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June 9, 2008

Karen Walter
Federal Housing Finance Board
1625 Eye Street Washington, DC 20006

Dear Karen Walter:

I write to oppose the Proposed Rule published by the Federal Housing Finance Board (FHFB) on Wednesday, April 16, 2008.

This proposal rewards members for making nontraditional loans with interest rate risks. Members can restructure loans on their own without removing a critical resource for asset building through homeownership for low income families.

The loans as described are currently performing. They are threatened with foreclosure due to imminent higher rates. Banks own these loans and can choose not to raise the interest rate.

The FHLBanks have other sources of funds and should use those funds and demonstrate their impact before tapping into a reliable source of homeownership already seen as a critical part of the pipeline for affordable homeownership.

AHP resources provide needed match funds to leverage local homeownership programs. AHP funds complement city and state downpayment grants and loans, Individual Development Accounts, and personal savings.

The proposed rule permits reallocation of AHP through June 30, 2011. This effectively diminishes resource for new, first-time low-income homeowners at a time where it is more difficult to get mortgages.

Finally, this act would only serve to diminish or excuse any financial responsibility on the part of the homeowner facing foreclosure and the lending institutions for making the loans in the first place. It is not only irresponsible, but it sends a message to the world that it's ok to be irresponsible. This is a social injustice disguised as sound financial management. There is no honor, integrity or lessons to be learned by rewarding those who submit to bad choices, it only punishes those who have the hope and determination to make hard choices, such as saving to purchase a home. At least these hard choices are right, and inspite of the financial benefits to these member institutions, the underlying message is; reward the financial irresponsibility of the rich at the expense of the hope and integrity of the poor.

The FHLBanks have an incredible amount of resources to aid families facing foreclosure, it is unfortunate that the first resource the Finance Board encourages them to use is AHP, "the crown jewel of the System."

Sincerely,

Joe R. Serrano
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