



“AFFORDABLE HOUSING PROGRAM”

OMB NUMBER 2590-0007

SUPPORTING STATEMENT

A. JUSTIFICATION

1. Circumstances Necessitating the Collection of Information

The Federal Home Loan Bank System consists of eleven regional Federal Home Loan Banks (Banks) and the Office of Finance (a joint office of the Banks that issues and services their debt securities). The Banks are wholesale financial institutions, organized under authority of the Federal Home Loan Bank Act (Bank Act) to serve the public interest by enhancing the availability of residential housing finance and community lending credit through their member institutions and, to a limited extent, through eligible non-member “housing associates.”¹ Each Bank is structured as a regional cooperative that is owned and controlled by member financial institutions located within its district, which are also its primary customers.

Section 10(j) of the Bank Act requires the Federal Housing Finance Agency (FHFA) to promulgate regulations under which each of the eleven Banks must establish an Affordable Housing Program (AHP) to provide subsidy to the Bank’s member institutions to: (1) finance homeownership by households with incomes at or below 80 percent of the area median income (low- or moderate-income households); and (2) to finance the purchase, construction, or rehabilitation of rental housing in which at least 20 percent of the units will be occupied by and affordable for households earning 50 percent or less of the area median income (very low-income households).² Section 10(j) also establishes standards and requirements for providing such subsidized funding to Bank members and requires each Bank to contribute 10 percent of its previous year’s net earnings to its AHP annually, subject to a minimum annual combined contribution by the eleven Banks of \$100 million.³

FHFA’s AHP regulation, which implements the statutory AHP requirements, is located at 12 CFR part 1291. The regulation requires that each Bank establish and fund an AHP and sets forth the parameters within which the Banks’ programs must operate. The regulation permits the Banks a degree of discretion in determining how their individual programs are to be implemented and requires that each Bank adopt an AHP Implementation Plan setting forth the specific requirements

¹ Certain non-member entities are permitted by statute to engage in limited business activities with a Bank. *See* 12 U.S.C. § 1430b. FHFA’s regulations refer to these entities as “housing associates.” *See* 12 CFR part 1264.

² *See* 12 U.S.C. 1430(j)(1) and (2).

³ *See* 12 U.S.C. 1430(j)(5)(C).

for that Bank's program.⁴

Competitive Application Programs

The AHP regulation requires each Bank to establish a competitive application program under which the Bank accepts applications for AHP subsidized advances or direct subsidies (grants) submitted by its members on behalf of non-member entities having a significant connection to the projects for which subsidy is being sought (project sponsors).⁵ Each Bank accepts applications for AHP subsidy under its competitive application program during a specified number of funding periods each year, as determined by the Bank.⁶ A Bank must determine for each application it receives whether the proposed project meets the AHP regulatory eligibility requirements.⁷ The Bank must score each application according to AHP regulatory and Bank-specific scoring guidelines, and approve the highest scoring projects within that funding period for AHP subsidy.⁸

The regulation provides that, prior to each disbursement of AHP subsidy for a project approved under a Bank's competitive application program, the Bank must confirm that the project continues to meet the AHP regulatory eligibility requirements, as well as all commitments made in the approved AHP application.⁹ As part of this process, Banks typically require that the member and project sponsor provide documentation demonstrating continuing compliance.

The regulation permits a Bank to approve a modification to the terms of an approved application that would change the score that the application received in the funding period in which it was originally scored and approved, had the changed facts been operative at that time. To approve a modification: (i) the project, incorporating the changes, must continue to meet the regulatory eligibility requirements; (ii) the application, as reflective of the changes, must continue to score high enough to have been approved in the funding period in which it was originally scored and approved; and (iii) there must be good cause for the modification, and the analysis and justification for the modification must be documented by the Bank in writing.¹⁰ Banks typically require the member and project sponsor requesting a modification to provide a written analysis and justification as part of their modification request.

The regulation requires generally that a Bank monitor each owner-occupied and rental project receiving AHP subsidy under its competitive application program prior to and after project completion. For initial monitoring, a Bank must determine whether the project is making satisfactory progress towards completion, in compliance with the commitments made in the

⁴ See 12 CFR 1291.3.

⁵ See 12 CFR 1291.5. Under the regulation, an AHP project sponsor may be an entity that either: (1) has an ownership interest in a rental project; (2) is integrally involved in an owner-occupied project, such as by exercising control over the planning, development, or management of the project, or by qualifying borrowers and providing or arranging financing for the owners of the units; (3) operates a loan pool; or (4) is a revolving loan fund. 12 CFR 1291.1 (definition of "sponsor").

⁶ See 12 CFR 1291.5(b)(1).

⁷ See 12 CFR 1291.5(c).

⁸ See 12 CFR 1291.5(d).

⁹ See 12 CFR 1291.5(g)(3).

¹⁰ See 12 CFR 1291.5(f).

approved application, Bank policies, and the AHP regulatory requirements. Following project completion, the Bank must determine whether satisfactory progress is being made towards occupancy of the project by eligible households, and whether the project meets the regulatory requirements and the commitments made in the approved application.¹¹ For long-term monitoring of rental projects, subject to certain exceptions in the AHP regulation, the Bank must determine whether, during the 15-year retention period, the household incomes and rents comply with the income targeting and rent commitments made in the approved application.¹² For both the initial and long-term monitoring, a Bank must review appropriate documentation maintained by the project sponsor.

Homeownership Set-Aside Programs

The AHP regulation also authorizes each Bank, in its discretion, to allocate up to the greater of \$4.5 million or 35 percent of its annual required AHP contribution to establish homeownership set-aside programs for the purpose of promoting homeownership for low- or moderate-income households.¹³ Under these homeownership set-aside programs, a Bank may provide to its members AHP direct subsidies, which are to be provided by the members to eligible households as a grant to pay for down payment, closing cost, counseling cost or rehabilitation assistance in connection with the household's purchase of a primary residence or rehabilitation of an owner-occupied residence.¹⁴ Prior to the Bank's disbursement of a direct subsidy under its homeownership set-aside program, the member must provide a certification that the subsidy will be provided in compliance with all applicable regulatory eligibility requirements.¹⁵

AHP Information Submitted by Banks to FHFA

FHFA's Data Reporting Manual (DRM) requires each Bank to submit to FHFA aggregate AHP information.¹⁶ The DRM requires each Bank to submit to FHFA project-level information regarding its competitive application program and household-level information regarding its homeownership set-aside program semi-annually. The information the Banks are required to submit to FHFA under the DRM is derived from the documentation submitted by Bank members and project sponsors that is described above.

2. Use of Data

The Banks use the information collected under part 1291 to determine whether: (1) projects for which Bank members and project sponsors are seeking subsidies under the Banks' competitive application programs satisfy the applicable statutory and regulatory requirements and score highly enough in comparison with other applications submitted during the same funding period to be

¹¹ See 12 CFR 1291.7(a)(1).

¹² See 12 CFR 1291.7(a)(4).

¹³ See 12 CFR 1291.2(b)(2); 1291.6.

¹⁴ See 12 CFR 1291.6(c)(4).

¹⁵ See 12 CFR 1291.7(b)(2).

¹⁶ The AHP reporting requirements are located in chapter 5 of the DRM, which is available electronically on FHFA's public website at <http://www.fhfa.gov/SupervisionRegulation/FederalHomeLoanBanks/Documents/FHFB-Resolutions/2006/2006-13-Attachment.pdf>.

approved for AHP subsidies; (2) projects approved under the Banks' competitive application programs continue to meet the applicable requirements and to comply with the commitments made in the approved applications each time subsidy is disbursed; (3) requests for modifications of projects approved under the Banks' competitive application programs meet the regulatory requirements for approval; (4) projects approved under the Banks' competitive application programs are making satisfactory progress towards completion, and following project completion, are making satisfactory progress towards occupancy of the project by eligible households, in compliance with the commitments made in the approved applications, Bank policies, and the regulatory requirements (initial monitoring); (5) during the 15-year retention period, completed rental projects continue to comply with the household income targeting and rent commitments made in the approved applications (long-term monitoring); and (6) applications for direct subsidy under Banks' homeownership set-aside programs were approved, and the direct subsidies disbursed, in accordance with the regulatory requirements.

FHFA uses the information required to be submitted by the Banks under the DRM to verify that the Banks' funding decisions, and the use of the funds awarded, were consistent with statutory and regulatory requirements.

3. Use of Information Technology

All of the Banks now accept AHP competitive and homeownership set-aside program applications, as well as related certifications, compliance submissions, and monitoring submissions, electronically. Most of the Banks require members to submit all AHP documentation electronically through a dedicated secure portal. The Banks provide for various methods of electronic submission, depending on the policies of the particular Bank and the type of documentation. These methods include: the entry of data directly into online forms; the completion of fillable electronic documents in various formats, which are then uploaded to the Bank's portal; and the uploading to the Bank's portal of electronic documents that have been created by the member or project sponsor (either electronically in the first instance or by scanning paper documents).

The Banks submit AHP data to FHFA as required under the DRM through formatted electronic files that FHFA then uploads into its AHP electronic database.

4. Efforts to Identify Duplication

This information collection avoids duplication by permitting the submission of information that may already be available to, or have been compiled by, members and project sponsors for other purposes. For example, AHP project sponsors are likely to be applying for funding from multiple sources and may be able to submit information compiled for use in other funding applications when applying for AHP subsidy.

5. Impact on Small Entities

This information collection does not have a significant economic impact on a substantial number of small entities. The regulation implements statutory requirements applicable to all AHP applicants regardless of their size. FHFA does not have the authority to make adjustments to the statutory requirements to accommodate small entities.

6. Consequences of Less Frequent Collection and Obstacles to Burden Reduction

If the Banks did not collect the required information from members and project sponsors at the times specified in part 1291, the Banks would be unable to make timely determinations as to whether AHP applicants satisfy the statutory and regulatory criteria to receive and retain AHP subsidies. If FHFA did not collect from the Banks the required AHP data at the times specified in the DRM, the agency would be unable to verify on a timely basis whether Bank funding decisions, and the use of funds awarded, are consistent with statutory and regulatory requirements.

7. Circumstances Requiring Special Information Collection

There are no special circumstances that require FHFA to conduct the information collection in a manner inconsistent with the guidelines provided in Item 7.

8. Solicitation of Comments on Information Collection

In accordance with the requirements of 5 CFR 1320.8(d), FHFA published a request for public comments regarding this information collection in the *Federal Register* on September 23, 2016.¹⁷ The 60-day comment period closed on November 22, 2016. FHFA received no public comments.

9. Provision of Payments or Gifts to Respondents

No payments or gifts are provided to any respondent.

10. Assurance of Confidentiality

The Banks and FHFA maintain the confidentiality of the information collected as required by applicable statute, regulation, and agency policy.

11. Questions of a Sensitive Nature

There are no questions of a sensitive nature in the information collection.

12. Estimates of the Hour Burden of the Information Collection

FHFA has analyzed each of the six facets of this information collection in order to estimate the hour and cost burdens that the collection will impose upon Bank members and AHP project

¹⁷ See 81 FR 65648 (Sept. 23, 2016).

sponsors annually over the next three years. Based on that analysis, FHFA estimates that the total annual hour burden will be 115,750 hours and that the total annual cost associated with this burden will be \$5,984,898. The method FHFA used to determine the annual hour burden and associated cost for each facet of the information collection is explained in detail below.

I. AHP Competitive Applications

The estimated annualized hour burden on Bank members and project sponsors in connection with the preparation and submission of AHP competitive applications is 32,400 hours. The estimated annualized cost associated with this burden is \$2,316,600. The estimates are based on the following calculations:

Financial analysts prepare application and supporting materials.

- Time per application: 19.2 hours
- Total applications: 1,350
- Total hours: 25,920
- Hourly rate: \$69 (includes salary, benefits, and overhead)
- Total cost: \$1,788,480

Chief Executive Officer reviews and approves application and supporting materials.

- Time per application: 2.4 hours
- Total applications: 1,350
- Total hours: 3,240
- Hourly rate: \$134 (includes salary, benefits, and overhead)
- Total cost: \$434,160

Administrative assistant assists in compiling documentation and submitting application and supporting materials to Bank.

- Time per application: 2.4 hours
- Total applications: 1,350
- Total hours: 3,240
- Hourly rate: \$29 (includes salary, benefits, and overhead)
- Total cost: \$93,960

II. Compliance Submissions for Approved Competitive Application Projects at AHP Subsidy Disbursement

The estimated annualized hour burden on Bank members and project sponsors in connection with the preparation and submission of documents verifying that projects approved under the Banks' AHP competitive application programs continue to comply with the regulatory eligibility requirements and all commitments made in the approved applications at the time each AHP

subsidy is disbursed is 700 hours. The estimated annualized cost associated with this burden is \$46,410. These estimates are based on the following calculations:

Financial analyst prepares documents.

- Time per submission: 0.88 hours
- Total submissions: 700
- Total hours: 616
- Hourly rate: \$69 (includes salary, benefits, and overhead)
- Total cost: \$42,504

Chief Executive Officer reviews and approves documents.

- Time per submission: 0.02 hours
- Total submissions: 700
- Total hours: 14
- Hourly rate: \$134 (includes salary, benefits, and overhead)
- Total cost: \$1,876

Administrative assistant assists in compiling documentation and submitting documents to Bank.

- Time per submission: 0.1 hours
- Total submissions: 700
- Total hours: 70
- Hourly rate: \$29 (includes salary, benefits, and overhead)
- Total cost: \$2,030

III. Modification Requests for Approved Competitive Application Projects

The estimated annualized hour burden on Bank members and project sponsors in connection with the preparation and submission of requests for modifications to projects that have been approved under the Banks' AHP competitive application programs is 750 hours. The estimated annualized cost associated with this burden is \$51,188. These estimates are based on the following calculations:

Financial analyst prepares documents.

- Time per request: 2.125 hours
- Total requests: 300
- Total hours: 637.5
- Hourly rate: \$69 (includes salary, benefits, and overhead)
- Total cost: \$43,988

Chief Executive Officer reviews and approves documents.

- Time per request: 0.125 hours
- Total requests: 300
- Total hours: 37.5
- Hourly rate: \$134 (includes salary, benefits, and overhead)
- Total cost: \$5,025

Administrative assistant assists in compiling documentation and submitting documents to Bank.

- Time per request: 0.25 hours
- Total requests: 300
- Total hours: 75
- Hourly rate: \$29 (includes salary, benefits, and overhead)
- Total cost: \$2,175

IV. Initial Monitoring Submissions for Approved Competitive Application Projects

The estimated annualized hour burden on Bank members and project sponsors in connection with the preparation and submission of documentation required by the Banks as part of their initial monitoring of in-progress and recently completed projects approved under their AHP competitive application programs is 2,500 hours. The estimated annualized cost associated with this burden is \$142,500. These estimates are based on the following calculations:

Financial analyst prepares documents.

- Time per submission: 3.5 hours
- Total submissions: 500
- Total hours: 1,750
- Hourly rate: \$69 (includes salary, benefits, and overhead)
- Total cost: \$120,750

Administrative assistant assists in compiling documentation and submitting documents to Bank.

- Time per submission: 1.5 hours
- Total submissions: 500
- Total hours: 750
- Hourly rate: \$29 (includes salary, benefits, and overhead)
- Total cost: \$21,750

V. Long-Term Monitoring Submissions for Approved Competitive Application Projects

The estimated annualized hour burden on Bank members and project sponsors in connection with the preparation and submission of documentation required by the Banks as part of their long-term monitoring of completed projects approved under their AHP competitive application programs is

14,400 hours. The estimated annualized cost associated with this burden is \$763,200. These estimates are based on the following calculations:

Financial analyst prepares documents.

- Time per submission: 1.8 hours
- Total submissions: 4,800
- Total hours: 8,640
- Hourly rate: \$69 (includes salary, benefits, and overhead)
- Total cost: \$596,160

Administrative assistant assists in compiling documentation and submitting documents to Bank.

- Time per submission: 1.2 hours
- Total submissions: 4,800
- Total hours: 5,760
- Hourly rate: \$29 (includes salary, benefits, and overhead)
- Total cost: \$167,040

VI. Homeownership Set-aside Program Applications and Certifications

The estimated annualized hour burden on Bank members in connection with the preparation and submission of applications and required certifications for AHP direct subsidies under the Banks' homeownership set-aside programs is 65,000 hours. The estimated annualized cost associated with this burden is \$2,665,000. These estimates are based on the following calculations:

Financial analyst prepares application and related certification.

- Time per application: 1.5 hours
- Total applications: 13,000
- Total hours: 19,500
- Hourly rate: \$69 (includes salary, benefits, and overhead)
- Total cost: \$1,345,500

Administrative assistant assists in preparing application and related certification, compiling documentation, and submitting documents to Bank.

- Time per application: 3.5 hours
- Total applications: 13,000
- Total hours: 45,500
- Hourly rate: \$29 (includes salary, benefits, and overhead)
- Total cost: \$1,319,500

13. Estimated Total Annualized Cost Burden to Respondents

FHFA has not identified any costs to respondents other than the hourly personnel costs detailed under Item #12.

14. Estimated Cost to the Federal Government

The estimated annualized hour burden to the federal government is 160 hours. The estimated annualized cost to the federal government associated with this burden is \$15,200. These estimates are based on the following calculations:

Senior policy analyst reviews Banks' AHP data submissions for completeness and validation.

- Time per submission: 80 hours
- Total submissions: 2 (by all Banks combined)
- Total hours: 160
- Hourly rate: \$95 (includes salary, benefits, and overhead)
- Total cost: \$15,200

15. Reasons for Change in Burden

FHFA has increased the estimated total annual burden hours to 115,750 from the 64,140 that were shown in the Supporting Statement submitted in connection with the 2013 renewal of this information collection. Almost all of this increase is attributable to an increase in the estimated burden hours associated with the preparation and submission of homeownership set-aside program applications and certifications (collection VI under item #12). Based on an increase in the number of such applications received annually since 2012 (due to an increase in available funding), FHFA has increased its estimate as to the number of application submitted annually from 8,500 to 13,000. In addition, based on empirical feedback from the Banks, Bank members, and project sponsors, the Agency has increased its estimate as to the time required to prepare and submit each such application and the associated certification from 2 hours to 5 hours. This changes have resulted in an increase in the estimated annualized hour burden for that facet of this information collection from 17,000 hours to 65,000 hours. The total burden estimates for the other collections increased slightly on a net basis, by 3,610 hours (from 47,140 to 50,750), due to minor adjustments in the estimated number of submissions and times per submissions, based on actual numbers from 2013-2016.

As in the prior Supporting Statement, Item #12 herein addresses six different types of collections under this control number. However, FHFA has changed the characterization of those collections somewhat in order to reach more accurate estimates. Specifically, the Agency has not included herein estimates for the preparation and implementation of AHP recapture agreements (which formerly appeared as collection V under Item #12), because those functions are actually carried out by the Banks and not by members, as was mistakenly represented in the prior Supporting Statement. In addition, FHFA has split its estimates relating to AHP monitoring agreements (all of which formerly appeared as collection IV under Item #12) into two separate collections—initial

monitoring submissions (collection IV under Item #12 herein) and long-term monitoring submissions (collection V under Item #12 herein). This was done to account both for the different requirements pertaining to the initial and long-term monitoring submissions and for the fact that, because all AHP competitive application rental projects that are less than 15 years old must file long-term monitoring documentation, the number of such submissions will be much higher than the number of recently-approved projects filing initial monitoring submissions in any given year. FHFA has also removed the burden estimates for the drafting of the monitoring agreements (as distinguished from the submission of documentation under those agreements) because it does not believe such activity constitutes a collection of information under the PRA and because, in any event, those agreements are typically prepared by the Banks and not by the members and project sponsors.

Finally, FHFA has reduced estimate of the annualized cost burden to respondents under Item #13 from \$286,100 to zero. The cost estimates under Item #13 in the prior Supporting Statement related to the costs of preparing and submitting paper-based documentation, including photocopying and postage costs. Because members and project sponsors now prepare and submit all AHP-related applications and documentation electronically, using the systems they acquire and maintain in the ordinary course of business, there are no longer any such miscellaneous costs associated with this information collection.

16. Plans for Tabulation, Statistical Analysis and Publication

FHFA will not publish the results of this information collection.

17. If Seeking Approval to Not Display the Expiration Date for OMB Approval of the Information Collection, Explain the Reasons Why Display Would Be Inappropriate

FHFA plans to display the expiration date of OMB approval.

18. Explain Each Exception to the Topics of the Certification Statement Identified in “Certification for Paperwork Reduction Act Submission.”

There are no exceptions to the topics of the certification statement identified in the “Certification for Paperwork Reduction Act Submissions”.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

This information collection does not employ statistical methods.