

Federal Housing Finance Agency



# FHLBank Affordable Housing Program

Overview of Notice of Proposed Rulemaking

March 27, 2018

# AGENDA

- **Overview**
- **Summary of Stakeholder Issues**
- **Proposed Rule Objectives**
- **Proposed Rule**
  - **Assessment of District Housing Needs**
  - **Program Design**
  - **Homeownership Set-Aside Program**
  - **Outcome-Based Approach for Project Selection**
  - **Monitoring Requirements**
  - **AHP Noncompliance Remediation**
- **Submission of Comments on the Proposed Rule**
- **Contact Information**
- **Questions and Answers**

## OVERVIEW - FHLBANK AFFORDABLE HOUSING PROGRAM (AHP)

- **FHLBanks annually allocate 10% of prior year's net income to fund AHP.**
- **Rental Housing - Minimum 20% units at or below 50% AMI.**
- **Homeownership - Households at or below 80% AMI.**
- **FHLBanks must prioritize:**
  - Purchase or rehabilitation of housing owned by the U.S. Government;
  - Purchase or rehabilitation of housing sponsored by any nonprofit organization, any State or political subdivision of any State, any local housing authority, or State Housing Finance Agency; and
  - Purchase of homes by families at or below 80% AMI.



## PROPOSED RULE OBJECTIVES

**Provide FHLBanks greater authority to design AHPs tailored to specific affordable housing needs in their districts.**

**Expand the flexibility and effectiveness of the Homeownership Set-Aside Program requirements.**

**Streamline rent and income monitoring requirements for projects.**

**Clarify responsibilities and potential liabilities of parties for AHP noncompliance.**

## ASSESSMENT OF DISTRICT HOUSING NEEDS

- **FHLBanks currently must adopt and post on their websites annually a Targeted Community Lending Plan (TCLP) addressing targeted economic development needs in their districts.**
- **Proposal would expand the requirements for FHLBanks' TCLPs to include an analysis of specific district affordable housing needs for AHP competitive and any Homeownership Set-Aside Programs.**
- **Proposal would require that the FHLBanks' annually published AHP Implementation Plans include specific funding allocations for their competitive and any Homeownership Set-Aside Programs, and the specific scoring frameworks for each competitive program.**



## PROGRAM DESIGN

- **Each FHLBank would be required to allocate a minimum of 50% of its total annual AHP funding allocation to its competitive General Fund.**
- **Each FHLBank could establish Targeted Funds – a new category of optional competitive funds. Each FHLBank could allocate up to 40% of its total annual AHP funding allocation to a maximum of 3 Targeted Funds.**
- **Would increase the annual permissible maximum Homeownership Set-Aside Program funding allocation from the current 35% to 40%, while retaining the current alternate \$4.5 million limit.**

## PROGRAM DESIGN- GENERAL FUNDS

- **Would require that each FHLBank establish a General Fund that would operate like the current Competitive Application Program.**
- **Competitive fund open to all applicants to address a broad array of district affordable housing needs.**



## PROGRAM DESIGN - TARGETED FUNDS

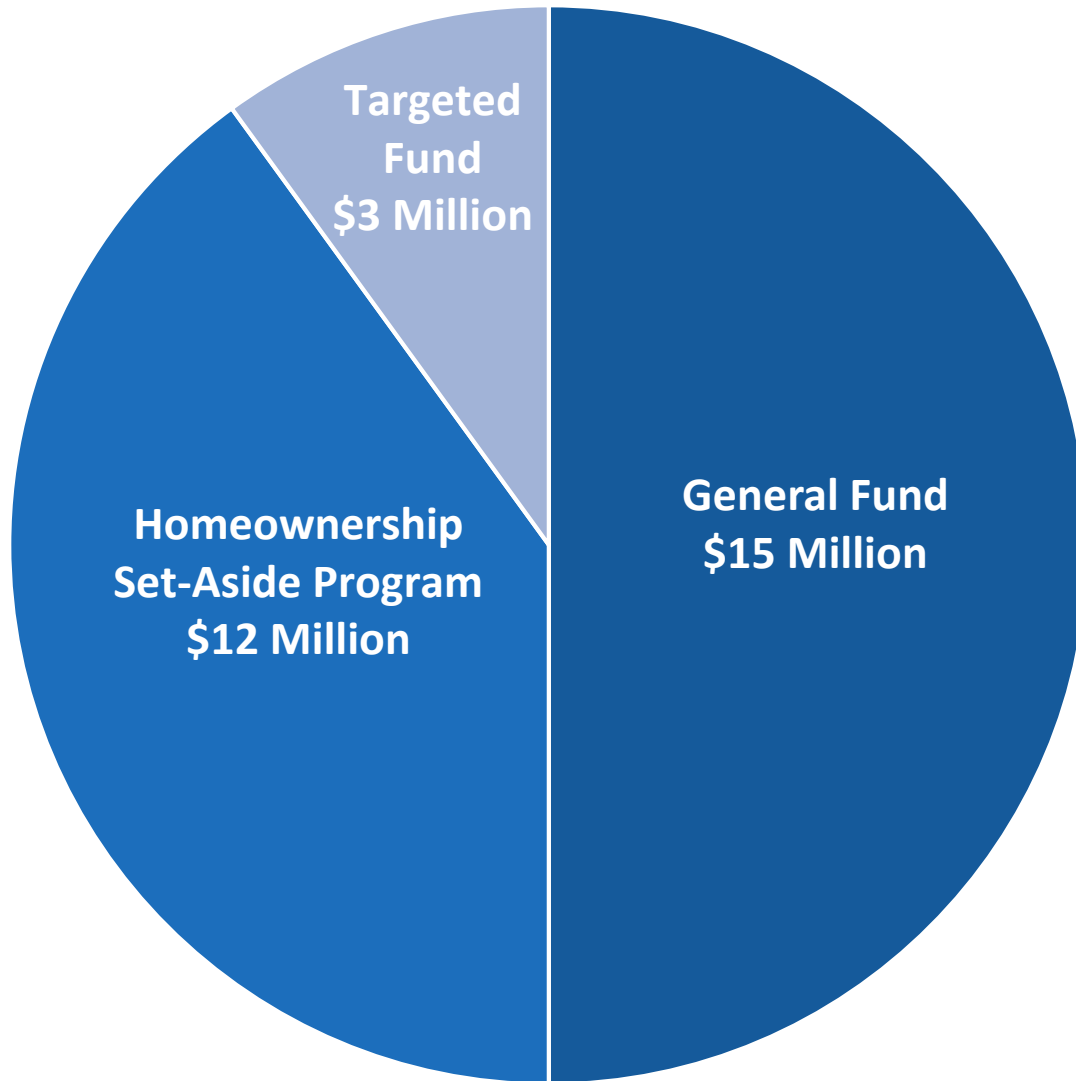
- **Targeted Funds – Optional competitive funds established to target specific affordable housing needs within a district that have proven difficult to address through the existing competitive application process:**
  - Would require use of competitive application process with objective and transparent standards and other controls to facilitate a competitive process.
- **Examples of potential uses for Targeted Funds:**
  - Rental housing in Puerto Rico and the U.S. Virgin Islands;
  - Supportive housing for people addicted to opioids;
  - Owner-occupied rehabilitation in rural areas.



## AHP HOMEOWNERSHIP SET-ASIDE PROGRAM

- **Increase the current maximum set-aside subsidy limit per household from the current \$15,000 to \$22,000 (adjusted annually for increases in FHFA's House Price Index).**
- **Require FHLBanks to meet the statutory priority to support home purchases by families at 80% AMI or below.**
- **Revise the current one-third funding allocation requirement to include not only first-time homebuyers but also owner-occupied rehabilitation.**
- **Remove the current requirement for a 5-year retention period agreement and the related AHP subsidy repayment requirements.**

# PROGRAM DESIGN - FUNDS ALLOCATION EXAMPLE



**FHLBank  
\$30 Million  
Total Annual  
AHP Funds**

## OUTCOME-BASED APPROACH FOR PROJECT SELECTION

- **Measure outcomes to focus priorities.**
- **Increase flexibility by allowing each FHLBank to establish:**
  - **a scoring framework for its General Fund, and**
  - **a separate scoring framework for each Targeted Fund established by the Bank.**
- **Increase flexibility in the existing General Fund scoring framework by changing the current regulatory priorities.**

# OUTCOME-BASED APPROACH FOR PROJECT SELECTION

## STATUTORY PRIORITIES

### *Statutory Priorities*

- Federal government/donated or conveyed properties \_\_\_\_\_
- Nonprofit/government sponsorship \_\_\_\_\_
- Home purchase by households at 80% AMI or below

FHLBanks must meet this statutory priority

FHLBanks must meet at least one of these two statutory priorities

# OUTCOME-BASED APPROACH FOR PROJECT SELECTION REGULATORY PRIORITIES

## *Proposed FHFA Regulatory Priority*

*Income targeting to households  
at* **50% AMI or Below**

**FHLBanks must meet this  
regulatory priority**

# OUTCOME-BASED APPROACH FOR PROJECT SELECTION REGULATORY PRIORITIES

## *Proposed FHFA Regulatory Priorities*

### *Underserved Communities & Populations*

- Homeless households
- Special needs populations
- Other targeted populations
- Rural
- Households at 30% AMI or below

### *Creating Economic Opportunity*

- Promotion of empowerment
- Residential economic diversity

### *Housing Preservation*

- Rental housing preservation
- Homeownership preservation

FHLBanks must choose a minimum of 2 regulatory priorities

FHLBanks must select at least 1 housing need within each regulatory priority they select

# OUTCOME-BASED APPROACH FOR PROJECT SELECTION

**55%**

of Competitive Awards

- Measured in \$
- Must Meet 1 of these Statutory Priorities
  - Federal Government/ Donated or Conveyed Properties
  - Nonprofit/Government Sponsor

of Total Awards

- Measured in \$
- Must Meet Statutory Priority For Purchase of Homes by Households at 80% AMI or Below

**10%**

**55%**

of Total Awards

- Measured in \$
- Must Meet 2 of 3 Regulatory Priorities
  - Underserved Communities/ Populations
  - Creating Economic Opportunity
  - Housing Preservation

of Rental Units

- Measured in Units
- Competitively Awarded
- Households With Incomes at 50% AMI or Below

**55%**

## EXAMPLE OF PROGRAM DESIGN/PROJECT SELECTION

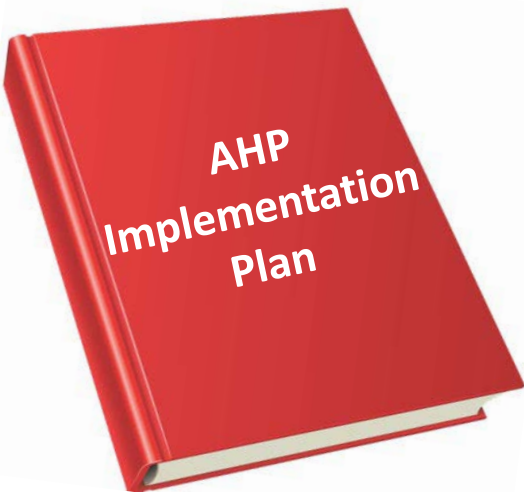


- Includes market research identifying and assessing district affordable housing needs.
- Identifies significant needs in rural communities for housing for the homeless and rental housing preservation for very low-income households, and increased demand for Homeownership Set-Aside Program funds for first-time homebuyers and recovery from Hurricane Maria.

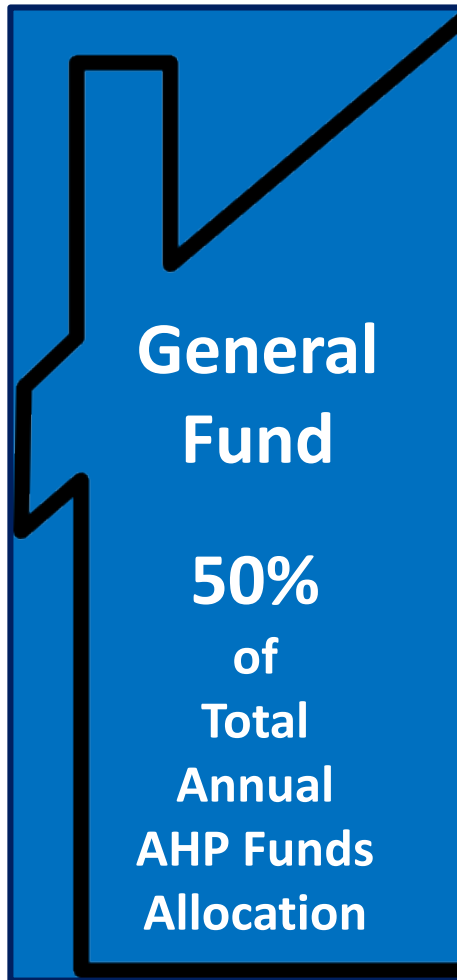


## EXAMPLE OF PROGRAM DESIGN/PROJECT SELECTION

- Includes allocation of \$30 million total annual AHP allocation:
  - \$15 million to General Fund for rural rental housing preservation for very low-income households;
  - \$3 million to a Targeted Fund for rural housing for homeless households; and
  - \$12 million to two Homeownership Set-Aside Programs for recovery from Hurricane Maria and first-time homebuyers.
- Includes the scoring frameworks for the General Fund and the Targeted Fund.
- Addresses requirements for the Homeownership Set-Aside Programs.



## EXAMPLE OF PROGRAM DESIGN/PROJECT SELECTION



- Applications scored on a 100 point scale.
- Scoring criteria prioritize the following statutory priorities:
  - Federal government/donated or conveyed properties;
  - Nonprofit/government sponsors.
- Scoring criteria prioritize the following regulatory priorities and housing needs:
  - Underserved Communities and Populations – Rural;
  - Housing Preservation – Rental Housing Preservation;
  - Income Targeting to Households at 50% AMI or below.



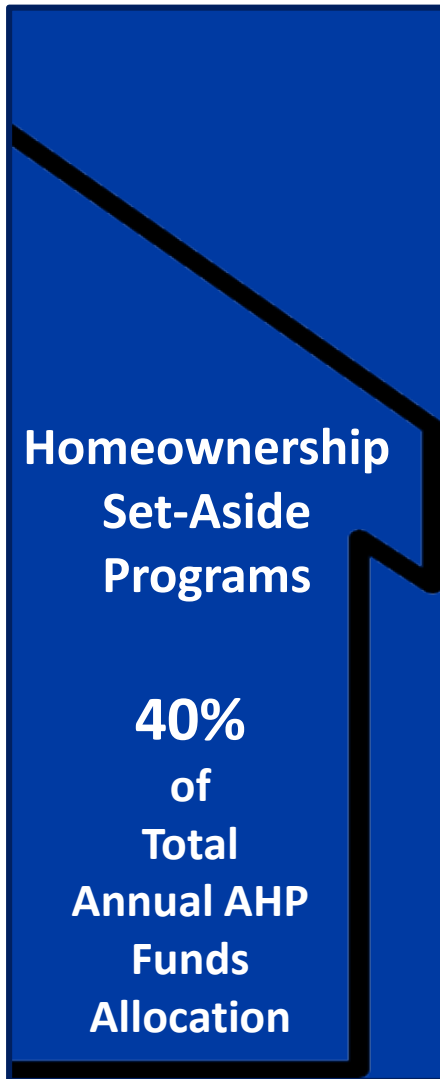
## EXAMPLE OF PROGRAM DESIGN/PROJECT SELECTION

**Targeted  
Fund  
for  
Homeless  
Households  
In Rural  
Areas  
  
10%  
of  
Total  
Annual  
AHP Funds  
Allocation**

- **Applications scored on a 100 point scale.**
- **Scoring criteria prioritize the following statutory priorities:**
  - **Federal government/donated or conveyed properties;**
  - **Nonprofit/government sponsors.**
- **Scoring criteria prioritize the following regulatory priority and housing needs:**
  - **Underserved Communities and Populations – Homeless households and Rural.**



## EXAMPLE OF PROGRAM DESIGN/PROJECT SELECTION



- Program to assist first-time homebuyers.
- Program to assist homeowners recovering from Hurricane Maria.



## 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 specified in separate FHFA guidance.

## AHP NONCOMPLIANCE REMEDIATION

- **Revise the remedial section of the regulation to clarify the responsibilities and potential liabilities of the Bank, Bank 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
  2. Project Modification
  3. Recovery of AHP subsidy/settlement

# SUBMISSION OF COMMENTS ON THE PROPOSED RULE

**Deadline**

**14 | MAY**

**Submit Written  
Comments**

*<https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/Affordable-Housing-Program-Amendments-NPR.aspx>*

## CONTACT INFORMATION

<https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/Affordable-Housing-Program-Amendments-NPR.aspx>

For more information  
please contact:

**Ted Wartell** | ted.wartell@fhfa.gov

**Marcea Barringer** | marcea.barringer@fhfa.gov

**Eric Howard** | eric.howard@fhfa.gov

**Tiffani Moore** | tiffani.moore@fhfa.gov



### Question 1:

**Why does the proposed rule focus on requiring the FHLBanks to achieve outcomes in conjunction with the implementation of their AHPs rather than the current scoring system?**

### Question 2:

**The proposed rule would require that at least 55% of total annual AHP funds meet statutory and regulatory priorities. With this in mind, how would the proposal provide the FHLBanks greater flexibility to allocate their AHP funds?**

### Question 3:

**The proposed rule would increase the annual maximum Homeownership Set-Aside Program funding allocation from 35% to 40%. This would appear to decrease the amount of funds available for rental housing. Why did FHFA propose this change?**

## Question 4:

**How will FHFA ensure that the FHLBanks achieve the proposed outcomes?**

### Question 5:

**What would be the consequences if a FHLBank does not meet the outcome requirements in the proposed rule?**

### Question 6:

**When will the final rule become effective?  
Will there be a transition period for  
implementing the new AHP requirements?**

### Question 7:

**The scoring framework in the current AHP regulation prioritizes housing for homeless households with a required minimum allocation of points. The proposed rule would not place a scoring emphasis on housing for homeless households. Why is FHFA proposing this change?**

Thank You  
for Joining Us!