

June 13, 2008

Federal Housing Finance Board
1625 Eye Street, N. W.
Washington, DC 20006
Attention: Public Comments

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

Ladies and Gentlemen:

The Federal Home Loan Bank of Topeka (“FHLBank Topeka”) is pleased to submit comments regarding the above-referenced proposed amendments to the Federal Housing Finance Board (“Finance Board”) regulation that governs the operation of the Affordable Housing Program (“AHP”).

FHLBank Topeka commends the Finance Board for proposing to offer homeowners the opportunity to access AHP homeownership set-aside funds to refinance or restructure nontraditional or subprime owner-occupied mortgage loans. The primary mission of the FHLBanks is to provide financial institutions with access to an efficient, reliable, and equitable source of funding to meet communities’ credit needs to support homeownership and community development. The current mortgage crisis provides an opportunity for the FHLBanks to further support their mission by allocating set-aside funds to preserve homeownership.

A few areas of the FHLBank Topeka district have experienced serious levels of foreclosure activity, particularly in Colorado. However, our research indicates that FHLBank Topeka members did not originate most of the subprime loans experiencing foreclosure. Our members have generally originated loans under more stringent underwriting and collateral requirements than those lenders who originated the subprime loans experiencing high levels of delinquency and default. Moreover, FHLBank Topeka members did not originate a significant number of adjustable rate mortgage (ARM) loans with provisions for reset or recast at interest rates much higher than the original loan. As a result, we do not expect that there would be a significant demand in our district for the limited type of AHP subsidies allowed by the proposed rule, which would permit the FHLBanks to address only a very limited population of homebuyers facing foreclosure.

Consequently, FHLBank Topeka urges the Finance Board to revise the proposed rule to provide broader, more flexible authority to each FHLBank to provide AHP assistance specifically designed to address the mortgage problems arising in its district.

For example, since we believe most of the problem loans in our district were not originated by our members, the requirement that the refinanced loan must have been originated or held by an FHLBank member or its affiliates will probably prevent our FHLBank from offering AHP assistance to most of the households in our district that need this subsidy. Therefore, we urge the Finance Board to revise the proposed rule to allow FHLBanks to provide AHP subsidy to assist members or their affiliates in refinancing troubled loans, regardless of whether the loan was originated by the member, its affiliates, or an unaffiliated lender.

In addition, the impact of the foreclosure crisis appears to be spreading beyond subprime loans. Delinquencies are increasing in prime and Alt A loans and foreclosure activity is negatively impacting non-delinquent borrowers in neighborhoods with high numbers of foreclosures. Also, we believe that some borrowers are facing foreclosure for reasons other than reset or recast ARM loans. These foreclosures have the same serious consequences for individual borrowers and neighborhoods as do foreclosures of ARM loans.

Therefore, we request that the proposed rule be revised to allow an FHLBank to design its AHP assistance program so that any household experiencing financial distress due to an unaffordable mortgage would be eligible for refinance assistance, regardless of whether the loan is subprime or nontraditional and regardless of the reason for the financial distress. This would give each FHLBank authority to provide AHP assistance specifically designed to address the mortgage problems arising in its district.

FHLBank Topeka has no interest in promoting the use of AHP to bail out lenders that made bad loans or borrowers who obtained loans by intentionally providing inaccurate information to lenders. However, we believe the downturn in the economy has created problems for lenders and borrowers who acted in good faith and originated loans using reasonable underwriting standards. Borrowers may face temporary difficulties that cause them to fall behind on their loan payments. Consequently, we believe that a more flexible rule will allow FHLBanks to provide AHP assistance that will often enable lenders to avoid foreclosure and, instead, restructure loans for the benefit of the borrower, lender and the neighborhood.

The AHP set-aside authority has been a successful addition to the original AHP regime. The set-aside authority established by the Finance Board is based on a broad set of parameters to be adhered to by FHLBanks that choose to exercise the authority allowed under the current set-aside program. FHLBank Topeka recommends that the Finance Board adopt the same approach in enhancing the set-aside program to allow for refinancing of troubled loans.

The provisions of the current set-aside should be modified with enhanced flexibility to give the FHLBanks the authority to develop set-aside programs appropriate to foreclosure issues in individual FHLBank districts. The regulations could require the FHLBanks to develop and submit the policies applicable to their set-aside programs for refinancing in the same way that all

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other AHP programs are described in the AHP implementation plan. This flexibility in set-aside programs would rightfully allow the individual FHLBanks to develop programs that meet the unique needs of the FHLBank districts in addressing the current mortgage crises, while preserving the necessary oversight role of the Finance Board.

We appreciate the opportunity to comment on the proposed rule. If you have any questions or would like to discuss any of our comments, please call me at 785.438.6001.

Sincerely,

A handwritten signature in blue ink, appearing to read "Andrew J. Jetter", with a long horizontal flourish extending to the right.

Andrew J. Jetter
President and CEO