



REGULATORY & HOUSING POLICY AREA

DAVID A. CROWE
Senior Staff Vice President

April 27, 2006

Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC 20006
Attention: Public Comments

**Re: Affordable Housing Program Amendments
70 FR 76937 (December 28, 2005)**

Dear Sir or Madam:

On behalf of the 225,000 member firms of the National Association of Home Builders (NAHB), I welcome the opportunity to respond to the proposed amendments to the Federal Home Loan Bank (FHLBank) System Affordable Housing Program (AHP) issued by the Federal Housing Finance Board (Finance Board). NAHB is a national trade association representing individuals and companies involved in the production of housing and related activities. Each year, NAHB's builder members construct about 80 percent of all new housing in America. NAHB believes the FHLBanks play a vital role in providing liquidity to community-based institutions that specialize in housing production finance, a factor that is increasingly important during a period of rapid changes in the financial services sector. Most home builders are small businesses that depend almost entirely upon commercial banks and thrifts for housing production credit. NAHB's surveys show that 90 percent of all loans for residential land acquisition, development and construction (AD&C) come from commercial banks and thrifts.

The AHP is an important source of funds provided through FHLBank member financial institutions for the production of affordable rental housing and home ownership assistance. Many of NAHB's members utilize the AHP program to address housing needs in their communities.

According to the Finance Board, the Proposal is the result of a comprehensive review of the AHP, and is intended to clarify terms to be consistent with usage and incorporate current practices within the AHP regulations. The Proposal also would give the FHLBanks more flexibility in how they manage their individual AHP programs and allocate AHP funds. For example, under the Proposal, AHP funds could be awarded to projects that would provide housing for persons located in a disaster area, or displaced from a federally declared disaster area due to a disaster, irrespective of the household's current residential location.

NAHB Position

NAHB strongly supports the AHP and views it as a critical resource for addressing affordable housing needs. NAHB also supports the homeownership set-aside program within the AHP, which gives FHLBanks additional flexibility to respond to the needs of their district.

NAHB appreciates the Finance Board's attempt to clarify and update the AHP regulations by issuing the Proposal. NAHB supports the Finance Board's efforts to allow FHLBanks to have greater flexibility in addressing the housing needs in their communities. Given the magnitude of the housing crises brought about by recent natural disasters, NAHB is particularly supportive of the Finance Board's proposal to authorize the use of AHP funds to subsidize a broader array of disaster relief and recovery efforts.

In addition, however, NAHB requests the Finance Board to consider further modifications to allow the FHLBanks greater flexibility consistent with the requirements of the Federal Home Loan Bank Act in the areas of AHP participation by for-profit sponsors, an increased role for for-profit representatives on FHLBank AHP Advisory Councils, and AHP comparability with other federal housing programs.

Under the Federal Home Loan Bank Act, each FHLBank member shall give priority to qualified projects such as the following: purchases of homes by families whose income is 80 percent or less of the median income for the area; purchase or rehabilitation of housing owned or held by the United States Government or any agency or instrumentality of the United States; and purchase or rehabilitation of housing sponsored by any non-profit organization, any State or political subdivision of any State, or any local housing authority or State housing finance agency.

The statute creating the AHP gives priority to non-profit sponsors. This has inhibited participation by for-profit builders. We recognize that the Finance Board has taken some steps in the regulatory process to allow more opportunity for for-profit builders to participate in the AHP. We commend the Finance Board for these efforts and hope that additional adjustments can be made.

For-profit builders have demonstrated the ability and capacity to produce housing of higher quality and lower cost than that produced by non-profits. Excessive restraints on for-profit sponsors needlessly work against the AHP's goal of providing housing most efficiently in markets where the need is greatest. A number of builders have found ways to participate in the AHP, but many still are excluded unnecessarily. NAHB requests that the Proposal be modified in a manner that ameliorates the bias towards non-profit sponsors. For example, further guidance could be provided to FHLBanks to assign greater weight in the scoring of applications to experience and track record in delivering relevant affordable housing units.

Another recommendation NAHB has relates to the AHP Advisory Councils. Currently each of the FHLBanks is required to establish an Advisory Council to provide advice on ways in which the FHLBank can better carry out its housing finance and community lending mission. According to the Federal Home Loan Bank Act and the Finance Board's implementing regulations, a FHLBank is required to solicit nominations and appoint Advisory Council members in a manner that

ensures the membership is as broad and participatory as possible, and ensure that the membership includes persons drawn from a diverse range of organizations. However, NAHB notes that the law and regulations are written in such a way that could leave the impression that the Advisory Councils should comprise only community and non-profit organizations. We point out that the Finance Board issued an opinion in 1997 clarifying that Advisory Council membership is open to all professionals with expertise in affordable housing issues. However, historically and presently, the overwhelming majority of members of FHLBank Advisory Councils are representatives of non-profit or government organizations. While these individuals certainly bring a valuable perspective on community housing conditions and needs to Advisory Council deliberations, NAHB believes the Advisory Councils would benefit from the involvement of representatives of private, for-profit housing providers. For-profit builders produce most of the nation's affordable housing. Through hard-earned experience, they have accumulated valuable information on innovative and cost-effective building design, materials and techniques, as well as fresh points of view on important housing policy issues.

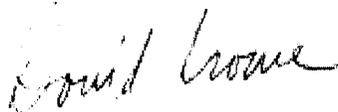
The FHLBank Advisory Councils play an important role in developing the blueprints used by the FHLBanks in addressing community housing needs. NAHB urges the Finance Board to look for ways to promote a broader range of backgrounds and experience on the Advisory Councils to assist with this critical task.

Finally, we urge the Finance Board to ensure that the AHP is compatible with other federal housing programs such as the HOME, Community Development Block Grant (CDBG) and Low Income Housing Tax Credit (LIHTC) programs. Through the AHP, the FHLBanks and their members play an integral role in implementing federal housing policy and we look forward to their continued involvement and innovation. One possible approach would be to explore ways to eliminate duplicative inspection and reporting requirements across the various federal housing programs.

Conclusion

Thank you again for the opportunity to comment. NAHB believes the recommended modifications would improve the Proposal and enable the FHLBanks to fund the most essential projects serving the greatest needs in specific areas. In this way, NAHB believes the needs of the communities would be better served. We are available to answer any questions you may have concerning our statement or provide any additional information that may be needed.

Sincerely,



David A. Crowe, Ph. D.
Senior Staff Vice President
Regulatory and Housing Policy