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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:

I thank 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) are 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 in our communities.

The Comite de Bien Estar is a 501(c)(3) non-profit community development organization located in San Luis in the southwest corner of Arizona on the U.S. Mexico border. In 1980, lack of housing for migrant and seasonal farm workers in the San Luis area (a major winter-vegetable production area) prompted a group of community activists to form a land development cooperative, the Comite de Bien Estar (Comite). Through membership dues and contributions, the Comite raised sufficient funds to buy 100 acres of raw desert land from the State Land Department in 1982. Since then, the Comite has been involved in the development of over 65% of the land area of San Luis. We have developed infrastructure for 3011 single-family housing lots in eight subdivisions that have benefited primarily low-income families who would not normally have access to conventional mortgage products; development of individual wealth via equity in a lot has facilitated construction of over 2124 homes. However, the construction of new single family homes continues to lag behind demand primarily because many lot owners lack the financial resources and knowledge of the process to enter the conventional housing mortgage market.

In the past seven years, the Comite has assisted 790 low-income families fulfill their housing needs and homeownership dreams with grants from USDA Rural Development (the Mutual Self Help program), HUD (Rural Housing and Economic Development), Arizona Department of Housing (Homeownership Development) and the Federal Home Loan Bank of San Francisco, which has participated in two Low Income Housing Tax Credit projects (Bienestar Apartments I and II, 156 units) and ten homeownership

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projects totaling \$9,133,800. Out of 535 ownership subsidies awarded to the Comite since 2002, we have awarded 405 and 102 others are allocated to groups in process or to the Arizona Self Help Network affiliates.

With the dramatic increase in home prices, even here in the relatively isolated southwestern desert, due to rising materials costs and market factors elsewhere, it is increasingly difficult for low income families to find affordable housing if they are not assisted with multiple subsidies. There are few social and economic factors more important to securing our borders than the establishment of economically stable communities. Here in San Luis, as in many border communities, housing construction is the major economic stimulus to the local economy and to community stability. The AHP program is crucial to the continuance of rural housing construction in the border communities of California, Arizona, New Mexico and Texas.

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.

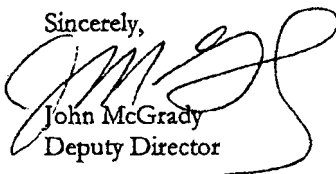
The proposed regulation may also limit the ability of the Bank to provide additional voluntary contributions for affordable housing and community economic development initiatives, in addition to supporting the AHP.

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.

I 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,



John McGrady
Deputy Director