June 16, 2008

To whom it may concern:

Attached please find the comments of Coastal Enterprises, Inc. (CEI) regarding the above-cited proposed rule.

Thank you,

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CEI's mission: To help create economically and environmentally healthy communities in which all people, especially those with low incomes, can reach their full potential.

Comments of Coastal Enterprises, Inc. to Proposed Rule: Affordable Housing Program Amendments

Coastal Enterprises, Inc. (CEI) is a non-profit 501(c)3 Community Development Finance Institution (CDFI) and Community Development Corporation (CDC) serving the state of Maine. CEI provides homeownership counseling services, including foreclosure mitigation, and is engaged in research pertaining to the subprime/foreclosure crisis in New England and the role of CDFIs and other non-profits in addressing the crisis.

Following are CEI's comments regarding the proposed rule:

Comments on Section I. E.

Is it generally appropriate for AHP to provide subsidies for refinancing or restructuring existing owner-occupied. mortgage loans? **Yes, we strongly believe that this an appropriate use of AHP subsidy.**

Should use of AHP subsidy be limited to specific circumstances (e.g. low- mod-income, w/ subprime loan at risk of losing home due to unaffordable increased monthly payments after reset? **An interest rate reset should be one precipitating factor, but others should be taken into consideration as well. We note that other economic factors are now contributing to the foreclosure crisis – the slowdown of the economy in general, and skyrocketing fuel prices. This has hit hard in northern and rural states like**

Maine, where workers have to typically drive long distances to get to jobs, and heating costs are increasingly unaffordable. But clearly for a refinance to work, the interest rate has to be a factor.

Should program authority be extended to assist households with mortgages held by lenders that are not affiliated with the member or mortgages that collateralize mortgage-backed securities? **Yes – we believe this is necessary given that most subprime mortgages are not likely to be held by affiliated lenders.**

And if so, whether the lender should be obligated to reduce the loan principal, waive fees or otherwise contribute to the assistance being provided to the homeowner? **We are strongly in favor of such a requirement, but are concerned that, absent federal regulation, it may not be workable. As the proposed rule points out, these requirements could be difficult to impose upon a nonaffiliated lender. We encourage FHLB to craft a rule that allows as much flexibility as possible to assist homeowners who are at risk. The vast majority of at-risk mortgages are not held by member affiliates.**

Should there be prohibitions on certain uses of AHP funds, for example prepayment penalties and pay-off fees to the non-affiliated lenders? **Yes**

and if so, how will homeowners come up with this $? **We prefer that these fees be waived by the lender.**

Should AHP direct subsidy be used to pay down principal or to provide equity, similar to down payment assistance, in order to allow the household to qualify for a new loan from a member or another entity? **Yes, definitely. This would be an important and cost-effective use of these funds.**

Should assistance be targeted to households located within neighborhoods and communities that may be at higher risk for defaults and foreclosures? **These communities should be given some priority, but we note that in rural states such as Maine, foreclosures are not clustered in the same way that they are in more urban areas – and yet even a relatively small number of foreclosures in a rural area can represent a high percentage of households, and can have a devastating effect on home values over a wide geographic area and on municipal tax receipts – thereby impacting services such as education, police and fire protection, road maintenance and more.**

Should members be able to apply for AHP direct subsidies under a refinancing set-aside program on behalf of community-based organizations rather than households directly? **Yes – CBOs are already working with at-risk homeowners through counseling, education and loan programs. We feel strongly that this would be an effective use of these funds and would help to stabilize communities that are weakened by higher rates of foreclosures.**

Comments on Section II, Analysis of proposed rule

2. Funding allocation

Should the rule continue to require that a Bank using its set-aside authority under proposed new paragraph (f) meet the first-time homebuyer requirement. **No – this assistance should also be available to homeowners who have refinanced and are now in subprime mortgages.**

Alternatively, should the amount of a Bank's allocation to this program be excluded from the total set-aside allocation prior to calculating the one-third requirement for assistance to first-time homebuyers? **Yes**

Should a Bank be permitted to allocate to a refinancing or restructuring program a portion of its annual AHP contribution in excess of the maximum permitted for allocation to the homeownership set-aside programs. **We are concerned about the effect of this proposal, which would reduce the amount available for other projects, but agree that some amount over the maximum should be permitted – but capped to ensure adequate resources for rental projects. We note that the need for affordable rental units remains strong, and that the foreclosure crisis is beginning to put pressure on rental markets; care should be taken to maintain a sufficient level of subsidy for rental projects.**

E. Eligible Loans

We believe strongly that this program must extend to the refinancing of owner-occupied mortgages that are held by other (non-member-affiliated) entities. As noted previously, the majority of borrowers at risk of foreclosure have mortgages held by these other entities.

(iii) Nontraditional or subprime loan

The Finance Board requested comment on whether loans eligible to be refinanced with AHP subsidy should be limited to purchase money mortgages, or should also include non-purchase money first mortgages used to refinance a previous loan and in which the household took out equity as part of the transaction.

We believe that loans should NOT be limited to purchase money mortgages, but should also include refinance loans. We do recommend that there be a limit on how much equity the household has taken out of the house through previous refinancing, but have no specific recommendation regarding what that limit should be.

(iv) Origination Date

We recommend that no origination cut-off date be included in the rule.

(v) Loan Limit

We recommend that no loan limit be set by FHLB. Income and asset limits for households, combined with debt-to-income ratios and loan to value limits should suffice to ensure that the loans are not excessive or benefiting wealthy homeowners.

F. Eligible Households

(i) Delinquency prior to adjustment

We recommend that households that have been more than 30 days delinquent prior to the adjustment still be eligible if there are additional mitigating circumstances and if these circumstances have been or can be addressed to the satisfaction of the member affiliate. We further recommend that households for whom the adjustment is not the only precipitating factor be eligible – for instance, a household that could just barely afford the adjusted rate and then suffered a personal financial setback.

(ii) Unsustainable loan paymets after qdjustment

We agree that a 45% DTI ratio limit is an appropriate threshold for assessing whether a payment is sustainable for a low- or moderate-income household. We further believe that it is appropriate to use AHP subsidy to assist a household to refinance into a long-term, fixed-rate mortgage with total housing cost payments that are lower than the payments the household had prior to the interest-rate or principal-and-interest adjustments that the proposed program seeks to mitigate. Since the goal of the program is to help low- and moderate-income households maintain home-ownership over the long-term, allowing them to refinance into a more affordable loan seems appropriate even if they were able to manage a higher DTI in the past.

(iii) Maximum Home Equity

We agree that maximum home equity is an appropriate eligibility requirement, and that the amount proposed is appropriate.

(iv) Maximum household financial assets

We believe the limits proposed are reasonable, but that the determination of these assets should exclude tax-deferred retirement and education savings. We also believe that households should be required to make a minimum contribution to the costs of refinancing and restructuring the loan.

(v) Homeownership counseling

We strongly agree that AHP-assisted households should receive homeownership and/or credit counseling.

G. Eligible Uses of AHP Direct Subsidy

(ii) Principle reduction

We believe that one eligible use of AHP subsidy could be to pay down loan principal that is the result of negative amortization.

(iii) Qualifying loan refinancing or restructuring costs

We believe that the costs listed are appropriate for AHP subsidy.

(iv) Homeownership counseling costs

We strongly agree that this is a reasonable use of AHP subsidy.

H. Maximum Subsidy Amount
We agree that the proposed increase to $25,000 maximum subsidy is a reasonable increase.

I. Loan Refinancing or Restructuring Requirements
(B) Maximum loan-to-value ratio
We believe that it is imperative to allow a maximum loan-to-value ratio higher than 97% - and a combined LTV, with soft or silent loans, above 100% under certain circumstances and with appropriate means of recapture.