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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:

On March 7, 2006, 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. Our organization is very concerned about the impacts this proposed rule could have on the ability for the Federal Home Loan Banks (FHLBs) to achieve their mission in providing affordable housing and economic development.

Specifically the FHLBs' Affordable Housing Program (AHP) could be severely impacted if the proposed rule were to be made permanent. As you know the AHP is tied to the profits of each FHLB. 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.

We also believe that this rule may have the unintended consequence of forcing some financial institutions to choose other funding options from the capital markets. Because FHLB dividends will likely decrease and because these dividends contribute to the overall low cost of FHLB borrowings, we believe financial institutions who have the option to borrow directly from other sources will choose these options more frequently. If this occurs the FHLBs will face a decrease in borrowings which correspondingly will affect profitability and their ability to contribute to affordable housing.

Last year the FHLBs, through their member financial institutions, made grants of approximately \$250 million for affordable housing. It is estimated that at least 20% of these funds could disappear over the next few years due to the impacts of the proposed rule. Because of this, our organization 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,

A handwritten signature in black ink that reads "Taylor Dial".

Taylor Dial
Executive Director
The Housing Trust of Santa Clara County

