



July 7, 2006

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

Re: Federal Housing Finance Board's Proposed Rule: Excess Stock Restrictions & Retained Earnings Requirements for Federal Home Loan Banks; RIN # 3069-AB30, Docket # 2006-03

Dear Board Members:

The Affordable Housing Program (AHP) of the Federal Home Loan Bank of San Francisco is a vital source of affordable housing funds within the high-growth borderlands communities of southern Arizona, which are challenged by a whole suite of complex socioeconomic issues – not the least of which are the very low rate of homeownership (52% compared to the nation's 71%), the 7th fastest appreciating home-market in the nation, and the greatest disparity nationwide between people of wealth and people of poverty .

Currently, there are some 10 active Community Housing Development Organizations in southern Arizona. Over the course of the last 10 years alone, some 3,000 low-income families in our region's most distressed areas have been provided the opportunity for homeownership, for breaking the cycle of poverty, and for contributing to the revitalization and economic development of our communities through the seeding of affordable homeownership projects provided by funds from the FHLB of San Francisco's Affordable Housing Program. These funds have typically leveraged a 5:1 match from other community resources. Without these AHP funds, these low-income families would arguably not be tax-paying contributors to our region's low-wage, struggling economy. Without these AHP funds, our distressed neighborhoods and communities would not be revitalized with new community investment, and any number of socioeconomic stressors would continue to plague these at-risk areas, including high-crime, school drop-outs, illiteracy, poor health, food/nutrition insecurity, lack of economic development, etc.

The Federal Housing Finance Board's proposed rule, with its requirement to increase retained earnings and decrease dividends to members, would arguably negatively affect the relationship between the FHLB and its members and could lead to the Bank's reduced profitability. This outcome runs the risk of decreasing AHP funds for much-needed affordable housing projects across southern Arizona, especially in high-growth Pima County. Consequently, we at Habitat for Humanity Tucson urge you, at a minimum, to thoroughly assess the community-development risks and potentially detrimental impact associated with passage of the proposed rule. Ideally, we hope that you'll withdraw the proposed rule from consideration and not put a vital affordable housing resource for our communities at risk.

If I can provide further information or perspectives, please do not hesitate to contact me.

Best regards,

Michael McDonald
Chief Executive Officer
Habitat for Humanity Tucson, 520-326-1217