



Director Sandra L. Thompson
Federal Housing Finance Agency
Constitution Center
400 Seventh Street, SW
Washington, DC 20024

August 19, 2024

RE: RFI on Application Process for the Federal Home Loan Bank Affordable Housing Program

Dear Director Thompson,

The Coalition for Federal Home Loan Bank Reform (CFR) thanks you for your leadership in conducting the first extensive review of FHLBanks in decades. We welcome this opportunity to assist the FHFA as it solicits public comments to improve the application process for the Federal Home Loan Banks' Affordable Housing Programs (AHP).

The Coalition for Federal Home Loan Bank Reform, a project coordinated by the Consumer Federation of America, is a non-partisan coalition of organizations dedicated to supporting reforms that will refocus FHLBanks onto their mission to support fair and affordable housing and community development. The Coalition consists of 15 national advocacy organizations who together represent thousands of local and state-level non-profits and over one million individual members in all states across the nation.¹

¹ The Coalition is coordinated by the Consumer Federation of America and includes: Consumer Federation of America, Center for Community Progress, National American Indian Housing Council, Grounded Solutions Network, Americans for Financial Reform, Community Opportunity Alliance, United Food and Commercial Workers International Union, National NeighborWorks Association, National Community Stabilization Trust, National Community Reinvestment Coalition, Local Initiatives Support Coalition, Center for Responsible Lending, Rebuilding Together, the National Housing Resource Center, and Woodstock Institute. See also: Coalition for FHLB Reform <https://www.fhlbreform.org/>

Surveying our Network Organizations

To write this letter, we reached out directly to local and State-level housing organizations who constitute members in our national networks. These organizations have direct experience working with the Affordable Housing Program (AHP) through the Federal Home Loan Banks: having previously applied for and/or also received AHP grants. We asked them to share their feedback in a survey, where we collected background information on the organizations and their housing work, and asked open-ended questions about the AHP program, notably the 8 RFI questions posed by FHFA.

In total, 25 local and state-level housing organizations responded. Five organizations opted to remain anonymous. The remaining 20 organizations are located across the country and work in multifamily rental housing development (41%), homeownership assistance (59%), and/or owner-occupied housing rehabilitation (52%). The vast majority (73%) indicated to have received AHP funding before, while 27% indicated they had never received AHP funding. They are located in all 11 FHLBank Districts, with the exception of the FHLBank of Topeka district. In **Table 1**, we provide an overview of all organizations that consented to be named.

Table 1: Overview of Survey Respondents

Organizations	Location	FHLBank District
United Community Corporation	Newark, New Jersey	New York
Housing Opportunities of Fort Worth, Inc.	Fort Worth, Texas	Dallas
The First Community Christian Pentecostal Church of God Inc	Orlando, Florida	Atlanta
Habitat for Humanity Pasadena	Pasadena, California	San Francisco
Madison Area CLT Corp	Madison, Wisconsin	Chicago
NeighborWorks Blackstone River Valley	Woonsocket, Rhode Island	Boston

Indianapolis Neighborhood Housing Partnership	Indianapolis, Indiana	Indianapolis
Providence Community Housing	New Orleans, Louisiana	Dallas
Bridging Communities, Inc.	Columbia, Maryland	Atlanta
Multi-Cultural Development Center	Iowa City, Iowa	Des Moines
Hancock Resource Center	Waveland, Mississippi	Dallas
NEW NEIGHBORHOODS, INC.	Stamford, Connecticut	Boston
East Bay Asian Local Development Corporation	Oakland, California	San Francisco
New Hope Community Development	Edgewood, Maryland	Atlanta
Rebuilding Together Philadelphia	Philadelphia, Pennsylvania	Pittsburgh
Rebuilding Together	National chapter	
LISC	National chapter	
MEDA SF	San Francisco, California	San Francisco
The John Steward Company	San Francisco, California	San Francisco
Kulshan Community Land Trust	Bellingham, Washington	Des Moines

Note: 5 organizations who wished to remain anonymous are excluded from this list.

Question-by-Question Summary of Responses

What is the biggest challenge you face in applying for and managing AHP funding?

We initially asked what survey respondents identified as the biggest challenges in applying for and in managing AHP funding. Only two respondents identified no challenges and both identified positive application process experiences. The other 23 organizations identified a host of challenges.

Several identified the highly competitive nature of getting funding, calling it a “lottery,” given that many more potentially eligible projects apply than funding is available.

Organizations also identified the application process as time-intensive and challenging, even for their senior, experienced staff. At least one hired a consultant this year to assist with the process. They also noted that the audit and oversight requirements are burdensome. One respondent wrote: “The reporting requirements are very burdensome and the online system is cumbersome. Navigating to the report within the system takes a lot of time. Setting up and maintaining usernames/accounts is also a constant headache. I'd encourage the FHLB to really think through: why do you need these specific reports? Is there a simpler way to administer the funds? What is the core goal of the reports, and how could a simpler process achieve that same goal? Our other lenders/funders whose awards are much higher than the FHLB's have far less burdensome requirements. I encourage you to talk with your member banks about their reporting requirements. Maybe the FHLB could rely on those reports, too, instead of adding additional reporting?”

Scoring issues especially seemed to emerge around applying for owner-occupied projects. Survey respondents noted that given the narrow scope of eligibility, organizations may find out that their housing work does not quite fit the FHLBanks' scoring framework, making it frustrating to apply and be denied funding. One respondent noted: ““The FHLB application is different in almost every area. Pittsburgh application seems to be pro-preservation but the Atlanta app is very pro-development – so I think there'll be many areas for which we do not receive any points. This is our 2nd year applying, I think, and it's just not set up for our work... if we don't get funded, we won't try again.”

Finally, as a reimbursable grant, several respondents highlighted issues with delays in the disbursements of funds, creating issues for nonprofits who have to pay interest on lines of credit while waiting to be paid on resources expensed in advance. One respondent suggested that FHFA require disbursement be made within 21 days after requests.

RFI Questions:

Question 1 *Are there particular components of the FHLBanks' AHP application processes that could be made more effective or efficient, and if so, how? Are any of the FHLBanks' specific documentation requirements for AHP applications unnecessary for verifying that the applicant meets the AHP eligibility requirements and scoring criteria? Are there ways to streamline the application process while maintaining the FHLBanks' ability to verify applicants' compliance with the AHP eligibility requirements and scoring criteria?*

Of the 11 survey respondents who had feedback about changes, many identified that the overall application process was lengthy and cumbersome. Some specific recommendations for streamlined requirements included:

- A single, consolidated statement of sources and uses, certified by the applicant's CFO or equivalent, detailing the total amount of matching funds and major funding sources;
- Removal of duplicative forms; and
- Ability to use tax returns for income qualifications for the first 5 or 6 months instead of 3 since most do not get their paperwork until mid February and tax returns are not due until April.

There were also calls to remove market study requirements for homeownership projects with sufficient demand, eliminate unnecessary requirements like construction contracts and concept plans, and accept IRS letters and articles of incorporation in lieu of an attorney's signature to prove nonprofit status.

Question 2 *How do the FHLBanks' AHP application processes compare to those of other providers of gap funding with respect to scope, complexity, and documentation requirements?*

For survey respondents, there is a clear split in perceptions regarding how FHLBanks' AHP application processes compare to other providers of gap funding, particularly in scope, complexity, and documentation requirements.

Half of the respondents find the process relatively easy or comparable to other funding applications, indicating the documentation requirements and scope are manageable and align with their experiences with other programs. Some responses suggest that the

process is "comparable" or "similar" to others, meaning while it may not be "easy", it is not more difficult than what they might expect from similar programs. Conversely, the other half perceive the AHP application as significantly more complex. The respondents' feedback suggests the process requires more work and documentation, making it more burdensome than other funding programs.

Based on the feedback gathered, the complexity of the AHP application process may vary significantly depending on the specific Federal Home Loan Bank involved. Respondents highlighted that certain banks provide sufficient information and resources, and help with understanding the requirements and navigating the process, making it more manageable. However, for some applicants, the process is complicated, with overly extensive requirements for documentation and redundant forms.

The responses indicate that when resources and guidance are lacking, the process becomes burdensome, particularly given the amount of work required relative to the funding provided. In most of these responses, the respondents found the process not transparent, especially regarding how scoring criteria are applied, adding to the difficulty and frustration. While some Federal Home Loan Banks have established processes that make the AHP application more accessible and easier to understand, others need to improve their support and transparency to ensure applicants are able to access funding for their housing projects.

Question 3: Do the FHLBanks' AHP application processes leverage other funders' applications/requirements? Are the AHP application processes duplicative or complementary of other funders' underwriting requirements and processes? Do the AHP application processes create the need for additional information and documentation?

Most survey respondents stated that AHP application information is duplicative to what is provided to other affordable housing funders. Surveyed organizations understood the need for the FHLBs to collect this information for their own application review and underwriting requirements although they generally stressed the need for alignment on specific application requirements outlined below.

A) Project Commitments. Many FHLBs require organizations to secure all or most other funding commitments before allowing projects to apply successfully for AHP, while others do not. This presents significant challenges and barriers to projects closing effectively, as AHP resources are typically not the largest portions of the financial structure of developments. Possible changes to the process could include creating a

preference for AHP to be secured as an early finance commitment, even if the AHP award is conditioned upon subsequent approval of other financing such as LIHTCs. Another suggestion is to increase the number of award rounds to more than one per year to align with state housing finance agency tax credit rounds. This would permit AHP awards to be considered as endorsements of quality tax credit applications and further expand the impact and leverage of AHP.

B) Supportive Services. The AHP does not allow supportive services to be paid as operating expense, requiring sponsors to create two operating pro forma for housing operations and supportive services. This adds unnecessary burden while providing little value to the FHLBs. These costs would often be arbitrarily split, so we recommend allowing applicants to continue to include supportive services in their operating pro forma. FHFA should instead require Banks to collect self-certifications from applicants indicating that AHP is not being utilized to fund services as it's not a statutorily eligible use.

C) Drawdowns. The drawdown of AHP award funds sometimes requires duplicative submission processes and repackaging of closing materials.

D) Application Cure Period. The FHLBs should have a process for allowing applicants to cure nonmaterial application flaws before undergoing final review and ranking. The current process is unnecessarily rigid and can result in good projects getting disqualified for non-substantive errors or omissions.

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? If yes, why? Do other gap funders differentiate their application requirements for smaller projects?

Survey respondents noted that most funders do not differentiate based on the amount of subsidy, although they supported efforts to minimize burden when the per unit or project subsidy is minimal compared to overall cost. For instance, AHP subsidy often represents a critical, albeit small, amount of total development costs (TDC) for affordable rental housing projects, representing generally less than five percent of TDC. Respondents to our survey recommended that a more efficient application process would allow sponsors utilizing AHP with LIHTCs to generally submit similar information, as is requested by state allocating agencies. We recognize that FHLBs operate in regions, while states administer LIHTCs, although a fair amount of information requested by states is similar to one another. For non-LIHTC projects or where AHP

might be the primary funding source, it's more appropriate for FHLBs to request additional information.

Question 5: *What role do consultants provide in applying for AHP funds? What are the reasons that an AHP applicant may use a consultant? To the extent that applicants are using the services of consultants to apply for AHP subsidy, how does the practice compare to the use of consultants for other sources of gap funding?*

Our survey reveals a significant variance in the role of a consultant within the application process for the Federal Home Loan Banks' Affordable Housing Program (AHP). Respondents provided insights into the strategic and selective use of a consultant by organizations.

A consultant can offer indispensable support to smaller organizations that lack the internal expertise or resources necessary to navigate the AHP application process, such as proficiency in specific financial requirements tied to AHP funding. This support becomes crucial when the application process is complex, the Federal Home Loan Bank's application is not streamlined, or when an organization is unfamiliar with the specific requirements set forth by the Federal Home Loan Bank. Respondents underscored the role of a consultant as a safety net to ensure applications are completed, compliant, and adhere to all requisite standards. Conversely, most larger organizations reported possessing the internal capacity to manage the AHP application process autonomously. These organizations typically leverage their staff's experience and expertise, and can circumvent additional costs.

For some organizations, a consultant is hired to manage workload capacity when internal staff are tasked with completing multiple applications for projects. However, the reliance on a consultant is more prevalent among smaller organizations with constrained resources or when an organization does not have expertise on staff. One respondent stated: "It is critical to acknowledge that the assumption of a consultant being widely accessible is not always accurate. Even when available, consulting fees can consume a considerable portion of the developer fee, which many nonprofit organizations rely on to finance their project development, rendering a consultant less viable for some organizations."

In contrast to other sources of gap funding, larger organizations typically manage applications internally for AHP and other funding programs without significant reliance on a consultant, and it reflects their internal capacity to efficiently handle the application process.

To better support organizations that may require the assistance of a consultant due to a deficiency in internal expertise, FHLBanks could benefit from expanding their outreach efforts and offering more comprehensive training. Enhanced awareness of available assistance and resources could diminish the necessity for a consultant and empower organizations to navigate the application process more independently.

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

The majority of respondents who answered this question were either comfortable with the current underwriting review process or did not have an opinion. One respondent suggested that FHLBanks should accept LIHTC documentation for their underwriting review processes. Other respondents would like to see less burdensome and better coordinated monitoring and audit requirements, including the coordination of construction monitoring with the construction lender. Additionally, at least one FHLBank requires cost certification by an outside auditor, which is expensive and unnecessary, as evidenced by the fact that this is not a requirement of all FHLBanks.

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

Many survey respondents recommended simplifying the application process. The first-come, first-serve disbursement does not give applicants a fair chance at receiving funding, especially for smaller organizations which have a limited capacity to navigate the complex application process. They specified the need for more transparency, consistency between applications, and elimination of redundant steps and forms. The funding could be disbursed at multiple points throughout the year to ensure that applicants have a chance at receiving assistance. We believe that applications can also have an online portal to improve the process and comprehension for applicants.

Most importantly, we recommend increasing each Banks' financial contribution to AHP funding and the number of funding opportunities for AHP applications. While each FHLBank may allocate more than 35% of its available annual AHP funding or \$4.5 million to assist low- and moderate-income first-time homebuyers to purchase or rehabilitate, the funding does not meet the high demand of applications of eligible households. Each branch has the financial capacity to meet its mission in helping to provide affordable housing.

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

We recommend implementing consistent guidance information to consumers of all 11 branches in the streamlining of AHP applications. Most survey respondents agreed the application process should be more user friendly, citing unnecessarily long forms and unhelpful rigidity in member financial participation requirements. Consumers need more details regarding this scoring. We urge FHFA to address these application issues by implementing uniform and comprehensive requirements to increase understanding of rules. Partnering with HUD to increase the information literacy over the AHP application process may ensure more equitable results across all 11 branches.

We hope that the FHLB system is committed to improving its response time and providing uniform application requirements for applicants regardless of their locality. One organization recommended that all FHLBs be required to reimburse applicants within 21 days and another suggested implementing a system of immediate notification when an applicant's submission is approved. Respondents also recommended allowing more flexibility in the member financial participation as well as removing the attorney certification for nonprofits. Eliminating cost certification by an outside auditor or attorney would ease the administrative and financial burden placed on nonprofit organizations.

The service toward applicants has room for improvement in this streamlining process and we hope that you consider making these changes to truly meet your mission. The AHP is one of the largest sources of private sector grants for housing and community development in the country and we believe that these reforms need to be adopted to provide vulnerable and underserved populations an affordable housing supply.

Final Survey Question: Additional Feedback?

When asked for any additional feedback, organizations provided several helpful points:

- The application could be simplified by shortening the sponsor section, which is burdensome in its current format.
- It would be beneficial to forward the application and supporting documents to the Banks immediately after the application is approved for time efficiency.
- FHLBs should make the needs assessment timing consistent across all the banks. A needs assessment should be done every 3-5 years.

- We recommend a scoring benefit for permanent affordability requirements, specifically for at least 50 years of affordability for the developed units.

Respondents also offered praise for all that the Federal Housing Finance Agency does in the affordable housing space and for the opportunity to provide comments.

If you have any questions, please contact Sharon Cornelissen at scornelissen@consumerfed.org.

Thank you for your consideration.

The undersigned organizations of the Coalition for Federal Home Loan Bank Reform,
Americans for Financial Reform
Center for Community Progress
Center for Responsible Lending
Community Opportunity Alliance
Consumer Federation of America
Grounded Solutions Network
Local Initiatives Support Coalition
National American Indian Housing Council
National Community Reinvestment Coalition
National Community Stabilization Trust
The National Housing Resource Center
National NeighborWorks Association
Rebuilding Together
Woodstock Institute