



Federal Housing Finance Board

1777 F Street, N.W., Washington, D.C. 20006
Telephone: (202) 408-2500 Facsimile: (202) 408-1435

Dean M. Schultz
President
Federal Home Loan Bank of San Francisco
600 California Street
San Francisco, California 94108

Dear Dean:

This letter follows on the Federal Housing Finance Board's (Finance Board) issuance of Decision Memorandum 94-DM-27 on July 22, 1994, which provides blanket approval for Affordable Housing Program (AHP) modification requests meeting certain specified criteria.

As you know, under the Decision Memorandum, one of the criteria for blanket approval is that the Federal Home Loan Bank (FHLBank) determine at the time AHP funds are drawn down that the project continues to qualify for AHP funding in accordance with the regulations and policies of the Finance Board. Accordingly, with regard to modifications covered by the blanket approval, the FHLBanks now are responsible for determining in the first instance whether such modifications are in conformance with the statute and Finance Board regulations and policies.

Therefore, if questions arise regarding whether a particular modification is consistent with the applicable provisions of the Federal Home Loan Bank Act and the AHP regulation, the FHLBank should seek the advice of its counsel and should document its legal analysis of the relevant issues. If additional clarification of a legal issue is needed, the FHLBanks are welcome to seek guidance from the Office of Legal and External Affairs - Legal Division (Legal Division). For your information, the following is a list of issues that the Legal Division previously has addressed regarding the AHP that may arise in the context of modification requests:

Authorized uses of AHP funds:

- pre-development costs
- loan commitment, prepayment, and cancellation fees charged by members
- tenant services, tenant counseling, and homeowner counseling
- income earned by members on AHP funds
- income earned by loan funds on AHP funds
- operating deficit reserve funds
- clean up and repair of damaged projects

- use of direct subsidies in tax credit projects
- lending of direct subsidies by loan funds
- refinancing

Monitoring requirements:
- duration and frequency

Long-term retention period:
- duration

If you would like the Legal Division's analysis of an issue raised by a specific proposed AHP modification, please submit a request to the General Counsel in writing, along with a copy of your counsel's legal analysis of the relevant issues.

Sincerely,



Rita I. Fair
Acting Managing Director

cc: James E. Yacenda
Jill W. Spencer
Beth L. Climo