

July 12, 2006

Federal Housing Finance Board
1625 Eye St. NW
Washington, DC 20006

VIA FAX ONLY

Attention: Public comments

Re: Federal Housing Finance Board; Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirements for Federal Home Loan Banks; RIN Number 3069-AH30; Docket Number 2006-03

Dear Sir or Madam:

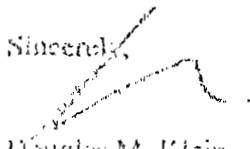
Thank you for the opportunity to comment on the above proposed rule. Members of the National Association of Housing Cooperatives are active users of the Affordable Housing Programs of the Federal Home Loan Banks from Boston to San Francisco in creating new co-ops. Our latest *Cooperative Housing Bulletin* carried a 2500 word article on the programs and how they can help first time homebuyers to buy into a housing co-op. The keynote speaker at our upcoming annual conference is Norm Rice, former head of the FHLB-Seattle. Our interest in the AHPs compels us to comment on the above proposal.

The proposed rule seems to have ignored the adverse consequences on the AHPs if retained earnings are required to be increased. Increased retained earnings mean lower dividends to members, which may cause members to do business elsewhere. If members do business elsewhere, FHLB profitability decreases and retained earnings further decrease, further draining funds that would and should go to AHPs. Moreover, if members do business elsewhere, they are less likely to provide voluntary contributions to the AHPs, and these voluntary contributions are vital to the capacity of AHPs to support affordable housing in their respective regions.

These adverse consequences must be weighed against the benefit to the soundness of the system by mandating increased retained earnings. We find the latter benefit to be minimal and unnecessary. The Finance Board itself indicates the FHLBs are adequately capitalized. Until there is clear evidence that increased capitalization is necessary to the soundness of the Banks, it seems we have before us both an unnecessary proposed rule and a series of negative consequences to members and to needy participants in AHPs.

The only wise action is to withdraw the proposed rule. Thank you for your consideration.

Sincerely,



Douglas M. Klein, CAE
Executive Director