

EAST AKRON NEIGHBORHOOD DEVELOPMENT CORP.

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June 15, 2006

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

Attention: Public Comments
Excess Stock Restrictions and Retained Earnings Requirements
For the Federal Home Loan Banks

The East Akron Neighborhood Development Corporation is a non profit community development corporation located in Akron, Ohio. Our mission is to develop East Akron and other communities through housing and economic development activities. Our organization has used the FHLBank of Cincinnati's Affordable Housing Program to provide quality housing for 80 low income families who otherwise would still be living on costly substandard housing. This program was the lynch pin for making the financing of two (2) projects possible when we had no place else to turn. I am writing to express my deep concern regarding the Finance Board's proposed excess stock and retained earnings rule, and its potential effect on the congressionally mandated affordable housing mission of the FHLBanks.

Organizations like ours depend upon the FHLBank to help make affordable housing possible for our consumers. The Cincinnati FHLBank has allocated \$150 million toward affordable housing projects in the Fifth District, to help support development of nearly 18,000 units of decent and affordable housing—for the homeless, the disabled, the urban poor, the rural poor and the elderly—with a total development price tag north of \$1.4 billion. That is not a trivial contribution.

The impact of the Finance board's proposed rule, however, will be to shrink the FHLBank and raise its costs, which would translate to lower profits. That would mean fewer dollars would be available for the 10 percent earnings set-aside which funds the FHLBank's Affordable Housing Program. In a region with such great affordable housing needs, the diminution of such a trusted partner and an important funding source would be difficult for the affordable housing community to absorb.

In addition, the prospect of a substantial increase in retained earnings forced the FHLBank's Board of Directors to suspend two voluntary housing programs that brought meaningful benefit to communities in the Fifth District: the New Neighbors fund for hurricane victims and the American Dream Homeownership Challenge fund aiding minority first-time homebuyers. I understand the unfortunate decision the Board was required to make, but more important, I am concerned that the cost and difficulty of complying with the proposed rules-if enacted-will discourage the FHLBanks from pursuing innovation in housing programs in the future.



The Finance Board does not appear to have fully considered the impact of its proposal on the affordable housing mission of the Federal Home Loan Banks. To maintain this productive, mutually beneficial partnership between the FHL Bank and the affordable housing community, I urge you to withdraw this rule.

Sincerely,

A handwritten signature in black ink, appearing to read "Grady P. Appleton". The signature is written in a cursive style with a large, sweeping initial "G".

Grady P. Appleton
Executive Director
East Akron NDC
Akron, Ohio

cc: LaTourette