



New Arizona Family, Inc.

[www.newazfamily.org](http://www.newazfamily.org)

July 5, 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 Federal Housing Finance Board Members:

We are sending this letter to comment on the Federal Housing Finance Board's proposed rule on excess stock and retained earnings requirements. We are requesting that the Board listen to the comments and concerns being submitted by the Community Investment Department. We agree that the Finance Board should devote more time to evaluate the impact of the proposed rule on the AHP and other voluntary contributions, which rely on FHLBank earnings for their funding. The proposed rule appears to be a serious change and has significant consequences to the successful FHLB Affordable Housing Program.

As a recipient of The Affordable Housing Program (AHP) of the Federal Home Loan Bank, we feel the need to emphasize to you that we have first-hand experience with the fact that FHLB AHP is a critical source of affordable housing funds. FHLB AHP is often involved in and allows non-profit development to leverage funds in ways that create unique public-private partnerships among local, federal, state, private and lender sources. It also creates new and long term partnerships for FHLBanks, their member institutions, community-based sponsors, state and local governments, and other entities. In our case \$180,000 in AHP funding is being leveraged against more than \$3 million dollars to create permanent housing with support services for women and children in Phoenix, Arizona.

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. The number of housing units alone should be evidence to the Board of the magnitude of AHP's investment in the affordable housing market in the United States. We understand that AHP's flow of funds, based on 10% of the Bank's earnings, is made possible because of the Bank's financial strength and strong earnings. Many organizations in Arizona rely on these funds to build affordable housing in our communities.

**Administration Office**

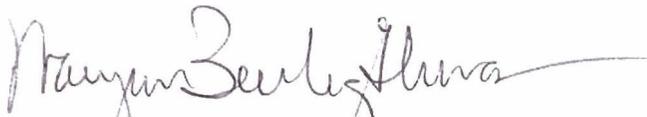
4222 E. Thomas Rd., Suite 150 ■ Phoenix, AZ 85018  
602-553-7300 ■ Fax 602-553-7303

We also understand that since 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 would decrease the dividends available to members. This 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, 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 understand that another concern about the rule involves its overall impact during this period of increasing mortgage rates and reduced federal funding for housing.

In order to not harm FHLB programs, such as AHP, we encourage the Finance Board to be sure that any potential changes include in-depth analysis and also include AHP staff and board member involvement and input.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink, reading "Maryann Beerling Thomas". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Maryann Beerling Thomas  
Director, **Planning & Development**  
602-553-7336