Coachella Valley Housing Coalition

45-701 Monroe Street, Suite C, Plaza 1, Indio, CA 92201
TEL: (760) 347-3157 FAX: (760) 342-6466

July 13, 2006 Transmitted by Facsimile: 1-202-408-2580

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

RE: 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

Dear Sir/Madam:

Thank you for the opportunity to comment on the Federal Housing Finance Board's proposed rule on excess stock and retained earnings requirements.

The Federal Home Loan Bank's Affordable Housing Program (AHP) is a vital tool that the Coachella Valley Housing Coalition (CVHC) uses to build award-winning affordable housing that serves low and very low income families. CVHC is a 24-year-old non-profit affordable housing developer that has built more than 2,700 apartments and single family homes throughout Southern California. Since 1990, our organization has used $2,350,000 in AHP funds to leverage millions of dollars in other government and private funds to provide 421 affordable housing units for very low and low income families.

The Affordable Housing Program (AHP) of the Federal Home Loan Banks (FHLBanks) is a critical source of affordable housing funds in the U.S. The program involves a unique public-private partnership among the FHLBanks, their member institutions, community-based sponsors, state and local governments, and other entities.

Since the beginning of the Federal Home Loan Bank of San Francisco's AHP in 1990, the Bank has awarded approximately $400 million in AHP grants to assist in the creating of over 70,000 affordable housing units. This flow of funds, based on 10% of the Bank's earnings, is made possible because of the Bank's financial strength and strong earnings. The Coachella Valley Housing Coalition (CVHC) relies on these funds to provide permanent subsidy for rental and homeownership affordable housing in our community.

Funds for the Bank's AHP are made possible through the borrowing activities of its members. The proposed rule, with its requirement to increase retained earnings by $562 million and thereby decrease the dividends available to members, is likely to make membership in the Bank less attractive for some current members. The proposed rule would require the combined FHLBanks to increase retained earnings by over $3 billion, according to a Bank estimate. Some members, particularly larger ones, may choose to borrow less and, therefore, reduce the profitability of the Bank, and consequently the net earnings that support the AHP.

The proposed regulation may also limit the ability of the Bank to provide additional voluntary contributions for affordable housing and community economic development initiatives, in addition to supporting the AHP.

CVHC is especially concerned that the Finance Board does not seem to have devoted sufficient time to evaluating the impact of the proposed rule on the AHP and other voluntary contributions, which rely on FHLBank earnings for their funding. The proposed rule does not include any such analysis, despite the likelihood that the rule would cause a reduction in Bank earnings and, therefore, funds available for the AHP.

The overall impact of the proposed rule could be particularly adverse in this period of increasing mortgage rates and reduced federal funding for housing. It would be unfortunate if the enactment of this proposed rule caused families to be shut out of the housing market due to their inability to afford higher mortgage rates.

I urge you to withdraw this proposed rule. Its impact could be extremely damaging to the efforts of CVHC and similar organizations nationwide that are working to provide affordable housing opportunities to families in need. Thank you for your consideration of these comments.

Sincerely,

John F. Mealey
Executive Director

www.cvhc.org