Greater Corktown Development Corporation
2411 Fourteenth Street
Detroit, MI 48216
Phone- 313-965-5853
Fax- 313-965-98212
timmckay_gcdc@sbdglobal.net
gailann_gcdc@sbcglobal.net

July 10, 2005

Federal Housing Finance Board

Dear Sirs:

We read the summary of the Excess Stock and Retained Earnings Federal Housing Finance Board Regulatory Proposal for the Federal Home Loan Banks we received from the Federal Home Loan Bank of Indianapolis.

We are not bankers or experts in finance, (though Tim is more knowledgeable than Gail Ann), but we do understand to some extent that telling the FHLB's to hold back significant more funds will hinder the smooth disbursement of funds for home repair and construction for low-income people.

When working with the poor, "now" is usually a bit too late, and "next week" can carry the burden of a month!

There has been concern in recent times about some practices at Fannie Mae, so there is increased concern about all the other financial institutions that are helping the poor or marginalized. But the procedures of the Federal Home Loan Banks have been monitored right along and have not been accused of fraud, swindling, or mismanagement, nor, as we read the information, are they being accused now.

The information letter says," (W)e do not believe the proposal's requirement of holding $50 million plus 1% of non-advance assets in retained earnings is justified from a safety-soundness perspective. The current level of retained earnings at the twelve FHLBanks has been under review by each local board and the regulator since 2003….The proposed retained earnings will needlessly be higher, and, although unintended, may create more risk for the FHLBanks."

But we find the statements quoted below to sound sensible and touch in on the concerns we have for servicing the poor:

"This reduction is at the expense of our members' earnings and will increase the overall borrowing costs of the members. Alternatively, members may voluntarily withdraw from the FHLBank, thus creating more risk for the FHLBank and its remaining members."

> "The proposal will reduce FHLBank asset size, mortgage holdings and liquidity investments thereby reducing income and ultimately funds available to help low-income families obtain housing" assistance.

> “The proposal creates an unnecessarily higher retained earning charge for having an FHLBank hold liquid assets….This is contrary to safety-soundness principles and the industry’s need for immediate access to liquidity.”

> “Holding more retained earnings than needed from a risk perspective deleverages the FHLBank, reduces shareholder returns, and ironically may cause member withdrawal.”

> “…the Finance Board should adopt a risk-based approach tying the level of retained earnings to the risk on the balance sheet. This is more in line with the other federal banking regulators….”

And, finally, we are concerned that “the Finance Board has not appointed the public interest directors, as required by law”.

> “…Failure to make these appointments…undermines the FHLBanks valuable role as a government-sponsored enterprise to provide reliable low-cost housing finance and liquidity…to the nation’s homebuyers.”

When we first learned of the valuable services provided by the FHLBanks, it was our government we were grateful to for allowing and supporting this service for the poor and marginally poor. Now, it sounds like our “government” is trying to diminish and get rid of this much-needed service.

One of the main ways to help diminish crime, help children do better in school, and become upright and contributing members of society, is to help them grow up in safe, decent housing. That is what the FHLBanks are doing! We need to support them! Possibly increase them! But, especially, not hinder them or cut back on their services!

Sincerely,

Gail Ann Martin, OP
Housing Services Director

Timothy McKay
Deputy Director,
Commercial Development