



August 19, 2024

RE: FHLBank Affordable Housing Program Competitive Application Process

To Whom it May Concern:

The National Community Reinvestment Coalition (NCRC) appreciates the opportunity to comment on the Federal Housing Finance Agency's (FHFA's) request for information regarding the Affordable Housing Program (AHP) application process. NCRC engaged in dialogue with our member organizations including housing development nonprofit organizations in developing our recommendations for improving the efficiency and equity of the AHP application process.

NCRC is a network of more than 700 community-based organizations dedicated to creating a nation that not only promises but delivers opportunities for all Americans to build wealth and attain a high quality of life. We work with community leaders and policymakers to advance solutions and build the will to solve America's persistent racial and socio-economic wealth, income, and opportunity divides, and to make a Just Economy a national priority and a local reality. Public sector and private sector funding sources for sustainable and affordable housing for modest income populations are integral to NCRC's mission.

Mechanics of the application process

Our member organizations suggest that the data entry systems for AHP proposals be made more efficient and compatible across different funding sources. A prominent issue is that reporting procedures and definitions of budgetary line items for affordable housing development are different for various public sector, for-profit, and foundation sources of funding. Ideally, the various funders would collaborate in the development of a common application form with uniform definitions for pre-development and development activities. Until that happens, our member organizations recommend that the AHP application forms become more flexible regarding uploading formulas and line items. Currently, if the information is not uploaded in the exact manner the AHP application requires, the applicant will receive an error message. This limitation poses difficulties reconciling budget items across various funding sources which define activities in different ways.

Our member organizations often have to apply for funding from several sources including the Low Income Housing Tax Credit (LIHTC), Department of Housing and Urban Development programs such as HOME, state agencies, foundations, and banks for construction loans. While it may seem difficult to improve collaboration among these funders, these funding sources are regular and well known in the field. With strong leadership, either a common application form or more flexibility across funders should be possible. Another possibility is whether the AHP program would accept applications from other funders that have similar requirements.

Other reporting difficulties arise from how to report revenue from rents. One of NCRC's members reports that the application and post-application forms only accept the dollar amounts tenants pay for rent and do not allow reporting of rental subsidies from public or private sources.



In addition, a tenant such as a migrant farmworker might be a seasonal tenant, renting for a few months and then moving, while the AHP forms require yearly reporting of rents.

Similarly, projects involving preservation of housing have unclear reporting requirements. For example, it is unclear whether tenant income should be reported as of the time the tenant moves in or the current income levels of tenants. Preservation projects can involve units that are several years old and tenants that moved in several years ago. Unclear reporting requirements can therefore lead to inadvertent inadequacies in tenant income reporting.

Lack of clarity in reporting requirements can lead to compliance difficulties for nonprofit developers and managers of housing when a FHLBank expects information like tenant income to be reported in a certain manner that is confusing or differs from the application. After AHP grant awards, nonprofit organizations can find ongoing compliance requirements difficult and unforgiving as a result.

Certification requirements can become duplicative and cumbersome. For example, an applicant for funding a preservation project that has federal designation on a historical register should not have to obtain also state certification of historic preservation. The time period specified in terms of months before expiration of affordability requirements can also be unclear such as whether the number of months should be calculated at time of application or time of funding award.

The time period for AHP application submission is 30 days. Given the complexities and the need to work with a bank partner, NCRC members suggest that a month is too short. Two months is the minimal time period needed.

Weights for Priorities in AHP application process

Our member organizations report that the FHLBanks establish priorities for different types of housing (rental or homeownership) serving different populations (elderly, veterans, farmworkers). Often, several points on funding applications are awarded to these priorities. If our member organization is not engaged in housing development that addresses one of these priorities, it will not apply for AHP funding because it is unlikely that it will receive the funding. On the one hand, our members report that this is efficient in the sense that they will not expend time and resources on applying for funding that they are unlikely to receive. On the other hand, they suggest that this may lessen equity in the AHP program since some pressing needs will remain unaddressed by the AHP program.

Our members report that the priority setting of the FHLBanks is not always transparent. The FHFA's Request for Information (RFI) indicated that the Targeted Community Lending Plan (TCLP) and the FHLBanks' Affordable Housing Advisory Councils help develop priorities.¹ However, since some of our members are not aware of this, it would be helpful if the FHLBanks

¹ Federal Housing Finance Agency, *Request for Input: Federal Home Loan Bank Affordable Housing Program Competitive Application Process*, June 20, 2024, p. 8, <https://www.fhfa.gov/sites/default/files/2024-06/FHLBank-AHP-Application-RFI.pdf>

were more transparent on how the FHLBanks' priorities are established and how nonprofit organizations, including those not on the Councils, can be involved. For example, are there public comment periods on draft TCLP plans and the development of priority needs?

NCRC members in various regions stated that their FHLBanks place different weights on homeownership compared to rental housing. One member on the west coast desired that rental housing needs be elevated while another in an east coast city wanted more emphasis on homeownership.

A possible solution to reconciling competing priorities would be for the FHLBanks to put aside separate "pots of money" or funding programs for rental and homeownership. Each FHLBank will likely have different percentages of their total AHP funding in the homeownership and rental pots but it is possible that a more balanced allocation between these two forms of housing might result. For example, a FHLBank could establish a 60% and 40% allocation to the two pots for rental and homeownership. This could be more equitable than direct competition for one pot of money that could result in the final allocation being more skewed to one of the forms of housing.

A NCRC member commented that it was unclear if the application forms place priorities on lead remediation, indoor air quality, energy efficiency, and other healthy home practices. This member also suggested that workforce development should receive points in the application scoring system.

In addition to priorities, NCRC members commented that leveraging requirements should be adjusted to take into account resources of nonprofit development organizations. Our members indicate that funders like to be the "last-in," meaning that they often want applications to demonstrate that nonprofit organizations have already received commitments from several other funders to provide financing for the project. Nonprofit organizations do not have as much access to equity or debt financing as for-profit developers, putting them at a disadvantage for a leveraging section of an application that does not take this dynamic into account. Also, the timing of awards from the LIHTC and other programs sometimes does not dovetail with AHP applications, effectively imposing a penalty due to funding decision timelines not in the control of nonprofit organizations. The leveraging section of the AHP application should have less weight and should consider past track records of applicants in terms of assembling diverse sources of funding.

Need for consultants

One of our member organizations stated that when he started applying for AHP funds several years ago, he could complete the application by himself. Now, his organization needs expensive consultants who have been through multiple rounds of AHP applications and understand the myriad nuances and complexities of the application forms and processes. Our member hypothesizes that funders or public agencies tend to add requirements over the years to programs that are intended to sharpen programmatic quality and precision but that may end up making them complex. Instead of updating some requirements and deleting others that may be obsolete,



the tendency is to add requirements. Comparing AHP application forms over the decades may further illustrate this point and help identify reductions in requirements that make the process clearer and less cumbersome.

Conclusion

NCRC and our members appreciate that the AHP program strives to provide important sources of funding for affordable housing. At the same time, we have several suggestions for improving efficiency including more flexibility and clarity in budgeting and reporting documents, more flexibility regarding leveraging requirements, more transparency in FHLBank priority setting, separate funding streams for rental and homeownership projects, and more clarity and forgiveness in post award compliance reporting.

Thank you for your attention to this serious matter. If you have any follow-up questions, please contact me on jvantol@ncrc.org or Josh Silver, Senior Fellow, on jsilver97@gmail.com.

Sincerely,

A handwritten signature in black ink, which appears to read "Jesse Van Tol". The signature is written in a cursive, flowing style.

Jesse Van Tol
President and CEO