**COMMENT ON FHFA PROPOSED STRATEGIC PLAN 2022-2026**

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I am writing to comment on the proposed Strategic Plan from the unique perspective of both an affordable housing professional with fifty years experience developing, financing and operating affordable and mixed income housing (forty building and leading one of the country’s premier nonprofit housing organizations - The Community Builders) and in depth experience with and knowledge of the Federal Home Loan Banks - now serving my sixteenth year as a Director of the Boston Bank. I am writing in my personal capacity based on that experience and my lifelong commitment to decent affordable housing for all Americans and am not speaking for the Federal Home Loan Bank of Boston or any other organization.

I want to start this comment by applauding and encouraging some key changes in this draft plan from the 2018-2022 Strategic Plan. In general, these changes make the document a far more purposeful plan than its predecessor.

First of all, the overall goal of fostering housing finance markets is framed specifically here to “promote equitable access to affordable and sustainable housing.” The distinction sets the tone for the entire plan. It is not just about serving and contributing to well functioning housing markets - but to supporting those markets in serving a critical public purpose.

The FHFA challenging itself to take on the affirmative objective of being a source of information and analysis on housing finance markets that serve that purpose takes that initial framing to the next level and commits the Agency to its own constructive action in that regard for the first time as well.

And finally, setting the objective of “facilitat[ing] greater availability of affordable housing supply, including affordable rental housing” is a big step forward. Unbelievably, that is an entirely new focus from the prior plan!

In the spirit of the draft plan, I would urge the Agency to go a step further in that critical objective (2.4 in the draft). And that further step would be to challenge and encourage the FHLBanks in addition to the Enterprises to both:

* “implement…initiatives to increase the supply of housing affordable for low- and moderate-income households” and
* “support…multifamily housing needs with a focus on affordable, underserved, and workforce segments of the market.”

The reasons for adding this focus to the plan are many. First of all, the FHLBanks’ main role of providing liquidity through its advances program has dramatically shrunk from its past scale, reducing the very utility of the system. While this shrinkage originated in the monetary and fiscal responses to the pandemic, the prospects for its reversal are highly certain. Yet the system has many strengths that merit strong consideration of additional programmatic roles it might potentially play. These include:

* its well capitalized position with $23BB of retained earnings;
* Its strong financial management capabilities;
* Its valuable governance structure, with 60% of its directors being active bankers in each bank’s region and 40% being independent and public interest directors with broad industry and affordable housing experience, which has worked well for the system for the past fifteen years;
* Its regional focus, which gives it the potential to serve the nation as a laboratory for innovation closer to local needs and regional priorities; and
* the implicit federal guarantee of its obligations, essential to its business model, which both provides a challenge to the system to continue to serve a substantial public mission to merit that continued support and an opportunity to use that guarantee further in new ways.

And expanding its work in affordable housing can expand its value, help the FHFA meet its increased affordable housing objective and utilize the system's capabilities.

How might the FHLBs find new ways to get capital to affordable housing creation and preservation? With the encouragement and assistance of the FHFA, the FHLBanks can:

* leverage their capacities built over thirty years of managing their AHP efforts;
* utilize their strong - and more localized than the Enterprises - working relationships with members;
* build upon their strong engagement with the state housing finance agencies through their critical role of gap funder for much of the states’ affordable housing utilizing tax credits; and
* look to use in particular their strong balance sheets to enable expanded private capital from their members to support affordable housing by use of possible risk sharing and guarantee roles, proven effective vehicles for publicly supported entities.

One example of a fertile area of exploration for the FHLBanks is naturally occurring affordable housing (“NOAH”). Today a substantial majority of the affordable housing in the nation is in this unsteady status - much of it at risk of either deterioration and abandonment or improvement and gentrification. Either result reduces the critical supply of affordable housing. Yet efforts at scale to acquire, stabilize and sustain for extended periods as affordable housing this stock have been extremely limited across the nation. The FHLBanks are well situated to undertake designing and organizing regional efforts to stabilize NOAH - and to use their balance sheets in support of the efforts. I believe that - in the right circumstances with the right team of public and private actors - an FHLB 3-4 year first risk position to the extent of 20% of private capital funding could enable funding of 8-10 times that exposure - and likely 30-40 times or more any funds advanced - to be attracted to this important arena. This could be done with an exposure comfortably within a small percentage of a FHLBank’s capital and surplus, at an assuredly small cost to the FHLBank - and with significant potential to create ongoing and financially viable programs that expand the value of the FHLBank significantly and have national significance for this critical housing stock.

I urge FHFA to consider challenging the FHLBs - and itself to support them, including with critical regulatory flexibility - to find new ways to enhance their mission and serve this critical need. I believe it's in the spirit of the draft plan and could make a real difference over time for the nation’s modest income households and for “the other GSE.”