

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

July 13, 2006

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

To Whom It May Concern:

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

As President of Anaheim Supportive Housing for Senior Adults, I know first hand the importance of AHP, provided by the Federal Home Loan Banks. The 60 unit complex we completed almost two years ago now would have scarcely become a reality without the AHP funding we used in construction of that facility. Tyrol Plaza Seniors Apartments houses, in only half of our units, almost 30 people who previously had no place to call their home. One gentlemen had lived for almost three years in the park across the street from our site. He become one of the first residents and is grateful for his "new life." Our second project will be a rehab of a motel complex that currently houses, in substandard housing, some families and seniors who will be delighted to have a NICE place to call home. We are stymied at present awaiting some amendments to the city's General Plan to allow us to proceed with additional funding, but look forward to beginning that project early to mid 2007. Again, because of the nature of these projects, the funding provided us through the Affordable Housing Program makes us know that the FHLBanks are a critical source of such funding 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.

We know that we (ASHSA) are only one of the many organizations that have been funded 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.

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.

We urge 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.

Sincerely,

Jimmy Gaston; President  
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