

Make Your Voice Heard!

Impact and Perspectives:
AHP Notice of Proposed
Rulemaking
May 2018 Webinar



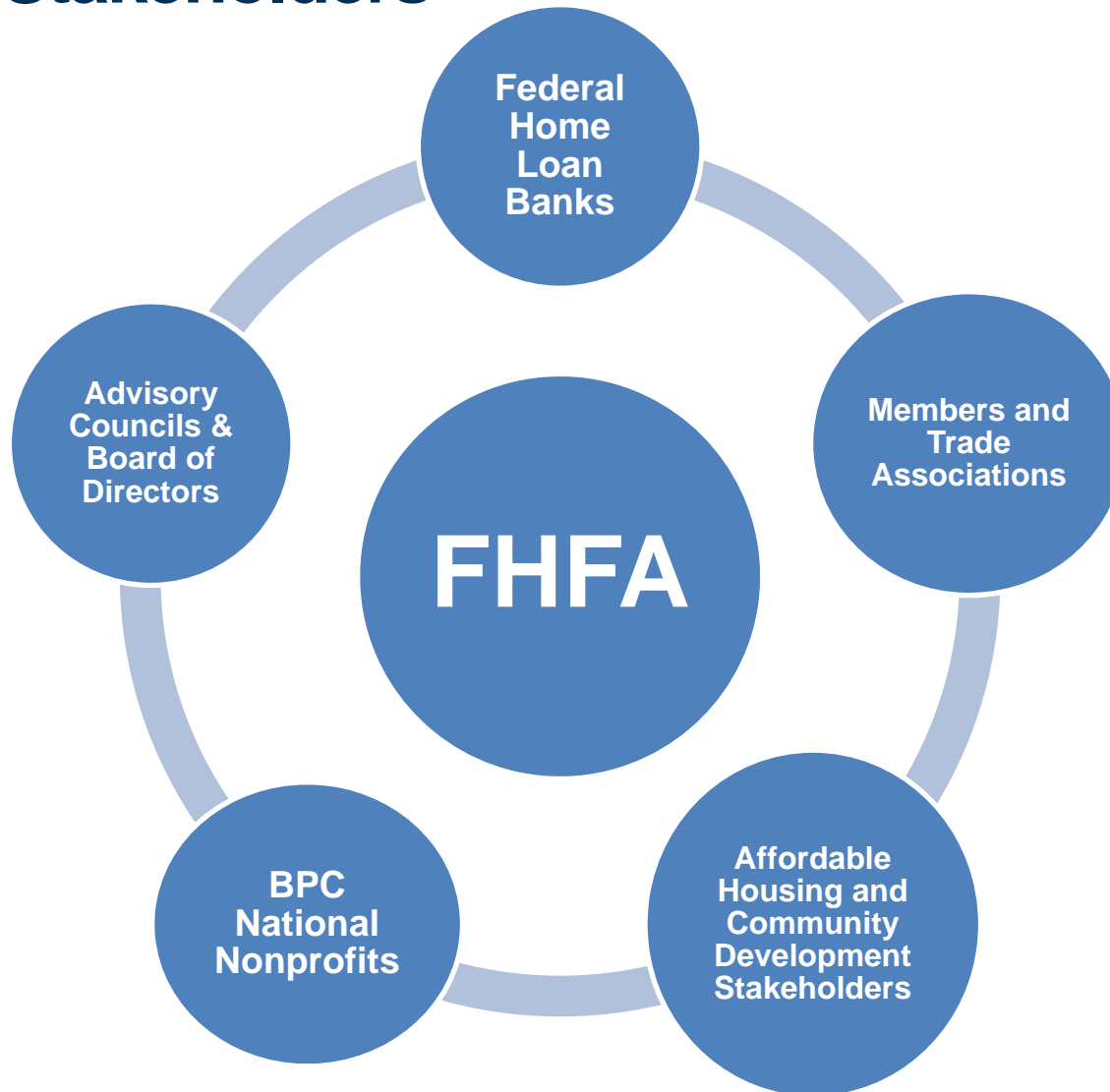
Agenda

- Make Your Voice Heard!
- Vision and Values of AHP
- Impact & Perspectives of the AHP NPR



Make Your Voice Heard!

Mobilize Stakeholders



90-Day Comment Period – Mobilize Your Network!

- ❑ 60-day comment period extended 30 days to June 12, 2018
- ❑ General comments requested, as well as responses to 41 specific questions.
- ❑ There will be a Federal Home Loan Bank (FHLBank) System comment letter submitted (led by Cincinnati) and each FHLBank may submit its own comment letter.
- ❑ Substantive and thoughtful comments will be more meaningful than high volumes of form letters.
- ❑ Stakeholder comments, other than those provided by the FHLBanks, may be more meaningful to the FHFA.



The Vision and Values of AHP

FHLB Vision and Values for AHP

Vision

AHP furthers the FHLBank mission as a model affordable financing program by *supporting innovation, being nimble and responsive*, and by *providing FHLBank members with opportunities* to effectively invest in and grow their communities, thereby improving lives and revitalizing neighborhoods.

Values

- FHLBank members provide private funds that meet local needs and effectively leverage public funds and/or attract other private investment.
- AHP is governed by a non-political funding process, and informed by an Advisory Council's deep knowledge of local needs.



Impact & Perspectives

Favorable Changes

- Targeted funds for competitive program
- Increased flexibility in allocating funds to set-aside program(s)
- Increased maximum subsidy per household for set-aside program(s)
- Enhanced streamlined monitoring for competitive program projects that utilize LIHTC and certain other federal programs

Areas of Concern

- Regulatory outcomes-based framework
- Thresholds for targeted populations
- Constraints of Targeted Community Lending Plan (TCLP)
- Homeownership retention agreements
- Sponsor and development team capacity evaluation

10% ANNUAL AHP CONTRIBUTION

GENERAL FUND
 • Must approve alternates if AHP funds become available
AT LEAST 50%



TARGETED FUNDS
 • Subject to phase-in requirements
 • May approve alternates if funds become available
UP TO 40%

HOMEOWNERSHIP SET-ASIDE PROGRAM
UP TO THE GREATER OF 40% OR \$4.5 MILLION

| FHFA REQUIRED OUTCOMES | |
|---|-----------------------|
| REQUIREMENT | FUND(S) IT APPLIES TO |
| At least 10% of the annual AHP contribution must be for home purchase. | ● ● ● |
| At least 55% of the annual AHP contribution awarded under the General Fund, Targeted Fund(s), and Homeownership Set-Aside Program must be for at least two of three regulatory priorities* and each regulatory priority must receive at least 10% of the funds. • If a project meets both regulatory priorities, it may only be counted toward meeting one of them. • A FHLBank may not count a project as meeting the requirement if the project includes one of the definitions for a FHFA regulatory priority, but that priority was not listed in the Bank's Targeted Community Lending Plan. | ● ● ● |
| At least 55% of rental units in the General and Targeted Funds must be for 50% AMI | ● ● |
| At least 55% of funds in the General and Targeted Funds must be for donated property or non-profit sponsorship, if a project meets both, it may be counted toward meeting only one. | ● ● |

| *REGULATORY PRIORITIES |
|---|
| UNDERSERVED - Rural Housing - > 20% units for < 50% AMI - > 50% units for homeless, special needs, farmworker, vets, Native, multi-generational, disability, larger units |
| ECONOMIC OPPORTUNITY - Empowerment - Economic Diversity |
| PRESERVATION - Homeownership shared equity, water, energy efficient, rehab - Rental water or energy efficiency, federal or state financing |

- Note: Outcome requirements direct approximately 65% of the annual AHP contribution (55% for 2 of 3 regulatory priorities + 10% for the third regulatory priority).
 - All needs must be identified in Community Lending Plan to count for outcome requirements.
 - Annual Report to FHFA to demonstrate compliance.
 - Reversely for failure to meet FHFA outcomes is to first re-risk projects and could result in repayment of AHP.

Area of Concern: Regulatory Outcomes-Based Framework

Proposed Outcomes-Based Framework:

- Requires that a significant portion of each FHLBank's total annual AHP contribution meet priorities and outcome requirements established by the FHFA.
- Increases the complexity of the AHP.
- Limits the FHLBanks' ability to respond to local affordable housing needs.
- Diminishes FHLBank members' and their customers' ability to participate in projects that address local community needs (versus needs identified by the FHFA).
- Reduces flexibility and responsiveness.
- Creates less transparency in the competitive process.
- Creates greater risk for the FHLBanks.

Area of Concern: Regulatory Outcomes-Based Framework

Recommendation:

The final regulation should eliminate mandatory outcome requirements and retain a scoring structure that:

- Provides FHLBanks with scoring discretion beyond what is available in the current regulation, and
- Adds the ability to create targeted funds, as proposed in the amendments, under a scoring structure that allows FHLBank discretion.

Area of Concern: Thresholds for Targeted Populations

Proposed amendments increase the thresholds that competitive program projects must meet to qualify as serving targeted populations, such as the homeless, individuals with special needs and other specified groups.

- ❑ Projects would need to reserve at least 50% of units to qualify as serving targeted populations, as opposed to 20% under the current program.
- ❑ Proposed 50% threshold is not compatible with other funder' approaches.
- ❑ Proposed 50% threshold does not recognize the benefit of a mixed-occupancy development, which allows developers to cross-subsidize to ensure feasibility.
- ❑ Many projects serving targeted populations rely on rental subsidies. The proposed 50% threshold would mean some projects would also require increased rental subsidy to support the additional targeted units. This could discourage some sponsors/developers from applying for AHP.

Recommendation: If proposed amendments prescribe a Targeted Populations threshold, maintain 20% threshold.

Area of Concern: Constraints of TCLP

Proposed amendments require that each FHLBank research, identify, and prioritize district housing needs in an annual Targeted Community Lending Plan (TCLP) that would then drive funding allocations and scoring criteria for the general fund, any targeted funds, and set-aside programs.

Identified needs would have to be included in the TCLP at least six months prior to the applicable year for the general fund and set-aside programs, and 12 months prior to the applicable year for targeted funds.

- ❑ Advance time required for identifying scoring priorities and the need for targeted funds would reduce the program's flexibility and responsiveness to changing dynamics within an FHLBank's district (e.g., disaster relief).
- ❑ Prescribed timeline also constrains the FHLBanks' ability to appropriately operationalize programs.

Recommendation: Remove the requirement that FHLBanks must identify scoring priorities and the need for targeted funds within a certain timeframe prior to an annual competitive program application round.

Area of Concern: Homeownership Retention Agreements

Proposed amendments eliminate the current requirement of a five-year retention period for owner-occupied housing, including owner-occupied housing assisted through the competitive Affordable Housing Program and set-aside homeownership products.

- An FHLBank may favor maintaining retention agreements under specific circumstances.
- Eliminating the five-year retention agreement may be beneficial for households needing only a moderate amount of AHP to purchase, rehabilitate, or construct a home. However, for households requiring a larger amount of AHP, eliminating the retention agreement may introduce a risk for misuse of AHP funds.

Recommendation: Allow each FHLBank to determine the circumstances in which it is appropriate to require a retention agreement for owner-occupied housing.

Area of Concern: Sponsor and Development Team Capacity

Proposed amendments require the FHLBanks to evaluate the ability of project sponsors, including all affiliates and team members, to perform the responsibilities committed to in the application. This evaluation would occur, not just at the time of application, but at the time of AHP disbursement, as well.

- ❑ Expanding the sponsor capacity assessment to include affiliates and team members is overly burdensome. It negates the experience and expertise of the sponsor to form a qualified development team.
- ❑ FHLBanks currently assess a sponsor's capacity at time of application; it is unnecessary to perform this evaluation again at disbursement. If an approved change to a sponsor occurs, the FHLBanks assess the new sponsor's capacity to fulfill its commitments.
- ❑ Development team members may not yet be identified at the time of AHP application. If team members' capacity were also assessed at disbursement, it would create a risk that the award could be de-obligated.
- ❑ **Recommendation:** Maintain current FHLBank practice of assessing sponsor/development team experience.

Make Your Voice Heard!

We encourage you to submit your comments on the proposed AHP amendments to the FHFA. The submission deadline is Tuesday, June 12, 2018.

Comments may be submitted electronically [here](#) or mailed to:

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA83
Federal Housing Finance Agency
400 Seventh Street, SW, Eighth Floor
Washington, DC 20219

Please visit our website at www.fhlbc.com for more information and analysis on the proposed AHP amendments.