



Good Neighbors

San Diego Housing Commission

- ♦ 1625 Newton Avenue
- ♦ San Diego, California 92113-1038
- ♦ 619.231.9400
- ♦ FAX: 619.544.9193
- ♦ www.sdhc.net

June 1, 2006

Mr. Ronald Rosenfeld
Chairman
Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC 20006-4001
Attention: Public Comments

RE: Public Comment on Proposed Rule #2006-30
Excess Stock Restrictions and Retained Earnings Requirements for the Federal
Home Loan Banks
RIN Number 3069 AB-30

Dear Chairman Rosenfeld:

The San Diego Housing Commission (SDHC) is very concerned about the impacts the Federal Housing Finance Board (FHFB) issued Proposed Rule Number 2006-30 - Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks. We are concerned over the implications the rule could have on the ability for the Federal Home Loan Banks (FHLBs) to achieve their mission in providing affordable housing and economic development.

It is our belief that since the FHLBs will be forced to increase retained earnings by this proposed rule, their profits will be significantly diminished over the time required to meet the new retained earnings level. As you know the AHP is tied to the profits of each FHLB. The AHP provides member financial institutions with access to grants, long-term advances, and standby letters of credit for targeted low-income housing and economic development. Overall the AHP has flourished, with more than \$2.5 billion being contributed to affordable housing since AHP's inception since 1989. A reduction in advance borrowings would in turn reduce FHLB earnings, which would have an adverse impact on the amount of AHP grants.

Because of this SDHC cannot support the proposed rule as currently written. We ask the FHFB withdraw the proposed rule and discuss other options through a comprehensive Announced Notice of Proposed Rulemaking (ANPR) that would take into concern the many ramifications for the FHLBs to support their mission of providing grants for affordable housing and economic development.

Thank you for the consideration of these views.

Sincerely,

Elizabeth C. Morris
President and CEO



A state agency authorized by the City of San Diego