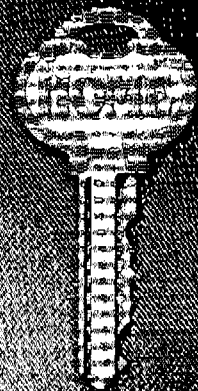


Opening Doors for People with Disabilities



July 13, 2006

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

Federal Housing Finance Board; Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirements for Federal Home Loan Banks; RIN Number 3069-AB30; Docket Number 2006-03

To Whom It May Concern:

Home Ownership Made Easy (HOME) thanks the Federal Housing Finance Board (Finance Board) for the opportunity to comment on the proposed rule published in the Federal Register on March 15, 2006, regarding changes to regulations governing the excess stock and retained earnings of the Federal Home Loan Banks (FHLBanks). HOME supports the efforts of the Finance Board directors and staff in attempting to ensure a safe and sound Federal Home Loan Bank System (FHLBank System). However, the HOME believes the proposed rule does not create an appropriate capital structure, in some instances may have the opposite result of what is intended, and, if approved in its current form, would likely have major adverse consequences for the Federal Home Loan Bank of San Francisco, members, other FHLBanks, the FHLBank System, and our respective community based organizations, and the communities served. For these reasons, the HOME is strongly opposed to the proposed rule.

The proposed regulation prohibits the payment of dividends in stock form. However, the payment of stock dividends does not necessarily or automatically lead to large excess stock holdings. For example, the Bank pays dividends in stock form, but does not have a large amount of excess stock because it has a policy that provides for the frequent repurchase of excess stock above a defined threshold. As a result, the balances of excess stock at the Bank have always been relatively low compared to its total capital.

The existence of large amounts of excess stock at some FHLBanks is the direct result of the structure of their capital plans and their capital management practices. The most direct way for those FHLBanks to reduce their excess stock is by making changes to those capital plans or capital management practices to achieve the target levels of excess stock.

HOME OWNERSHIP MADE EASY

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The proposed rule will have a great impact to a member's profitability and would be adversely affected for several years by the significant cut in the dividends received as earnings are retained and the resulting increase in the all-in cost of advances. By reducing members' profitability, the proposed rule would reduce the amount of funds available for members to lend in their own communities.

Each year, we set aside 10% of our net income for the Affordable Housing Program, to be awarded in the following year. The proposed rule would reduce the amount of funds available for the AHP and other community investment initiatives should the Bank's profitability decrease if members decide to borrow elsewhere because of the increased cost of doing business with the Bank.

The AHP provides grants and subsidized loans to create affordable rental and homeownership opportunities for lower-income households. Since the inception of the AHP, the Bank has awarded \$400 million in AHP grants to create 70,000 affordable housing units in Arizona, California, Nevada, and other states served by our members. Overall, more than \$2.5 billion in AHP funds have been contributed by the FHL Banks to affordable housing since the program's inception.

The cost of housing in the State of California has not improved, although the housing stock continues to increase, the pricing continues to stay out of the reach of many perspective home buyers. We depend on the support of the Federal Home Loan bank of San Francisco to subsidize the purchase of our consumers through the WISH, IDEA, and AHP programs. Without the subsidy, our consumer's opportunities to realize the American Dream decrease at a great level.

As a concerned non-profit affordable housing provider we urge the Finance Board to withdraw the proposed regulation on excess stock, stock dividends, and retained earnings and issue an Advanced Notice of Proposed Rulemaking.

Sincerely,



David Silva,
Executive Director