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FINANCE BOARD PROPOSES IMPROVEMENTS TO AFFORDABLE HOUSING PROGRAM

The Federal Housing Finance Board today approved a proposed rule containing a number of changes designed to improve the operation and effectiveness of the Affordable Housing Program (AHP).

The proposed changes aim to provide more flexibility for the Federal Home Loan Banks (FHLBanks) in administering the program, especially in the areas of scoring applications, utilizing recaptured funds, and approval of post-completion project modifications. "I have long considered the AHP to be the 'crown jewel' of the FHLBank System, because it so efficiently uses FHLBank funds to spur the development of housing in America's communities," said Finance Board Chairman J. Timothy O'Neill. "This rule, which is in response to input from the users of the program -- developers, System members, the FHLBanks -- proposes to make the AHP more valuable than ever by enhancing the flow of subsidies to the beneficiaries of the program."

On June 6 of this year, the Finance Board conducted an AHP workshop for FHLBank and community development officials to discuss on-going policy issues. A number of the proposed modifications to the AHP in the proposed rule are a result of issues that were raised at the workshop.

Proposed changes include: making the requirements for approval of post-completion project modifications the same as those for pre-completion modifications; allowing the FHLBanks to define "homeless household" when scoring applications; permitting the use of recaptured subsidies from prepaid mortgage loans to help another eligible household buy a home, and allowing an FHLBank to commit a portion of its subsequent year's AHP allocation to the current year's competitive application program.

The AHP provides direct subsidies or loans at subsidized rates to FHLBank System members to finance the purchase, construction, or rehabilitation of affordable housing for very-low, low, and moderate-income households. The FHLBank System contributes the greater of 10 percent of net earnings or \$100 million per year to the program, which operates as a series of 12 FHLBank district-wide competitions. The FHLBanks' total AHP contribution for 2001 is \$246 million.

The proposed rule will have a 60-day public comment period upon publication in the Federal Register.

