



**NATIONAL LOW INCOME
HOUSING COALITION**

*Dedicated solely to ending America's
affordable housing crisis*

VIA FACSIMILE

July 11, 2006

Mr. Ronald Rosenfeld, Chair
Federal Housing Finance Board
1625 I Street, NW
Washington, DC 2006

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

Dear Mr. Rosenfeld:

The National Low Income Housing Coalition (NLHC) is a membership organization whose members include nonprofit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. While our members include the wide spectrum of housing interests, we do not represent any segment of the housing industry. Rather, we focus exclusively on what is in the best interests of people who receive and those who are in need of federal housing assistance.

NLHC asks the Federal Housing Finance Board (FHFB) to withdraw the proposed rule and issue an Announced Notice of Proposed Rulemaking (ANPR) that will enable Federal Home Loan Banks (FHLBs) and others to present alternatives which will not have an adverse effect on the Affordable Housing Fund (AHF).

If implemented, the proposed rule would compel FHLBs to increase retained earnings, leading to decreased profits and in turn to drastic cuts in AHF activity. It is estimated that the proposed rule would result in a system-wide reduction of AHF funds amounting to at least 20% over a three-year period – a \$50 million per year loss of resources for affordable housing.

In addition, AHF could be further diminished because the proposed limitation on dividend payments could cause large-scale member institutions to look to the market for sources that are economically more attractive, or even to leave the FHLB system altogether, thereby further eroding and resulting in still more shrinking of AHF resources.

The need for affordable housing is great. The safety and soundness of the FHLB system is not in danger; its continued health should be maintained in ways that do not reduce an important resource for affordable housing – the Affordable Housing Fund.

Sincerely,

Sheila Crowley
President