

DECISION MEMORANDUM OF THE HOUSING FINANCE BOARD
ACTING WITHOUT A QUORUM

Date: October 17, 1994
No. 94-DM-38

ISSUE:

The Federal Home Loan Bank of Pittsburgh (FHLBank) has requested Federal Housing Finance Board (Housing Finance Board) approval of an increase in Affordable Housing Program (AHP) funds awarded to Grange National Bank (Grange) on behalf of Housing Authority for Wyoming County (Housing Authority) for the Affordable Housing for Rural Northeast Pennsylvania (Project). The request for approval of an additional \$33,829 in subsidy provided to the Project in January of 1992, would result in an increase from \$66,760 to \$100,589 in order to pay for changes in the method of calculating the amount of subsidy needed for a \$450,000 advance.

FACTORS CONSIDERED:

Subsection 10(j) of the Federal Home Loan Bank Act (Bank Act) (12 U.S.C. § 1430 (j)) requires that each Federal Home Loan Bank (Bank) establish an AHP.

The Housing Finance Board has adopted a regulation for the operation of the AHP by each Bank, codified at 12 C.F.R. Part 960. The AHP regulation requires that the Finance Board determine which applications for AHP awards are to be funded (12 C.F.R § 960.5(f)).

On January 9, 1992 the Housing Finance Board approved an AHP application forwarded by the FHLBank for Grange for an AHP subsidy of \$66,760 to subsidize an advance used for the Project sponsored by the Housing Authority.

Subsequent to the approval of the AHP award there was an examination of the FHLBank by the Housing Finance Board. The examiner noted various discrepancies between the FHLBank and Housing Finance Directorate (HFD) reports. FHLBank management concurred and indicated that the discrepancies were largely due to revised subsidy calculations. The original and revised subsidy calculations were submitted to HFD along with a request for modification. The original method of subsidy calculation was based on present value while the revised method is based on net present value. This change in the method of calculating the subsidy for a project is the reason for the increase in the AHP subsidy.

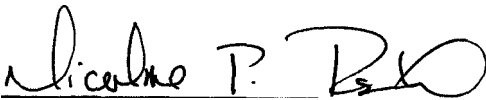
increase in the per unit subsidy from \$9,730 per unit to \$12,549 per unit. The proposed modification will not change the score of the application.

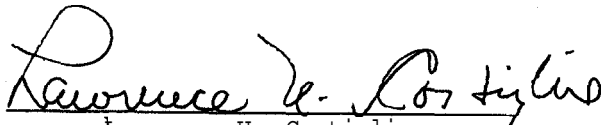
The Housing Finance Directorate staff recommends the approval of the increase in AHP subsidy for the subsidized advance from \$66,760 to \$100,589 to correct the error in the subsidy calculation resulting in a total AHP award, when combined with the \$50,000 direct subsidy, of \$150,589.

The Housing Finance Board has determined that the request to increase the AHP award was in accordance with the Bank Act, the AHP regulation, and existing policy.

DECISION:

Based on the factors set forth above and the authority provided in 12 C.F.R. § 960.5(f), the increase in AHP funds for the subsidized advance from \$66,760 to \$100,589 is approved.


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Lawrence U. Costiglio