

Richard M. Riccobono  
President and Chief Executive Officer

June 11, 2008

Federal Housing Finance Board  
1625 Eye Street, NW  
Washington DC 20006

RE: Public Comments - Proposed amendment to the AHP regulation

To Whom It May Concern,

The Seattle Bank supports the Federal Housing Finance Board's efforts to reconsider the AHP regulation in the context of today's challenges for the affordable housing industry. Specifically, the Seattle Bank supports the extension of authority to allow the AHP set aside to be used to refinance mortgages for the primary residence of an income eligible borrower to prevent possible foreclosure.

However, we request that the proposed amendment essentially follow the existing regulation in place governing the AHP set aside program without adopting numerous and complex additional requirements that (1) unnecessarily complicate program administration without achieving a concomitant benefit and (2) necessitate considerable additional infrastructure and resources to administer, thereby making implementation cost-prohibitive for the bank and our members.

Rather than conditioning the program's use to such a detailed extent that it limits the availability of assistance to a narrowly defined population of income eligible households and members, the Seattle Bank recommends that the FHFB adopt a simpler approach that keeps to a minimum additional requirements and may thus be accommodated by existing program infrastructure. As an example, the statute and the AHP regulation established the set aside as an income-based program, whereas the proposed amendment unnecessarily expands the scope of household eligibility to include limitations to eligible mortgage products and household assets, housing cost ratios, loan to value ratios, etc. The bank believes that it is a troubling precedent for the AHP regulation to impose lending standards and further believes that any income eligible household who is at risk of foreclosure has sufficiently demonstrated a need for subsidy.

Arguably the most significant barrier to the amendment's implementation is that it allows the set aside to be used for refinancing only by members who originated and currently hold the at-risk mortgage. The Seattle Bank believes that the authority to use the AHP set aside to refinance mortgages at risk of foreclosure should be extended to all members participating in the program, thereby providing income eligible households with the ability to pursue the most favorable refinancing terms and not to be limited to the financial institution that originated the mortgage that is now at risk of default. Consistent with the existing regulation governing the AHP set aside program, the Seattle Bank supports the concept of allowing subsidy to be used to assist loans refinanced by non-members, such as Housing Finance Agencies and other government programs.

However, if an income eligible household chose to refinance with the member that originated the mortgage that is now at risk, the Seattle Bank agrees that the member should be required to

match the AHP subsidy, but on a one to one ratio instead of the two to one ratio stated in the amendment because we believe that a two to one match is counter-productive in that it will discourage those members from using the AHP set aside subsidy, which is in opposition to the purpose of the amendment. Furthermore, the amendment should not dictate that members serve income eligible households on a first-come, first-serve basis because that strategy does not allow a member to prioritize serving households that are more likely to sustain homeownership upon refinancing.

The Seattle Bank has read the comments to this proposed amendment submitted by the New York Bank and feels compelled to respond to their request that consideration be given to restricting the use of household equity upon refinancing. Notwithstanding the current credit and foreclosure crises facing certain regions of our nation, homeownership has been an effective wealth building strategy for households of all income levels. The Seattle Bank believes that low- and moderate-income borrowers are equally capable of deciding how to best manage their assets, including the equity in their homes. We are very uncomfortable with imposing limitations on one segment of the population that are not imposed on others because of a perception that low- and moderate-income borrowers are less able to make sound financial judgments than other borrowers, particularly when recipients of AHP set aside subsidy are required to complete homebuyer education that, by Seattle Bank standards, must include a curriculum that focuses on understanding budgeting, credit, the responsibilities of homeownership, and alerts borrowers to the characteristics of predatory lending.

In summary, the Seattle Bank believes that allowing the set aside to be used to refinance the type of mortgages described in the amendment provides our members with an opportunity to be part of the solution to the foreclosure crisis. However, the existing terms and conditions of the amendment make administering the program cost prohibitive and unnecessarily limit the pool of eligible households and members. Currently, 120 members participate in the Seattle Bank's set aside program and enroll an average of 90 households each month, which is evidence of our members' enthusiasm for making the program available to their customers. Given current market conditions, it is likely that members would be just as eager to provide set aside funds to help people refinance and preserve homeownership.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Richard M. Riccobono". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

Richard M. Riccobono  
President and Chief Executive Officer