ICBA
INDEPENDENT COMMUNITY BANKERS of AMERICA

June 16, 2008

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

Attention: Public Comments

Dear Sir or Madam:

The Independent Community Bankers of America[1] (ICBA) welcomes the opportunity to comment on the Federal Housing Finance Board's (Finance Board) proposed rule to amend its Affordable Housing Program (AHP) regulation to authorize the Federal Home Loan Banks (FHLBs) to establish AHP homeownership set-aside programs for the purpose of refinancing or restructuring eligible households' nontraditional or subprime owner-occupied mortgage loans. The new authority would expire June 30, 2011.

ICBA supports the Finance Board's proposal to make AHP subsidies available to help homeowners struggling with the burdens of unaffordable mortgages. This is another way for the FHLBs to support housing and use their resources to help homeowners stay in their homes during this difficult time.

We urge the Finance Board to ensure that the final rule contains the appropriate safeguards to ensure that AHP subsidies help homeowners in trouble, not bail out the irresponsible lenders that put them there. Unfortunately, some lenders used predatory practices and were more concerned about making the loan than ensuring that it was an affordable loan for the borrower. The result has been too many homeowners across the

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[1] *The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.*

With nearly 5,000 members, representing more than 18,000 locations nationwide and employing over 268,000 Americans, ICBA members hold more than $908 billion in assets, $726 billion in deposits, and more than $619 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

country facing foreclosure. We agree with the Finance Board's position that the AHP subsidy should not be used to compensate members for earnings foregone on the original loan, particularly when a loan may have carried an interest rate well above market rates.

Loan Characteristics

ICBA agrees that the new loan should be a 30-year, fully amortizing, first mortgage loan with a fixed interest rate. It should not have any characteristics of a nontraditional or subprime loan, characteristics that have caused many mortgage problems. These loans typically must have escrow accounts due to secondary market requirements, an important tool in helping these households budget for taxes and insurance payments. We agree that FHLB members should be required to waive any prepayment fees for the household's prepayment of the original loan being refinanced.

Allocation of Subsidy

The FHLBs should ensure that this new authority is properly balanced with other subsidy allocations, based on the needs of their districts. Subsidies for first time homebuyers are particularly needed in the troubled housing market as these homebuyers provide a much needed demand for homes that can help stabilize the housing market. As housing prices have declined, very low-and moderate-income households that are not refinancing or restructuring nontraditional or subprime loans may also seek AHP subsidy assistance.

Subsidy Amount

ICBA supports the requirement that each FHLB member receiving an AHP subsidy must contribute from its own resources an amount at least equal to two times the amount of the AHP subsidy received towards the eligible uses of the AHP subsidy. ICBA supports increasing the subsidy limit to $25,000 temporarily from the current $15,000 for the purposes of this temporary program. The magnitude of the decline in home prices makes it very difficult for many borrowers to refinance or restructure their loans and the increase may well be needed in some instances.

Eligibility

The Finance Board has asked whether a household should be eligible only if the cause of its existing or potential delinquency is an adjustment in interest rate or principal and interest payments or other personal financial setbacks, such as job loss, illness or divorce. In ICBA's view, payment adjustments should not be the only criteria for receipt of these AHP funds. This is particularly important in the current economic environment where job losses are contributing to the loss of homes. We also believe that it is fairer to include broader reasons since some borrowers may have irresponsibly taken out a nontraditional loan and no longer can afford it, while other borrowers may have acted responsibly in their credit decisions, yet can no longer afford their mortgage due to a decision by their employer to cut their job. Any homeowner that is experiencing difficulty making mortgage payments, whether due to an interest rate adjustment or health problems or job loss should be eligible for these AHP funds.

While multiple foreclosures are putting certain neighborhoods or communities at risk, in our view, AHP funds availability should not be restricted to certain areas but rather be available throughout the district.

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Asset Test, Counseling
The Finance Board has asked whether an asset test is an appropriate eligibility requirement and proposes that a household not have more than $35,000 in total financial assets, excluding equity in the home being financed, tax-deferred retirement and education savings, and assets liquidated to pay for eligible uses of AHP subsidy. ICBA does not object to such a requirement, but recognizes that the limit may not be equitable if applied uniformly across the country. Clearly, homeowners should tap their own available assets to restructure their mortgage before seeking AHP funds. ICBA supports the requirement that the household complete a homeownership or credit counseling program to help the borrower better manage their finances and avoid unsuitable loans in the future. In our view it is reasonable to use the AHP subsidy for this purpose.

Repayment of Subsidy
Any household that uses an AHP subsidy in order to refinance or restructure an unconventional or nontraditional mortgage should be required to repay a pro rata share of the AHP subsidy if that household subsequently chooses to refinance their property and take out equity prior to the conclusion of the 5-year AHP regulatory compliance period. We also agree that if during the AHP 5-year retention period, the member, an affiliate of the member, or any other entity forecloses on or accepts a deed in lieu of foreclosure on, a new AHP assisted restructured or refinanced loan that the member must repay the FHLB a pro rate share of the AHP subsidy as proposed. Members should not use the AHP subsidy on a loan and subsequently foreclose on the loan in the short term without repaying the subsidy.

We appreciate the opportunity to comment. If you have any questions about our comments, please contact me by phone at 202-659-8111 or by email at ann.grochala@icba.org.

Sincerely,

/s/

Ann M. Grochala
Director, Lending and Accounting Policy