

June 16, 2008

Federal Housing Finance Board
1625 Eye Street, N. W.
Washington, DC 20006

Attention: Public Comments

Subject: Federal Housing Finance Board
Proposed Rule: Affordable Housing Program Amendments
FUN Number 3069 - AB35
Docket Number 2008-09

Dear Federal Housing Finance Board Public Comments Coordinator:

On behalf of NeighborWorks America, I want to thank you for the opportunity to provide comments in regard to the amendments to the Affordable Housing Program ("AHP") proposed by the Federal Housing Finance Board ("Finance Board") as published in the Federal Register on Wednesday, April 16, 2008.

NeighborWorks America commends the Federal Housing Finance Board for attempting to address an aspect of the current mortgage crisis through its proposal to offer home owners facing foreclosure the opportunity to access AHP homeownership set-aside subsidies to refinance or restructure subprime and other nontraditional mortgages.

NeighborWorks America is supportive of the basic intent of the proposed rule -- to provide a reasonable refinancing vehicle for homeowners facing foreclosure due to the onerous terms and payments of their current subprime or other nontraditional mortgage.

However, if our understanding of the proposed amendments is correct, as currently written the proposed amendment would apply only to the refinancing of loans that were originated by the same lender, and held in portfolio.

NeighborWorks America believes the AHP program can be used much more effectively if those restrictions were removed, essentially permitting any member institution to use AHP subsidies to refinance a family facing foreclosure.

- Regardless of whether the loan was held in portfolio or not; and
- Regardless of whether that same institution originated the loan or not.

Indeed, if the proposed amendment were limited only to the refinancing of subprime or nontraditional loans made by member institutions, the amendment would clearly be seen as *rewarding* or bailing-out members, rather than as a real effort to assist borrowers facing foreclosure.

Many borrowers are facing foreclosure due to scheduled rate-adjustments on their current adjustable-rate mortgages. Member institutions who made these loans and are holding them in portfolio, can simply chose (on their own) not to raise the interest rate at the time of scheduled rate-adjustments, or write down the loans so that they can be refinanced by some other institution.

In fact, we would suggest that the individual FHLBanks be authorized to place further restrictions on the use of AHP subsidies for refinancing, on member institutions that originated that loan.

Background Information Regarding NeighborWorks America:

NeighborWorks America was established by Congress in 1978 as the Neighborhood Reinvestment Corporation. The Corporation receives a direct annual federal appropriation. The corporation's Board of Directors is made up of senior representatives of the federal financial regulatory agencies (the Federal Reserve; the Federal Deposit Insurance Corporation; The Comptroller of the Currency; the Office of Thrift Supervision; the National Credit Union Administration) and the Secretary of HUD.

The primary mission of NeighborWorks America is to expand affordable housing opportunities (rental and homeownership) and to strengthen distressed urban, suburban and rural communities across America, working through a national network of local community-based organizations, known collectively as the NeighborWorks network. The NeighborWorks network includes more than 230 nonprofit organizations, serving more than 4,450 communities across the United States -- in 50 states, the District of Columbia and the Commonwealth of Puerto Rico. NeighborWorks organizations operate in our nation's largest cities and in some of its smallest rural communities.

Local NeighborWorks organizations provide a wide variety of services that reflect the needs of their neighborhoods and communities, and over the years, NeighborWorks has provided homeownership counseling to more than 650,000 families, and assisted nearly 150,000 families of modest means to become homeowners. NeighborWorks organizations also own and manage more than 70,000 units of affordable rental housing. In FY 2007 alone, the NeighborWorks network generated about \$4.3 billion in direct reinvestment in distressed communities across the nation, and helped more than 204,000 low- and moderate-income families purchase homes, improve previously purchased homes; or live in safe, decent rental housing.

NeighborWorks America has a 30-year history of facilitating lending to non-conventional borrowers – including lower income families, borrowers with impaired credit and others who would not normally qualify for a conventional mortgage.

By providing quality pre-purchase homeownership counseling, financial fitness training and working with borrowers to improve their credit rating, improve their budgeting, and commit to a savings plan (including Individual Development Accounts and other vehicles), local NeighborWorks organizations are able to prepare foreclosure-resistant

borrowers who qualify for reasonably priced traditional mortgage loans and achieve sustainable homeownership.

From our experience, we know that the best defense against mortgage delinquency and foreclosure is objective education and counseling before the borrower begins shopping for a home and selecting a mortgage product – or refinancing their home. And the best home buyer counseling is provided through objective, well-trained non-profit agencies (including local NeighborWorks organizations and other HUD-approved housing counseling agencies) that put the consumers’ and the communities’ interest first. We also know that homeowners’ odds of success are increased even further when they have access to post-purchase counseling and homeowner education.

NeighborWorks America has been closely tracking the loan performance of the many low-income families assisted by NeighborWorks organizations over the years. *These loans continue to perform significantly better than subprime loans.* In fact, a comparison of the loan performance of a sample of borrowers counseled by NeighborWorks organizations indicates that their loans are:

- 10 times less likely to go into foreclosure than subprime borrowers;
- Nearly 4 times less likely to go into foreclosure than FHA borrowers; and
- Slightly less likely to go into foreclosure than Prime borrowers.

NeighborWorks America is a nationally recognized leader in the fight against foreclosures. The Corporation identified the problem of rising foreclosures over four years ago and, with the encouragement and support of our Board of Directors, created the NeighborWorks Center for Foreclosure Solutions -- an unprecedented partnership between leading nonprofit organizations as well as state, local and federal agencies and members of the mortgage lending and servicing sectors, that involves a comprehensive, multi-faceted approach to the foreclosure crisis.

It is from this base of experience that NeighborWorks America sets forth the following comments regarding the proposed amendments.

Comments Regarding Proposed Affordable Housing Program Amendments:

- Again, while supportive of the basic intent of the proposed rule, NeighborWorks America believes the FHLBank System and its AHP program have a real opportunity to assist many more families facing foreclosure. We therefore urge the Federal Housing Finance Board to permit member institutions to access AHP subsidies in order to rescue low- and moderate income families facing foreclosure
 - Whether or not the institution that originated the subprime or other nontraditional loan was a member of the FHLBank System; ad
 - Whether or not the loan was held in portfolio.
- Households seeking refinancing assistance should be eligible for AHP assistance regardless of their payment history and/or whether they are delinquent on their

current mortgage. Although, clearly, the decision of a member institution (whether to provide refinancing assistance or not) may appropriately be influenced by such factors.

- NeighborWorks America strongly urges that homeownership counseling or foreclosure intervention counseling be required for borrowers prior to the closing of any refinanced or restructured mortgage that utilizes AHP set-aside subsidies, and that such counseling be provided by HUD-approved counseling agencies.
- NeighborWorks America also strongly supports the use of AHP funds by member institutions to off-set counseling costs for borrowers, associated with the refinancing and/or restructuring of their loan.
- The Federal Housing Finance Board should permit AHP subsidy funds to be used to finance prepayment penalties and other “pay-off fees” to nonaffiliated lenders so that FHLBank members can rescue troubled low- and moderate-income borrowers by refinancing their subprime or nontraditional loans.
- NeighborWorks America also supports the use of AHP subsidies for purposes such as directly reducing negative equity, the write-down of interest rates, and/or to leverage other federal, state, and local programs designed to assist qualified households danger of foreclosure.

Closing Comment:

NeighborWorks America would like to again thank the Federal Housing Finance Board for thinking about how the Affordable Housing Program can be used to help families facing foreclosure. Remembering that the final amendment will simply permit member institutions to utilize the AHP program to do the range of things mentioned in our comments (the amendment does not mandate members to do anything), we believe that greater flexibility in the amendment, coupled with the members’ knowledge of the needs and opportunities in their respective markets will go a long way toward enabling the FHLBank System to serve as an effective vehicle for alleviating the hardship of foreclosure for many more families.

NeighborWorks America believes that this is not only the right thing to do, but flexibility in the amendment will also create increased business opportunities for member institutions, and serve as a responsible alternative to the rescue scams and inappropriately priced refinance products which have begun to enter the market-place.

Thank you for your consideration of these comments and for your efforts on behalf of homeowners facing foreclosure. Please feel free to contact me for any clarification of these comments.

Sincerely,

Kenneth D. Wade
Chief Executive Officer