May 16, 2018

Alfred M. Pollard, General Counsel

Attention: Comments/RIN 2590-AA83

Federal Housing Finance Agency

400 Seventh Street, SW, Eighth Floor

Washington, D.C. 20219

**Re: Notice of Proposed Rulemaking and Request for Comments –**

 **RIN 2590-AA83 – Affordable Housing Program Amendments**

Mr. Pollard,

Please find below comments on behalf of Hamilton County Area Neighborhood Development Inc. (HAND) regarding the proposed rulemaking regarding the Federal Home Loan Banks’ Affordable Housing Program (AHP). I serve as Executive Director of HAND, which is a 501c3 headquartered in Noblesville, IN. We have direct experience sponsoring AHP projects through FHLBank Indianapolis.

Since 2003, HAND has developed ten distinct housing developments in Hamilton and Boone Counties with a primary focus on very low income elderly. Hamilton and Boone Counties are donut counties of Indianapolis. In 2017 Hamilton County was identified as the best place to live and Boone County was rated the best places to retire by Niche.com. Twenty five years ago, these areas were predominantly a rural, farming communities. As with most cities the migration for urban centers to suburban bedroom communities with premier schools has resulted in a population explosion in the county. Single family housing developers find more profit in building higher end homes leaving little supply of affordable rental properties.

HAND’s ten housing developments representing 129 affordable homes would not have been built without $3.46M in subsidy from the AHP program. Our predominantly senior population rely on stable affordable rent, with connections to community programs to ensure residents thrive. We are the only affordable housing focused non-profit developer in Hamilton or Boone County.

We appreciate the Agency’s efforts to provide FHLBanks with more flexibility in their scoring methodologies through the proposed amendments, as it is crucial that AHP remain adaptable to the changing landscape of housing needs in local districts. However, **the proposed outcomes-based framework essentially eliminates FHLBank discretion in addressing local housing needs**, establish preferences for certain project types that may or may not meet the most pressing needs of low-income households in the districts they serve. Further, the framework as proposed will make AHP less transparent to sponsors and members. This could become a hurdle for sponsors and members active participation in AHP.

It is essential for a small non-profit to have a reasonably clear idea if a project is going to be competitive enough to receive an award. The Quick Smart Tool developed by the FHLBank Indianapolis is a valuable measurement tool to determine if a project aligns with the scoring. This would not be possible under the proposed rule.

It generally takes months or years for housing sponsors and developers to bring together adequate capital and operating financing. We value AHP as a crucial support tool as they complete their financial package while dealing with the complexities of real estate development.

**The outcomes framework as proposed in the amendments introduces a complex award structure that makes the AHP scoring process unclear and potentially irrelevant.** This introduces a significant element of uncertainty to sponsors and developers that will ultimately make AHP a less-attractive funding resource. A scoring-based system is strongly preferred over an outcomes-based framework and will allow FHLBanks to sufficiently respond to local needs, encourage all project types to apply and maintain program transparency.

Additional concerns

* **Raising the threshold amount needed for projects to qualify as serving targeted populations from 20 percent to 50 percent.** This new threshold is not compatible with general practices deployed by other funders and does not recognize the benefit of a mixed-occupancy development, which allows developers to cross-subsidize units in a project. We recommend retaining the current 20-percent threshold amount.
* **The new “cure-first” requirement will delay AHP project modifications and unduly hamper AHP sponsors such as HAND.** We recommend that the proposed cure-first requirement be eliminated in favor of the current FHLBanks practice of verifying that modified projects would have still qualified for funding had they been introduced in modified form. This is important so sponsors, members and the administrative teams of the FHLBanks can efficiently manage initial monitoring requirements. HAND has had several situations where we struggled to demonstrate empowerment fulfillment because of a lack of interest. A modification removed these points and allowed us to move on and focus on our next development. Retaining the current practice is most efficient for all parties.
* **Requiring FHLBanks to evaluate the ability of the sponsor and all members of the development team to perform the responsibilities committed to in the application.** Staffing in organizations changes; not having the entire development team in place at the time of AHP application is not representative of an organization’s capacity. We recommend retaining the FHLBanks’ current practice of reviewing the prior experience of the primary lead(s) of the development team and the entities/individuals receiving the developer fee.
* **Eliminating the five-year retention requirement for homeownership projects.** While generally we are supportive of this proposal, it does introduce a risk of misuse in instances where the AHP per-unit dollar amount is high (increased to $22,000/unit in the proposed rule). FHLBank Indianapolis needs to retain the discretion to impose a retention requirement.

* **The proposed outcome based priorities are likely to make it more difficult to secure a member.** HAND has been blessed with a consistent and supporting member. However, some organizations have a difficult time finding a member bank to support their project. With uncertain outcomes, the member risk and long-term oversight can be taxing on resources for a small community bank. Most of our projects do not have a large permanent loan which is the primary incentive a member has to support an AHP application.

Thank you for your commitment to updating the AHP regulation to permit more flexibility. We respectfully request that you reconsider parts of the proposed amendments. As avid users of the FHLBank Indianapolis AHP funding and programming, we appreciate the opportunity to comment.

Sincerely,



Jennifer M. Miller, AICP

Executive Director