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May 29, 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,

Thank you for the opportunity to comment on your recent release of proposed rulemaking regarding the Affordable Housing Program (“AHP”) of the Federal Home Loan Banks (FHLBanks). I am presently President & CEO of Habitat for Humanity of Greater Pittsburgh (Habitat Pittsburgh). Habitat Pittsburgh is a not-for-profit corporation headquartered in Pittsburgh, PA that has previously sponsored AHP projects through FHLBank Pittsburgh.

Habitat Pittsburgh has a high regard for the work that FHLB Pittsburgh does and has utilized AHP funds from the FHLB Pittsburgh to support the rehabilitation of five homes and the construction of three homes in Allegheny County. To date, seven homes have been sold and the eighth home has a partner family working through the program to purchase their first home, which should occur no later than August 2018. Each family completed 350 hours of ‘sweat equity’ and financial literacy training and purchased their home with an affordable mortgage rate at 0% interest. The families who purchased these homes include a homeless veteran family, multiple families living with disabilities, and a family that lost their rental home due to a fire.

The AHP program played an integral role in providing Habitat the financial resources to complete the housing developments, which ultimately provided a safe, decent and affordable home for each family. This was the first time we sought funds from the FHLB Pittsburgh and because of this exposure, we do intend to seek additional funding. As outlined below we do have some concerns, which are articulated in this letter and would not want to see any changes that impede or dilute the positivity and funding process that allows non-profits such as Habitat to utilize the funding to achieve our goal of providing homeownership opportunities for many disenfranchised families in the Greater Pittsburgh region.

We are concerned with the outcomes framework as proposed in the AHP regulation amendments. The outcomes-based framework prioritizes the Federal Housing Finance Agency’s (FHFA’s) overall housing goals. The

## President & CEO

**Howard B. Slaughter, Jr., D.Sc.**

unintended consequence of this approach is that the proposed outcomes establish preferences for certain project types, lessen AHP's connection to and support for community development, and make AHP less transparent.

Housing sponsors/developers manage multiple layers of capital and operating financing that take years to assemble. Developers must blend AHP into the total financial package while dealing with the complexities of real estate development. This makes it imperative for funding to be as streamlined, transparent and operationally efficient as possible. The outcomes framework as proposed in the amendments introduces a complex award structure that makes the AHP process unclear and ultimately a less-attractive funding resource. A scoring-based system, which has worked well for 28 years, is strongly preferred over an outcomes-based framework and will allow FHLBanks to encourage all project types to apply, connect AHP to community development strategies and maintain program transparency.

We also have the following additional concerns about the proposed amendments:

- The proposed amendments change 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 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.
- Under the proposed amendments, AHP project modifications may be delayed, and AHP sponsors unduly burdened, due to a new "cure-first" requirement. We recommend that the proposed cure-first requirement be eliminated and the FHLBanks retain their current practice of verifying that any modified project would still have scored high enough in the funding round to receive the AHP award had the sponsor applied for AHP funding with the modifications in place.
- The proposed amendments require FHLBanks to evaluate the ability of the sponsor and all members of the development team to perform the responsibilities committed to in the application. The entire development team may not be in place at the time of AHP application, making it impossible to assess total capacity. We recommend retaining the FHLBanks' current practice of reviewing the prior experience of the development team.
- The proposed amendments eliminate the five-year retention requirement for homeownership projects. Although this is a beneficial change in most instances, it introduces a risk of misuse in certain situations when the AHP per-unit amount is relatively high that FHLBanks need to have the flexibility to address. We recommend allowing FHLBanks the discretion to impose a retention requirement.
- The "need for subsidy" and "project costs" sections of the proposed amendments do not specifically allow for the maximization of coordination with other funding sources. Requiring an FHLBank to independently underwrite a project's need for subsidy and viability is unnecessary and increases the burden on sponsors in cases where other funding sources have already underwritten the project. We recommend allowing FHLBanks to rely on the underwriting of other funders with comparable standards in terms of cost reasonableness, viability of operations, development team capacity and need for subsidy.

We commend FHFA for working to update the AHP regulation. However, in light of the concerns above, we respectfully ask that you reconsider parts of the proposed amendments, especially the required outcomes framework. Thank you for hearing our ideas on this very important subject. If you have any questions, please feel free to contact me at 412-450-8520.

Sincerely,

*Dr. Howard B. Slaughter, Jr.*

President & Chief Executive Officer  
Habitat for Humanity of Greater Pittsburgh

