



STATE OF TENNESSEE
DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES
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VIRGINIA TROTTER BETTS, MSN, JD, RN, FAAN
COMMISSIONER

June 30, 2006

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

Subject: Public Comments
Excess Stock Restrictions and Retained Earnings Requirements
for the Federal Home Loan Banks

Dear Board Members:

As Commissioner of the Tennessee Department of Mental Health and Developmental Disabilities, I am writing to convey my concern regarding the Finance Board's proposed "excess stock and retained earnings rule" and to explain such a rule's potentially detrimental effect on the state of Tennessee.

The Congressionally mandated affordable housing mission of the Federal Home Loan Bank (FHL Bank) has improved the lives of literally thousands of Tennesseans who have serious and persistent mental illness or co-occurring disorders (mental illness and substance abuse). With the much-needed assistance of the FHL Bank's Affordable Housing Program, the American Dream Home Ownership Challenge, and the Welcome Home program, Tennessee has seen the development of **4,468** affordable, safe, permanent and quality housing options in local communities for people with mental illness and co-occurring disorders since 2000. In fact, the FHL Bank of Cincinnati stands today as **one of the single largest contributors** to Tennessee's Creating Homes Initiative (CHI), a highly successful Department of Mental Health and Developmental Disabilities strategic plan to partner with communities to create housing options for Tennesseans with mental illness and co-occurring disorders.

The lack of safe, decent, permanent, and affordable housing options for persons with mental illness and co-occurring disorders is a critical issue in Tennessee. But through the success of the CHI, Tennessee has begun to rectify this housing crisis. Since the CHI's beginning in 2000, the FHL Bank of Cincinnati has awarded the following funds:

TDD (615) 532-6612 (for persons with hearing impairments)

FHL Bank Affordable Housing Program - \$15,168,258

FHL Bank American Dream Home Ownership Challenge - \$215,000

FHL Bank Welcome Home - \$433,500

This funding has been used to dramatically improve the housing situation for Tennesseans with mental illness in places such as Mountain City, which sits amid the scenic Blue Ridge Mountains in the easternmost corner of the state. The geographic beauty of the area provides a sharp contrast to the extreme poverty that exists here. Rental property in particular is at a premium, and rental rates run high. Under the leadership of Regional Housing Facilitator Jeanne Price, the community recently came together to leverage funding for an **eight-unit** apartment building for people with serious and persistent mental illness. The total project cost came to \$745,000. Without the \$245,000 from the FHL Bank's Affordable Housing Program, the project's full funding would not have been possible, and this dream might never have become reality.

Due to a lack of affordable rental property in rural Marshall County of Middle Tennessee, people who have serious and persistent mental illness had been residing with their families or in group homes, despite their readiness for independent living in the community. But, thanks to the leadership of Regional Housing Facilitator Vonda Gray and \$464,000 from FHL Bank's Affordable Housing Program toward the \$1.3 million project, they will now be able to enjoy independent living in a beautiful, **18-unit** apartment complex that anyone would be proud to call home.

Living homeless on the streets in Memphis, Tennessee would be a hard life for anyone, but especially for veterans struggling with physical disabilities, post traumatic stress disorder, and substance abuse. But **32** of those veterans now have a home at Court Street Apartments, a brand new gated community of all brick apartments that provide an independent living opportunity for these men, who, thanks to their military training, keep the apartments immaculate. This project came to fruition only through the leadership of Regional Housing Facilitator Cheré Bradshaw and the financial support of the FHL Bank's Affordable Housing Program, which awarded \$575,000 toward this \$2.2 million project.

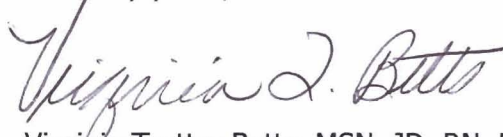
CHI has many stories to tell of success with the now-suspended American Dream Home Ownership Challenge. One such example is "Sam's" story. When "Sam" returned from Vietnam, he brought back his own personal demons in the form of post traumatic stress disorder. His struggles drove him to live homeless in the woods of eastern Tennessee for eight years before an outreach worker from the VA Medical Center befriended him. With help, "Sam" gradually re-entered society. After renting an apartment for three years, he was ready for a home of his own. Thanks to the American Dream Home Ownership Challenge, this once-homeless recluse now owns a two-bedroom home in Johnson City, Tennessee, and there he tends the lawns of his elderly neighbors.

These stories are but a few of the **4,468** personal stories that represent the need for safe, decent, permanent, and affordable housing options for persons with mental illness and co-occurring disorders in Tennessee. They further illustrate the success of the Creating Homes Initiative, a program that has the potential to assist in even more success stories if the FHL Bank remains a crucial financial partner.

We believe that the Finance Board's proposed rule would result in lower overall profits for the FHL Bank, which would in turn significantly reduce the amount of the 10 percent set-aside that currently funds the Affordable Housing Program. The loss of these funds would cause much future harm to some of Tennessee's neediest and most vulnerable citizens—those who have serious and persistent mental illness or co-occurring disorders and who are in need of affordable, safe, permanent and quality housing options in local communities. I therefore exhort you to withdraw the proposed rule so that we can maintain further partnerships with local communities to expand much-needed housing resources.

Thank you for the opportunity to express my recommendations on behalf of Tennessee residents who have serious and persistent mental illness or co-occurring disorders.

Sincerely yours,



Virginia Trotter Betts, MSN, JD, RN, FAAN
Commissioner

VTB:lr

cc: David H. Hehman, FHL Bank of Cincinnati
Carol Peterson, FHL Bank of Cincinnati
Jeff Reynolds, FHL Bank of Cincinnati
William H. Frist, U.S. Senate (TN)
Lamar Alexander, U.S. Senate (TN)
Marsha Blackburn, U.S. House of Representatives (TN, Seventh District)
Jim Cooper, U.S. House of Representatives (TN, Fifth District)
Lincoln Davis, U.S. House of Representatives (TN, Fourth District)
John J. Duncan, U.S. House of Representatives (TN, Second District)
Harold E. Ford, U.S. House of Representatives (TN, Ninth District)
Bart Gordon, U.S. House of Representatives (TN, Sixth District)
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