



July 13, 2006

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

Attention: Public Comments

Subject: 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:

Local Initiatives Support Corporation appreciates the opportunity to comment on the Federal Housing Finance Board's proposed rule on excess stock and retained earnings requirements. We are concerned that the proposed rule may inadvertently compromise the FHLB System's effectiveness in addressing its affordable housing mission.

LISC is the nation's largest nonprofit community development investor. Since 1980, LISC has provided \$7.1 billion in investments, loans, and grants – including over \$930 million last year – for 196,000 affordable homes, as well as economic development and a wide range of other activities that sustain low-income communities. LISC operates through 33 local offices as well as rural organizations in 37 states.

The FHLB System has been integral to much of the development we have assisted, and more broadly is important to the low-income communities where we work. The Affordable Housing Program makes numerous housing developments possible, and capital advances provide liquidity that is especially important to smaller financial institutions in rural communities. We also recognize that the System functions well because it serves both large and small member institutions, and that both must benefit and participate for the System to remain healthy.

[LOCAL INITIATIVES SUPPORT CORPORATION](http://WWW.LISC.ORG)

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This support for affordable housing is at the core of the System's mission. Accordingly, we urge the FHFB to analyze explicitly and carefully the possible impacts – both direct and indirect – of any proposed changes regarding excess stock and retained earnings on affordable housing activities. We also urge the FHFB to disclose publicly this analysis and conduct a public hearing that considers the views of affected communities, as well as the Federal Home Loan Banks and their members.

We appreciate the FHFB's commitment to the system's safety and soundness, which we trust can be preserved and strengthened without compromising affordable housing.

Sincerely,

Benson F. Roberts
Senior Vice President for Policy
and Program Development