

# SATELLITE HOUSING INC.

July 13, 2006

Beth Asher  
Casa Montego  
Columbia Park Manor  
Doh On Yuen  
Fremont Oak Gardens  
Glen Brook Terrace  
Lawrence Moore Manor  
Linda Glen  
Newark Gardens  
Newark Gardens II  
Otterbein Manor  
Park Boulevard Manor  
St. Andrew's Manor  
St. Patrick's Terrace  
Satellite Central  
Stuart Pratt Manor  
Valdez Plaza

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 or Madam:

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

The Affordable Housing Programs (AHP) of the Federal Home Loan Banks (FHLBanks) is a critical source of affordable housing funds in the U.S. They involve 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. Our organization relies on these funds to build affordable housing, particularly for extremely low-income residents and persons with special needs in our communities.

As a developer, owner, and operator of service-enriched housing for seniors and persons with special needs, Satellite Housing has been able to utilize AHP funding to create over 157 units of permanently affordable housing for the lowest income residents. Without AHP funding, Satellite would have been unable to complete Fremont Oak Gardens, the first affordable housing development oriented to Deaf seniors in Northern California. As a model for housing that meets the special needs of the Deaf and Hard of Hearing, Fremont Oak Gardens would have remained only a dream for the large community of Deaf seniors that reside in the Bay Area without the support of the FHLBank's AHP funds. Similarly, it is particularly challenging to develop housing for persons with disabilities as such developments are smaller in size due to the more intense service needs of the population. The FHLBank's AHP funds have been critical to the development of Lincoln Oaks, an 11-unit HUD 811 in the City of Fremont and University Avenue Senior Housing (UASH), a mixed-used development for low-income seniors and seniors with special needs in the City of Berkeley. Scheduled to open in August 2006, Lincoln Oaks will help to alleviate the incredible need for affordable housing for persons

2526 Martin Luther King Jr. Way  
Berkeley, CA 94704-2607  
PHONE 510.647.0700  
FAX 510.647.0820  
TTY 510.647.0828

*Affordable housing for low-income individuals and families*



with developmental disabilities. Like Lincoln Oaks, UASH, scheduled to open in Spring 2007, would have been unable to start construction without funding from the FHLBank's AHP.

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.

We are 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.

Satellite urges you to withdraw this proposed rule. Its impact could be extremely damaging to the efforts of our organization and similar organizations nationwide that are working to provide affordable housing opportunities to families in need. Thank you for your consideration of these comments. Please feel free to contact me at 510-647-0700 Ext 114 or at [dkojima@satellitehousing.org](mailto:dkojima@satellitehousing.org).

Sincerely,



Dori Kojima  
Director of Housing Development