

To Whom It May Concern

ASIAN, Inc., a nonprofit community development corporation, thanks you for this 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.

ASIAN, Inc. has used the AHP project on its Low Income Housing Tax Credit projects and in each case the AHP funds proved to be the make or break difference. It would be disastrous if the AHP funding levels were reduced for this already very competitive and cost effective program. Many worthy and competitive projects would be significantly harmed, delayed, or terminated if the AHP program funding was significantly reduced.

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.

In addition, this would hurt the ability and capability of smaller institutions and particularly smaller minority owned institutions to participate in the AHP program given the retained earnings requirement. What has been great about the AHP program has been the breathe and diversity of the many participant institutions particularly, Far East National Bank and potential participant members like Northeast Community FCU. The rules should facilitate and not hamper equal participation of members in the AHP program. This will maintain the competitiveness of the program for members and for ASIAN, Inc.'s projects.

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. A thorough analysis is necessary before such a measure is enacted. Risks of doing so may have draconian impacts that may cause irreparable harm to the partnership relationships of members and nonprofit developers.

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/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,

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