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CEDAM

COMMUNITY ECONOMIC DEVELOPMENT ASSOCIATION OF MICHIGAN



UNITING PARTNERS TO REBUILD OUR COMMUNITIES

July 7, 2007

Federal Housing Finance Board
1625 Eye Street NW
Washington, D.C. 20006

Attn: Federal Housing Finance Board Members

The Community Economic Development Association of Michigan, a statewide trade association with over 325 member and partners, formally opposes your proposal to increase the Federal Home Loan Banks' required level of retained earnings, thus restricting their ability to pay stock dividends. If the FHLB system is required to reduce their profits by placing them into retained earnings, this will result in a reduction of the funds available in the Affordable Housing Program (AHP), as the amount used to support the AHP by the FHLBI is based on 10% of the bank's profits. If profits are reduced because they must be used to reach the proposed retained earnings, the AHP will also be reduced.

Your board's intent appears to be the mitigation of risk for the FHLB system. However, there are already many safeguards in place in the system to adequately and sensibly minimize the risk. This proposal would add unnecessary regulation that would impede the provision of low cost funding to FHLB members for housing and community development, limiting what the bank can provide at the local level.

The proposal will reduce FHLBank asset size, mortgage holdings and liquidity investments, thereby reducing income and ultimately the funds available to help low income families obtain housing under the successful Affordable Housing Program. For our Indianapolis FHLB, that would mean a reduction of \$1 million in AHP grants and reducing shareholder returns may cause a loss in membership.

Additionally, CEDAM also requests that you appoint the public interest directors to the FHLBank, as required by law. It is imperative that these appointments are made and that the public interest is reflected on this board to provide both credibility and balance to this board.

The affordable housing industry cannot afford another cut in funding, particularly the critical funding provided by the Affordable Housing Program. CEDAM requests that you withdraw this proposal as it will adversely affect the affordable housing program and to fill the public interest vacancies.

Respectfully,

Tony Lentych

Tony Lentych,
Executive Director

Board of Directors

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Venture inc.
Pontiac

Martha Kreucher, Vice President
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Jackson

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Kalamazoo

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Grand Rapids

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