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August 19, 2024

Via Electronic Submission

Ms. Naa Awaa Tagoe
Deputy Director of the Division of Housing Mission & Goals
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

RE: Request for Input: Federal Home Loan Bank Affordable Housing Program Competitive Application Process / June 20, 2024

Dear Ms. Tagoe:

On behalf of the members of the Community Development Bankers Association (CDBA), we respectfully submit the enclosed comments on the Request for Input published on June 20, 2024 by the Federal Housing Finance Agency (FHFA) seeking comments on the Federal Home Loan Bank (FHLB) Affordable Housing Program Competitive Application Process.

CDBA is the national trade association of Federal and State chartered banks, thrifts, and their holding companies that are certified by the CDFI Fund. Today there are 196 CDFI certified banks and thrifts and 156 certified bank holding companies. Many of our members are also Minority Deposit Institutions (MDIs). These mission-focused financial institutions are a specialized niche within the banking industry, and are active contributors to housing affordability within low- and moderate income (LMI) communities. Further, as federally insured banks and thrifts, all of CDBA's members are eligible for membership with their regional FHLB, and many are active participants in a variety of FHLB programs, including the Affordable Housing Program (AHP) awards.

Right now, the United States is experiencing a grave housing crisis which places particular pressure on the communities served by community development banks. According to the 2024 Harvard University Joint Center for Housing Studies' (JCHS) report, rent and home prices are up 26% and 47% respectively since 2020, with especially high growth in the number and percentage of cost burdened homeowners and renters. Half the growth in cost-burdened owners is attributable to households earning less than \$30,000 annually.¹

In this environment, the funds provided by the FHLBs for AHP grants continue to be, a valued tool for CDFI banks working to finance affordable housing. CDBA members report that the AHP application is generally both manageable and appropriately rigorous. However, there are steps that FHLB's can take to improve the program's accessibility.

¹ The State of the Nation's Housing, 2024, Joint Center For Housing Studies, Harvard University, www.jchs.harvard.edu

COMMENTS ON SPECIFIC QUESTIONS

Question 1: Are there particular components of the FHLB's AHP application processes that could be made more effective or efficient, and if so, how?

CDBA members are small banks serving severely under resourced communities. Time is a scarce resource for institutions where individual employees are often required to fill multiple roles. We recommend the FHLBs consider changes to reflect the needs of these small lenders. For example, the FHLBs should consider extended application windows, or converting to a rolling application period. FHLBs could also implement a pre-assessment tool for applicants to ascertain whether to invest time and financial resources into a full application. Both of these changes would support participation by smaller, less well-resourced applicants.

Question 2: How do the FHLBanks' AHP application processes compare to those of other providers of gap funding?

The AHP applications align well with the requirements of other gap funding providers. While other applications can be onerous, the AHP applications are comparatively manageable.

Question 3: Do the FHLBanks' AHP application processes leverage other funders' applications/requirements?

The feasibility of leveraging other applications depends heavily on the actual project, but the applications are generally complementary, especially on projects such as rental and multi-family housing where common industry standards can be applied for multiple applications.

Question 4: Should the AHP regulation allow the FHLBanks to differentiate their AHP application requirements for projects requesting subsidy that constitutes a small percentage of the total funding in the project?

Differentiation among AHP applications can address unique issues within each FHLB's jurisdiction. For example, the Federal Home Loan Bank of Pittsburgh serves the economically diverse states of Delaware, Pennsylvania, and West Virginia, while San Francisco serves similarly diverse states of Arizona, California, and Nevada. While both regions suffer from a lack of affordable housing, tackling the problem looks very different not only between these regions, but within them. For one example, Dallas' FORTIFIED Fund is highly responsive to local needs, assisting homeowners with financing strong storm-resistant roofs in a region that consistently suffers from hurricanes, tornadoes, and severe thunderstorms.² Application differentiation allows individual FHLBs to cater to the social, financial, geographic, or meteorological needs that their individual applicants and members require.

Question 5: What role do consultants provide in applying for AHP funds?

Consultants' roles vary between applicants, largely in response to the type of project. Consultants often serve as valued advisors, helping to maximize the likelihood of an application's success. The complexity

² <https://www.fhllb.com/community-programs/homeownership-and-homebuyer-programs/fhllb-dallas-fortified-fund>

of the project will ultimately determine the need for a consultant; not every applicant will require a consultant, especially for projects for which the applicant already has in-depth knowledge. However, projects that involve long-term compliance or the involvement of multiple investors, such as projects taking advantage of Low Income Housing Tax Credits (LIHTC), can benefit from a consultant's assistance. In these cases, consultants can act as liaisons, coordinators, and/or project managers to ensure that all parties are connected and engaged with bringing the project to completion. Consultants can also assist in areas where an applicant may not have capacity, such as with navigating zoning regulations. Consultants can also provide technical assistance for end users of AHP supported housing, such as when AHP grants support down payment or closing cost assistance or housing counseling.

Question 6: Are there effective practices the FHLBanks could implement to coordinate the underwriting review process across multiple funding sources in a project?

In their role as network hubs, FHLBs could coordinate among member banks to promote and facilitate the sharing of legal, financial, and technical resources. It would also be valuable for FHLBs to assist with document review, grant package preparation, and sharing of best practices to improve underwriting quality and consistency.

Question 7: What is the single most important change you would recommend for improving the AHP application process?

We recommend that the FHLBs focus on promoting access to, and understanding of, the application process. Tools such as an application pre-assessment and interactive tutorials can enhance understanding of the application process. An extended or rolling application window can promote access. These changes all promote the AHP's success while ensuring the application supports the AHP's integrity and effectiveness.

Question 8: What concrete steps would you recommend for simplifying the AHP application process and why?

As above, we recommend that the FHLBs focus on promoting access to, and understanding of, the application process – a thorough revision or simplification of the application itself is not necessary. This recommended focus would contribute to AHP's success by building the capacity of lenders to serve their communities.

Conclusion

We thank you for the opportunity to comment on this important subject. If you have questions, please contact Brian Blake, Chief Public Policy Officer at (202) 689-8935 ext. 225, or blakeb@pcgloanfund.org.

Sincerely,



Brian Blake
Chief Public Policy Officer