reflecting project start consistent with the FHLBank's timely use of funds policy required to be included in the AHP IP per §951.3(a)(2).

With respect to scoring criteria under proposed §951.5(d)(5), we recommend combining First District priority and Second District priority into one scoring category to be identified as "District priorities" with no predetermined list of priorities such as those now included in First District priority of the proposed rule. This will permit an FHLBank to better tailor its AHP to the specific and sometimes unique characteristics of its district. If, however the FHLBank determines to leave this portion as is in its final rule, we suggest clarification of the term "such as" as used in the scoring portion of the proposed rule. Is the term intended to limit the FHLBank's scoring factors only to those specifically cited in the regulation or does this term specifically permit other factors to be introduced by an FHLBank?

With regard to compliance review at disbursement, §951.5(g)(3) of the proposed rule provides: *Compliance upon disbursement of AHP subsidies. A Bank shall establish policies and procedures for determining, prior to its initial disbursement of AHP subsidies for an approved project, and prior to subsequent disbursement if the need for AHP subsidy has changed, that the project meets the eligibility requirements of paragraph (c) of this section and all obligations committed to in the approved AHP application.* According to the description of this section of the proposed rule in the Supplementary Information section: *"The requirement to repeatedly verify project compliance during every stage of the disbursement process may be more than is necessary to ensure compliance with the rules, and effectively precludes a Bank from using its best judgment to determine whether the circumstances of a particular AHP project warrant repeated verification of compliance with the rules. The proposed amendment would give the Banks greater latitude in determining when it is appropriate to verify compliance prior to disbursing AHP funds."* However, §951.5(g)(3) of the proposed rule quoted above states that the FHLBank must establish policies and procedures for determining whether the project continues to meet applicable eligibility requirements and all obligations committed to in the approved application at the time of initial disbursement *"...and prior to subsequent disbursements if the need for AHP subsidy has changed...."* We read this to mean that an evaluation of the need for subsidy will be required at initial disbursement and for every disbursement thereafter in order to determine whether the need for subsidy has changed and, consequently, an evaluation of eligibility and all obligations committed to in the approved application will be required. We believe that if our interpretation is correct, an undue and unnecessary burden will be imposed on the FHLBanks and on our participating members and project sponsors. We recommend that the required evaluation of need for subsidy at every disbursement be deleted from the proposed rule and limit the evaluation of need for subsidy to the initial disbursement.

§951.6 Set-aside Program. §961.6(c)(2)(i) provides that the FHLBanks can only provide set-aside funds to households that: *"(i) Have incomes at or below 80 percent of the median income*

for the area at the time the household is accepted for enrollment by the member and the Bank in the Bank's homeownership set-aside program;" FHLBank Topeka recommends that this portion of the regulation be modified to allow for additional flexibility to be exercised by the FHLBanks as to exactly when the income requirement for the set-aside program must be met. That portion of the proposed rule referencing acceptance for enrollment by the member and the FHLBank creates problems for FHLBanks that administer the set-aside program where "enrollment" *per se* does not occur. For these set-aside programs that reserve rather than enroll funds we ask that the regulation be modified to allow for confirmation of income eligibility at or prior to disbursement of funds or at enrollment at the discretion of an FHLBank pursuant to a qualification standard specified in the IP.

There is an inconsistency between the eligible uses for owner-occupied units under the competitive program and the set-aside program impacting manufactured housing. The eligible uses shown in proposed §951.6(c)(4) for set-aside program subsidies do not include a reference to manufactured housing: *"Eligible uses of AHP direct subsidy. Households shall use the AHP direct subsidies to pay for down payment, closing cost, counseling, or rehabilitation assistance in connection with the household's purchase or rehabilitation of an owner-occupied unit, including a condominium or cooperative housing unit, to be used as the household's primary residence."* However, the definition of "owner-occupied project" applicable to the competitive program in proposed §951.1 includes a specific reference to manufactured housing: *"Owner-occupied project means, for purposes of the competitive application program, one or more owner-occupied units in a single-family or multifamily building, including condominiums, cooperative housing, and manufactured housing."* We recommend that §951.6(c)(4) include a specific reference to manufactured housing.

Proposed §951.6(c)(6) states: "Member financial incentives. The Bank shall establish incentives for members to provide financial or other assistance in connection with providing the AHP direct subsidy." This would impose a new requirement on the FHLBanks. FHLBank Topeka opposes the establishment of additional incentives on the part of the FHLBanks. The Banks are already providing a significant incentive in the form of the set-aside funding and the need for incentives to encourage participation is unnecessary as the demand for set-aside funds exceeds the amount of annual set-aside allocation. If, however, the intent of this provision is for the FHLBanks to establish a listing of what is considered acceptable financial assistance or other assistance as a condition of the set-aside program, we recommend that the regulation be revised to this effect.

The Finance Board specifically requests comment on: (1) Whether it should require all originators of AHP-assisted mortgage loans to provide financial or other incentives in connection with the mortgage financing, irrespective of whether the originator is a member or nonmember; (2) whether the current financial incentive requirement should remain as a mandatory requirement or be made a matter of discretion for the Bank, as a preferential selection criterion for its homeownership set-aside program(s); and (3) whether additional incentives should be required, such as a matching funds requirement, member-provided financing, or preference to a member working in partnership with a nonprofit sponsor assisting first-time homebuyers to qualify for a mortgage. FHLBank Topeka recommends that the requirement for financial incentives be applied to all set-aside recipients but should be at the discretion of each FHLBank subject to policies and procedures to be adopted by the FHLBank and included in its IP. For

example, we do not favor a match funding requirement but recognize that such a requirement might be desired by another FHLBank(s); therefore, match funding requirements should be allowed at the discretion of the FHLBanks.

Proposed §951.6(c)(10)states: *“No cash back to household. A member shall not provide cash back to a household at closing on the mortgage loan, and shall use any AHP subsidy beyond what is needed at closing for closing costs and the approved mortgage amount to further reduce the principal of the mortgage loan.”* FHLBank Topeka understands the why the FHFB believes that cash back at closing should not be an eligible AHP expense, but suggests that the FHFB recognize that AHP funds are not the only source of funds for providing cash back to homebuyers at closing. We acknowledge that a significant amount of cash back at closing does raise a question as to the underlying need for subsidy. For all practical purposes, however, the amount of cash back or cash owed at closing is usually relatively minor compared to the total sources of funds for a homeownership transaction. In most cases, homebuyers receiving cash back at closing are providing a down payment, covering costs from their funds or paying for costs outside of closing far in excess of the minor amounts that may be provided in the form of cash back at closing. Therefore, the proposed rule seems unduly restrictive. FHLBank Topeka suggests that FHLBanks be required to include in their IPs the maximum amount of cash back at closing that is permitted.

The Supplementary Information section includes the following, *“Moreover, it is the Finance Board’s expectation that Bank policies will preclude use of the program by individuals whose low- or moderate-income eligibility is a temporary condition, such as students, who would ordinarily have a reasonable prospect for a substantial increase in income upon entering the workforce.”* (70 Fed. Register 76938, 76945 [12/28/05]) However, there is no corresponding requirement in the actual regulation. The FHFB initiated this specific interpretation as part of an Advisory Bulletin issued in 2005. We suggest that this expectation either be translated into appropriate regulatory language or be deleted from the Supplementary Information section as an expected compliance requirement. We believe that the policy issue of concern to the FHFB and to the FHLBanks should be restated. The income qualification for AHP programs should be based on a reasonable calculation of a household’s income based on current rate of earnings and known factors impacting the household’s earnings. Regardless of a household’s status as a student the policy should require members and or sponsors to disclose and document current income and household status as the basis for income qualification. The only additional requirement suggested is a certification or acceptable documentation that neither the sponsor nor member is aware of or has considered any other current or future income or household prospects of the household. This would apply a more reasonable policy requirement that would cover not only the situation of students with job commitments above AHP-eligible income levels but would also apply to other situations that should be of concern to the FHFB and FHLBanks as well. For example, a single person head of household could be determined eligible under the current or proposed rule but the sponsor or member may very well be aware and may be taking into consideration for their funding approval a change in the status of that household either through an upcoming marriage or combination of separate households into a single household. If the proposed rule is modified per our suggestion the sponsor or member would have to certify that they are neither aware of such an impending change in household status and have not considered any change in household or income status.

§951.7 Monitoring. There are some inconsistencies within the long-term monitoring section of the regulation. The highlighted portion of §951.7(a)(2)(i) below references monitoring of populations served and targeted populations separate from income targeting: *“A Bank shall adopt and implement written policies and procedures for monitoring of approved rental projects commencing in the second year after project completion to determine, at a minimum, whether during the full 15-year retention period, the household incomes, rents, and populations served comply with the income targeting, rent, and targeted population commitments, respectively, in the approved AHP applications.”* (Emphasis added)

However, the annual certification section of the long-term monitoring portion of the proposed regulation makes no mention of “populations served” or “targeted population commitments” in the requirements for the information that must be submitted annually: *“Annual certifications and back-up documentation. A Bank's written monitoring policies and procedures shall include requirements for: (A) Bank review of annual certifications by project owners to the Bank that household incomes and rents are in compliance with the commitments in the approved AHP application and the requirements of this part; (B) Bank review of back-up project documentation regarding household incomes and rents maintained by the project owner; and (C) Maintenance and Bank review of other project documentation in the Banks' discretion.”* (Proposed §951.7[a][2][iii]). Consequently, it is not clear what AHP application commitments or regulatory requirements are associated with “populations served” or “targeted population commitments.” Therefore, we recommend that the terms “populations served” and “targeted population commitments” be deleted from the proposed rule as there is no provision for obtaining the information in the annual reporting requirements.

§951.8 Remedial Actions for Noncompliance. Proposed §951.8(g) provides for suspension or disbarment of members by FHLBanks and the FHFb. An additional provision should be added to allow for members determined to be out of compliance in one FHLBank district to be suspended or sanctioned in all other FHLBank districts should the member's FHLBank membership change through acquisition, merger or relocation of headquarters. Currently if a member acquires another FHLBank member from another FHLBank district and assumes responsibility as required by AHP regulation for the AHP projects of the acquired member a situation of noncompliance by the acquiring member is not specifically covered in the current or proposed rule. Acquiring FHLBank member institutions located in another FHLBank district should be subjected to appropriate sanctions for the AHP-approved projects they are responsible for as the result of an acquisition, merger or relocation.

§951.9 Agreements. Proposed §951.9(a) states that an FHLBank must have an agreement, with each member receiving an AHP subsidized advance or direct subsidy, containing specified minimum provisions, including the following: *“(1) Notification of Program requirements and policies. The member has been notified of the requirements of this part and all Bank policies relevant to the member's approved application for AHP subsidy.”* We recommend that this portion of the proposed rule be clarified to indicate that the agreement needs to contain only the statement that the member has been notified of the requirements and policies and does not have to include all of the applicable policies in the agreement or specifically incorporate each policy by reference in the agreement. We note that a requirement to include all of the applicable policies

in the agreement or specifically incorporate each policy by reference will present practical problems whenever FHLBank policies change after agreements are executed.

Proposed §951.9(a)(5) includes the following project monitoring requirements. *(i) Monitoring by the member. The member shall comply with the monitoring requirements applicable to such party, as established by the Bank in its monitoring policies and procedures (and set forth in the agreement) pursuant to Sec. 951.7. and (ii) Agreement. The member shall have in place an agreement with each project sponsor and project owner, in which the project sponsor and project owner agree to comply with the monitoring requirements applicable to such parties, as established by the Bank in its monitoring policies and procedures (and set forth in the agreement) pursuant to Sec. 951.7.* We are concerned that routine modifications to Bank policies and procedures will require modifications to the agreements between the Bank and the member and in turn modifications of the agreements between the member and project sponsors and owners. We recommend that the specific reference to *(and set forth in the agreement)* be deleted from each section of this portion of the regulations. Modifications to Bank policies and procedures occur frequently. The practical impact of the proposed rule's language would be frequent modifications to agreements.

FHLBank Topeka **supports** the following provisions of the proposed rule.

§951.1 Definitions. We support the clarification of “affordable” to indicate that Section 8 units affordable at initial occupancy will always be affordable regardless of changes in actual rent paid. We applaud the clarification of “AHP project” to apply only to the competitive and not the set-aside program, as well as the mandatory adjustment of “low- or moderate-income household” income limits for household size. We also favor the flexibility the proposed rule gives to FHLBanks to define “median income for the area” with reference to a variety of median income standards, thus allowing the use of census, FFIEC and others, and flexibility in defining “sponsor”.

§951.2 Annual AHP Contributions. FHLBank Topeka supports the following changes that would be implemented by the proposed rule: prohibiting acceleration of next year's AHP funds into current year AHP set-aside programs; removing the CPI adjustment of maximum set-aside amounts; consolidation of the current rule's two-part set-aside program authority (separate allocations for the first-time homebuyer set-aside program and for other set-aside programs) into one with maximum allocation equivalent to the current combined authority of the greater of \$4.5 million or 35 percent of annual required AHP contribution; and allocation of a minimum of one-third of the combined set-aside program authority to the first-time homebuyer set-aside program.

§951.3 Implementation Plans. We support the addition of retention agreement requirements to the required items in an Implementation Plan and posting the Implementation Plan on the FHLBank's Web site.

§951.4 Advisory Councils. We welcome the flexibility of the proposed rule in permitting an FHLBank to appoint Affordable Housing Advisory Council (AHAC) member to serve an initial term of “up to” 3 years, to allow an FHLBank to structure its AHAC members' terms so that more than a third of the terms will not expire in any one year. We support the proposed rule's

requirement that the AHAC elect certain officers, and its extension of the deadline for the annual AHAC report to the FHFB from March 1 to May 1.

§951.5 Competitive Program Requirements. The consolidation of applicable provisions that are currently scattered throughout the current rule is welcome. We also support the requirement that a prospective FHLBank member will not be eligible to apply for AHP funds until membership is approved. We support the elimination of the requirement that estimated sources and uses of funds analysis include estimates of the market value of in-kind donations and professional volunteer labor or services. This would eliminate the need for RI-1999-03, that had been applied almost exclusively to Habitat for Humanity projects. We also welcome the proposed rule's separation of the need for subsidy requirement from the project developmental and operational feasibility requirements because we agree that this will provide more opportunity to assist smaller projects and those projects with higher production or operating costs, such as projects with services or more common space.

We support the proposed rule's clarification that project cost is a separate eligibility requirement as well as removal of the current requirement that project costs be customary and determined according to "industry standards". We also support the approach of the proposed rule in allowing an FHLBank to determine a project's cost reasonableness by taking into account project location, development conditions, and other non-financial household or project characteristics such as housing for the elderly or for persons with disabilities. We agree with the proposed rule's separation of developmental feasibility from operational feasibility into two independent requirements. We applaud the proposed rule's flexibility in permitting, but not requiring, the use of AHP subsidies for revolving loan funds and loan pools.

Since many members now do business outside their FHLBank district through interstate branching, we also favor the proposed rule's provisions that will prevent FHLBanks from requiring that an AHP project be located in the FHLBank's district and from adopting a scoring preference for in-district projects. We also support the removal of authorization for eligibility requirements mandating minimum FHLBank credit product usage. In addition, we favor the proposed rule's provision authorizing, but not requiring, FHLBanks to establish an eligibility criterion subjecting all homeownership projects to a homebuyer counseling requirement. We also favor the proposed rule's elimination of authorization for AHP funds to be used to pay prepayment fees imposed for any prepayment of AHP subsidized advances because we agree that AHP funds should be used for the purchase, construction and rehabilitation of housing.

FHLBank Topeka supports the proposed rule's provision allowing variable point scoring criteria to be evaluated on a fixed scale or on a scale relative to other applications submitted in a round. We also favor the proposed rule's clarification of regulatory practice relating to the scoring criterion for income targeting for homeowner projects. We applaud the proposed authorization of scoring points for projects to benefit persons displaced by a federally declared disaster. We agree with the proposed requirement that an FHLBank document in writing its analysis and justification for any modifications to an AHP project. We also support the proposed rule's requirement that project progress requirements must be included in the FHLBank's Implementation Plan.

§951.6 Set-aside Program. We applaud the proposed prohibition of applications for set-aside program subsidies from *prospective* members, consistent with changes proposed for the competitive program. The proposed change to allow each FHLBank to determine whether to include a homebuyer education requirement would offer needed flexibility. We agree with the proposed rule's application of reasonableness standards for costs imposed by the member to all set-aside assistance, not only to situations in which the member provides the financing, to guard against the imposition of excessive financing costs if financing is provided by a third party. We also favor the proposed requirement that the FHLBanks include policies and procedures, such as time limits for use of funds, for set-aside programs in their Implementation Plans. We also suggest that proposed §951.6(c)(9) be deleted because its terms are contained, in more detail, in proposed §951.6(e)(2).

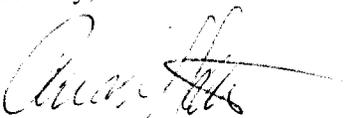
§951.7 Monitoring. We support the proposed replacement of a portion of the current regulation's prescriptive nature and associated deadlines with more broadly stated performance objectives intended to give the FHLBanks more latitude in the type and frequency of reports and certifications. We also approve the proposed elimination of the requirement to monitor and certify project "habitability."

§951.8 Remedial Actions for Noncompliance. We welcome the flexibility the proposed rule would provide in giving the FHLBanks the discretion to direct a sponsor to repay funds resulting from noncompliance directly to an FHLBank or to the member. This allows for a more efficient repayment process than the current regulation that requires repayment only to the member, which must then repay the FHLBank. The change made by the proposed rule to permit the FHFB staff to approve settlements of disputed AHP-related claims rather than requiring approval of the board of directors of the FHFB would allow AHP claims to be settled more efficiently by eliminating the unnecessary step of approval by the board of directors.

§951.9 Agreements. We support the provision in the proposed rule that would eliminate the required repayment of the AHP subsidy in the event of the sale or refinancing of a rental project if households are relocated to another property subject to income-eligibility and affordability restrictions committed to in the AHP application.

We appreciate the opportunity to provide comment to the FHFB regarding the proposed rule. While we recommend a number of changes and clarifications, in general we are supportive of the proposed rule and believe that it represents an improvement over the current rule. If you wish to discuss any of our comments, please contact Chris Imming, First Vice President and Director of Housing & Community Investment, at chris.imming@fhlbtopeka.com or (785) 438-6029. We look forward to the publication of the final rule.

Sincerely,



Andrew J. Jetter
President & CEO