



650 N. Arizona Avenue  
Chandler, Arizona 85225

July 11, 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 or Madam:

I would like to 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., particularly here in the State of Arizona where subsidy dollars are extremely limited. AHP funds 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 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.

Community Services of Arizona is one of Arizona's largest non-profit producers of workforce housing across our State. We maintain a portfolio of over 3,000 units of urban and rural housing for low income families, seniors, and persons with disabilities. Over the past 12 months, CSA has successfully leveraged nearly \$2 Million in AHP dollars to preserve and construct 627 units of workforce rental housing in Phoenix, Nogales and Pinetop, Arizona. Our development pipeline for 2006-2007 includes high quality affordable housing developments representing 350 units of housing in Phoenix, Willcox, Surprise and Huachuca City, Arizona. All but one of these developments will need AHP subsidy to make them happen.

In a word, I'm not sure how we would continue developing housing in today's cost environment without the AHP program. There has never been a worse time in recent history to scale back on subsidies like these.

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 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.

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.

On behalf of our Board of Directors and all of those interested in expanding housing opportunities across the State of Arizona and the western region of the United States, 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,

A handwritten signature in black ink, appearing to read "Brian Swanton". The signature is fluid and cursive, with a long horizontal stroke at the end.

Brian Swanton  
President & CEO