



FEDERAL HOUSING FINANCE BOARD

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September 9, 2005

Mr. Terry Smith
President
Federal Home Loan Bank of Dallas
P.O. Box 619026
Dallas Texas 75261

NO-ACTION LETTER: Federal Home Loan Bank of Dallas: Temporary Noncompliance with Affordable Housing Program (AHP) Income Targeting Requirements for Rental Projects Housing Victims of Hurricane Katrina (2005-NAL-01)

Dear Mr. Smith:

In response to the request of the Federal Home Loan Bank of Dallas (Dallas Bank) dated September 8, 2005, the Office of Supervision is issuing this No-Action Letter to allow vacant AHP-assisted rental units to be leased to households, regardless of income, who are displaced as a result of Hurricane Katrina.

This action is consistent with the temporary suspensions of income limits provided by the Internal Revenue Service for rental properties financed with Low Income Housing Tax Credits on September 2, 2005 (IR-2005-92). The temporary suspensions of income limits for AHP projects are subject to the following requirements:

1. The displaced individual/household must have resided in a county designated on or after August 28, 2005 for Individual Assistance by the Federal Emergency Management Agency (FEMA) as a result of Hurricane Katrina.¹
2. The project owner must obtain written approval from the Dallas Bank in order to obtain the temporary suspension of income limitations for the AHP project.
3. The time period for suspension of income limitations shall not extend beyond March 31, 2007.
4. Project owners must maintain and certify certain information, including the name and address of each displaced individual/household, and a statement, signed under penalty of perjury by the displaced individual/head of household, that the individual/household requires temporary housing because of damage to the individual's/household's home in an eligible county.

¹ FEMA authorizes specific assistance in designated Individual Assistance areas (specified counties and independent cities) for individuals that live or work in those areas. Authorized assistance includes: low-interest personal, farm, and business loans; housing, including temporary lodging, rent, repairs, and construction; medical care; transportation; tax relief; crisis counseling; legal counseling; and unemployment benefits.

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5. Project owners must maintain documentation of the date the individual/household began temporary occupancy and the date the occupancy ends.
6. Rents charged must not exceed the existing AHP rents for the units, except as permitted under other federal agency declarations for housing assistance for households displaced by Hurricane Katrina.
7. Existing AHP-eligible tenants cannot be evicted or have their tenancy terminated as a result of efforts to provide temporary housing for displaced individuals.

The Office of Supervision is issuing this No-Action Letter so that rental project owners may temporarily assist disaster victims whose incomes may result in the project temporarily failing to meet the income limits in its AHP application or the minimum statutory income targeting requirements. *See* 12 U.S.C. §§ 1430(j)(2)(B) and (j)(13); 12 C.F.R. § 951.6(b)(4)(iv)(C)(1). Taking no action against the Dallas Bank for violations of the AHP regulation that would result from temporary assistance to households displaced of Hurricane Katrina is consistent with other federal emergency actions to provide needed housing for households whose homes were destroyed or who have had to be evacuated from affected areas.

In light of these circumstances, Office of Supervision staff will not recommend to the Board of Directors that supervisory action be taken against the Dallas Bank, nor will staff undertake any supervisory action for any violations of the requirements of 12 C.F.R. part 951 resulting from temporary noncompliance by an AHP-assisted rental project with AHP income targeting requirements as a result of temporarily renting vacant units to households that are displaced by Hurricane Katrina, provided that the project meets all of the Bank's conditions listed above. This No-Action Letter does not alter the Dallas Bank's obligation to otherwise comply with all sections of 12 C.F.R. part 951 with respect to enforcing compliance of all other AHP-assisted rental projects with the requirements of the AHP regulation.

This No-Action Letter expresses only the position of staff and may be modified or superseded by the Board of Directors. Because this No-Action Letter is based upon the Dallas Bank's representations, any change in the facts or circumstances from those represented may warrant a staff recommendation that the Finance Board take appropriate supervisory action. If you have any questions, please contact either Michael J. Powers, Portfolio Manager, at 202-408-2534, Julie A. Humphrey, Examiner in Charge, at 972-668-9435, or Charles E. McLean, Jr., Associate Director, at 202-408-2537.

Sincerely,

/s/ Stephen M. Cross

Stephen M. Cross
Director, Office of Supervision

cc: Charles E. McLean, Jr.
John P. Kennedy
Michael J. Powers
Julie Humphrey