



July 11, 2006

Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC 20006

RE: Federal Housing Finance Board; Proposed Rules: Excess Stock Restrictions and Retained Earnings Requirements for Federal Home Loan Banks; RIN Number 3069-AB30; Docket Number 2006-03

Dear Sir/Madam:

Sacramento Habitat for Humanity thanks 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 government, 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.

For over twenty years, since 1985, Sacramento Habitat for Humanity has been providing affordable/workplace housing for low and very-low income families. Our future homeowners live in substandard or over crowded living conditions or are paying 50% or more of their income for housing expenses. Family income must be in the range of a minimum of 30% to a maximum of 50% of the area median income (AMI) for the County of Sacramento.

The Affordable Housing Program has allowed our Habitat affiliate to continue to build on inner city infill lots in the rapidly escalating California housing market. During the nine year period, 1996 to 2005, the Sacramento median price home tripled from \$120,000 to \$370,000. Meanwhile the area median income (AMI) increased by only 38% from \$46,400 to \$64,100. The need for safe, healthy, affordable housing has never been greater than today! AHP is one of the very few affordable housing programs available that has allowed us to continue to build as building costs soared!

Funds for the Bank's AHP are made possible through the borrowing activities of 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.

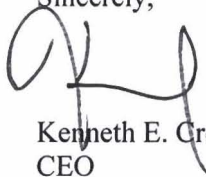
The proposed regulation may also limit the ability of the Bank to provide additional voluntary contributions for affordable housing and community economic development initiatives, in addition to supporting AHP.

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.

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,

A handwritten signature in black ink, appearing to read 'Ken Cross, Jr.', with a stylized flourish at the end.

Kenneth E. Cross, Jr.
CEO
Sacramento Habitat for Humanity