



## City of Phoenix

OFFICE OF THE CITY MANAGER  
HOPE VI PROJECT

July 12, 2006

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 City of Phoenix is concerned that this proposed rule may have a significant negative impact on the Affordable Housing Programs of the Federal Home Loan Banks.

The AHP is a critical source of affordable housing funds in the U.S. The program involves a unique public-private partnership among the Federal Home Loan Banks, their member institutions, community-based sponsors, state and local governments, and other entities. Since 1990, the San Francisco FHLB has awarded approximately \$400 million in AHP grants to assist in creating over 70,000 affordable housing units. This flow of funds, based on 10% of the earnings of the San Francisco FHLB, is made possible because of the Bank's financial strength and strong earnings.

The City of Phoenix relies on AHP funds to help achieve our goal of increasing affordable housing units in our community. AHP has been a critical component of the City-sponsored redevelopment of Matthew Henson Homes, a World War II-era public housing project that has now been largely demolished. In its place, a vibrant new mixed-income community of over 600 housing units is coming to life. Amenities include a community training and education center, a youth activity center, swimming pools, a two acre park and community gardens. With the completion of two of five phases, this AHP-funded development is already having a positive impact on both the neighborhood and larger community.

Funds for the AHP are made possible through the borrowing activities of its members. We understand that the proposed rule includes a requirement to increase retained earnings significantly. We also understand that some members, particularly larger

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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 FHLB's to provide additional voluntary contributions for affordable housing and community economic development initiatives, in addition to supporting the AHP.

The City of Phoenix strongly urges the Finance Board to reconsider this proposed rule and respectfully requests that the Board conduct a more in-depth analysis to evaluate its impact on the AHP and other voluntary contributions, which rely on FHLB earnings for their funding. The proposed rule 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.

If you have any questions or would like to receive more information about the City's Matthew Henson Homes redevelopment project, please contact me at (602) 534-3577.

Thank you for your time and consideration of these comments.

Sincerely,



Dee Wheeler-Cronin  
Assistant to the City Manager  
Matthew Henson HOPE VI Project