



June 11, 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,

We appreciate the opportunity to comment on the FHFA's proposed rulemaking regarding the Affordable Housing Program ("AHP") of the Federal Home Loan Banks (FHLBanks). The Massachusetts Association of Community Development Corporations (MACDC) is the policy and capacity-building arm of the community development movement in Massachusetts, and we represent all 62 certified CDCs in Massachusetts as well as other member nonprofit organizations. Many of our members have successfully utilized AHP to provide affordable housing, rental and homeownership, for low-income individuals and families in the Commonwealth.

We appreciate the Federal Housing Finance Agency's efforts to update the AHP regulation. We understand from our conversations with FHLBank Boston that the current rule needs modernization. Based on our review of the proposed rule, we offer the following comments:

We Support the Increased Emphasis on Owner-Occupied Rehabilitation:

The proposed rule amends the requirement that at least one third of the Bank's aggregate annual set-aside allocation under its Homeownership Set Aside Program be allocated to assist first-time homebuyers to include assistance to households for owner-occupied rehabilitation. As stated in the proposed rule, this change could facilitate additional funding for home repairs and accessibility modifications for households including the elderly, persons with disabilities, and military veterans. *MACDC's Recommendation: We support this change, and the additional flexibility it provides to the banks to support these essential and often underfunded programs.*

We Are Concerned About the Loss of Transparency: The Proposed Rule introduces a re-ranking process that would allow the Bank to re-rank projects to meet the FHFA's outcome requirements.

The re-ranking is not seen by the housing sponsor/developer and could result in replacing a higher-scoring application with a lower-scoring application for purposes of awarding subsidy, resulting in a problematic disruption to AHP's predictability and transparency. In addition to potentially resulting in high-scoring projects being denied an AHP award, it would impede the effectiveness of the Bank providing technical assistance to project sponsors about how they can improve the competitiveness of a proposed, or denied, AHP application.

MACDC's Recommendation: allow continued reliance on AHP's current transparent scoring system, which is developed through a model governance structure guided by an elected Board of Directors, with expert advice from a 15-person Advisory Council. The scoring criteria and framework are published annually in each FHLBank's AHP Implementation Plan, which is transparent and well understood by members and sponsors/developers.

The Proposed Regulatory Priorities for Very Low-Income Targeting for Rental Units, and for Increased Thresholds for Targeted Populations Would Limit a Bank's Ability to Fund Worthy Projects: The Proposed Rule would impose two well-intentioned, but problematic regulatory priorities. First, it would require banks to ensure that, each year, at least 55% of all rental units in rental projects receiving AHP awards are targeted to households with incomes below 50% of area median income. Second, it would increase the threshold requirements for projects to qualify as serving targeted populations, such as the homeless, those with special needs, or other targeted groups. The threshold would increase the number of units reserved for these targeted populations from 20 percent to 50 percent. These two new regulatory priorities may not be achievable in some markets because projects that serve lower-income households rely on capital and operating subsidies, which are scarce nationally and may be more prevalent in certain markets. Thus, the proposal may have the unintended consequence of concentrating AHP funds in certain geographic areas or discouraging members and sponsors from applying for AHP funds because they cannot make the project work financially.

MACDC's Recommendation: Maintain a scoring-based methodology and do not impose the two regulatory priorities in the proposed rule.

We Oppose the Blanket Removal of Homeownership Retention: The Proposed Rule removes the requirement that owner-occupied units or households be subject to a five-year retention agreement. For projects requiring larger amounts of AHP subsidy per unit, the change introduces potential risk of misuse that FHLBanks need to have the flexibility to address. Specifically, elimination of the retention agreement may increase property "flipping" for AHP projects with a relatively high per-unit AHP subsidy, particularly in rapidly appreciating markets.

MACDC's Recommendation: The final rule should allow the FHLBanks the discretion to use owner-occupied retention agreements based on criteria they identify; for example, the amount of assistance and the strength of the local market.

The Definition of Rental Housing Preservation Does Not Explicitly Mention Preservation to Preserve Affordability: The example provided to demonstrate affordable rental housing preservation speaks to existing housing in need of rehabilitation, poor financial performance, and housing with energy and water efficiency improvements. The proposed rule references housing under several federal programs, including Section 236 (or other comparable state or local programs), so one could reasonably infer that affordable housing with expiring affordability restrictions would qualify as affordable rental housing preservation. However, given the increasing importance of preserving affordability, especially in many of the strong markets in the Boston area, we believe that "expiring use preservation" should be explicitly and prominently mentioned in the final rule.

MACDC's Recommendation: In the final rule, in Subpart E, Sec. 1291.48(d)(3)(i), before the phrase "and affordable housing under the following programs" insert the phrase "existing affordable housing at risk of loss of affordability".

We commend the Federal Housing Finance Agency 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. Thank you for the opportunity to share our viewpoints on this very important program. If you have any questions, please feel free to contact me at 617-379-5922.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Kriesberg". The signature is stylized and cursive.

Joseph Kriesberg, President
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