

No. : 93-41
Date: April 26, 1993

FEDERAL HOUSING FINANCE BOARD

Provision of an Affordable Housing Program Direct Subsidy to
a Non-member Institution by the FHLBank of Pittsburgh

WHEREAS, Section 10(j)(1) of the Federal Home Loan Bank Act ("Act"), 12 U.S.C. 1430(j)(1), requires each Federal Home Loan Bank ("Bank:"), subject to regulations promulgated by the Finance Board, to establish an Affordable Housing Program ("AHP") to subsidize the interest rate on advances to members engaged in lending for long term, low- and moderate-income, owner-occupied and affordable rental housing at subsidized interest rates;

WHEREAS, according to the Finance Board's regulations promulgated at 12 C.F.R. 960.3(a)(1), funds under each Bank's AHP shall be used to provide subsidized assistance to members engaged in lending for activities eligible to receive subsidized assistance;

WHEREAS, according to the Finance Board's regulations promulgated at 12 C.F.R. 960.4, applications for AHP funds are accepted by the Finance Board only from members;

WHEREAS, according to the Finance Board's regulations promulgated at 12 C.F.R. 960.3(b), all members receiving subsidized advances, direct subsidies and other assistance from a Bank shall use the proceeds of such subsidies and the benefits of such assistance to finance the purchase, construction, and/or rehabilitation of (1) owner-occupied housing for very low-, low-, and moderate-income households, or (2) rental housing, at least twenty percent of the units of which will be occupied by and affordable for very low-income households for the remaining useful life of such housing or the mortgage term;

WHEREAS, the Finance Board in November 1990 approved the award of two subsidized advances in the total amount of \$210,000 (with an approved subsidy amount of \$75,979) by the Federal Home Loan Bank of Pittsburgh ("FHLBank of Pittsburgh") to First Federal Savings and Loan Association of Pittsburgh ("First Federal"), a member institution, that would be used to provide permanent financing for two multifamily buildings to be rehabilitated by a non-profit organization, Housing Opportunities, Inc. ("HOI"), and then converted to two cooperatives for twelve very low-income families;

WHEREAS, First Federal went into receivership on January 4, 1991, and the Resolution Trust Corporation, as receiver, transferred some of the assets and liabilities of First Federal to Pittsburgh National Bank ("PNB"), an institution that was and is not a member of the FHLBank of Pittsburgh;

WHEREAS, the FHLBank of Pittsburgh, under a separate agreement, on September 19, 1991, provided AHP direct subsidies in the amount of \$75,979 to PNB, which subsequently transferred to HOI direct subsidies in the form of \$31,729 in principal reduction and \$44,250 in interest rate buy-downs on the permanent financing provided for the two HOI buildings, and agreed to assume the responsibility for monitoring and reporting on the use by HOI of the AHP funds;

WHEREAS, the direct subsidies provided to HOI were used to reduce the cost of two cooperative buildings for very low-income households as provided in the original application from First Federal, and the properties are presently occupied by very low-income households; and

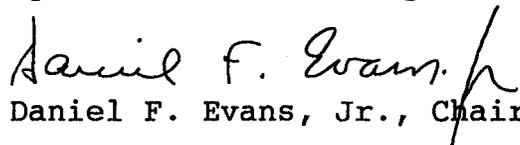
WHEREAS, requiring restructuring of the transactions by replacing PNB, a non-member institution, with a financial institution that is a member of the FHLBank of Pittsburgh would result in additional closing costs and fees to the FHLBank of Pittsburgh, PNB, and HOI;

NOW, THEREFORE, BE IT RESOLVED, that the Finance Board has reviewed the circumstances surrounding the FHLBank of Pittsburgh's provision of the AHP direct subsidies to PNB, and views such awards to be in violation of Section 10(j)(1) of the Act and part 960 of the Finance Board's regulations since PNB is not a member of the FHLBank of Pittsburgh;

FURTHER RESOLVED, that notwithstanding the violation of Section 10(j)(1) of the Act and part 960 of the Finance Board's regulations, the Finance Board finds that it would be in the best interests of the AHP and the very low-income households served by the direct subsidies that were provided to HOI that the transactions involving HOI and PNB be permitted to continue, provided that PNB continues to monitor the projects and report to the FHLBank of Pittsburgh as required by the AHP regulations through the retention period of 15 years that was specified in the original approved AHP application; and

FURTHER RESOLVED, that the Finance Board hereby directs the FHLBank of Pittsburgh to, in the future, provide AHP subsidized advances and direct subsidies only to institutions that are members of the FHLBank of Pittsburgh.

By the Federal Housing Finance Board


Daniel F. Evans, Jr., Chairman