



July 13, 2006

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

3345 WILSHIRE BOULEVARD, SUITE 1000

LOS ANGELES, CALIFORNIA 90010

TEL (213) 480-0900 FAX (213) 480-1788

RE: Federal Housing Finance Board; Proposed Rule: Excess Stock
Restrictions and Retained Earnings Requirements for Federal Home
Loan Banks; RIN Number 5069-AB30; Docket Number 2006-03

Dear Finance Board,

Thank you for the opportunity to comment on the Federal Housing Finance Board's proposed rule on excess stock and retained earnings requirements.

A Community of Friends (ACOF) is writing to express our deep concern that the proposed rules will have a detrimental impact on The Affordable Housing Programs (AHP) of the Federal Home Loan Banks (FHLBanks). The program is a unique public-private partnership among the FHLBanks, their member institutions, community-based sponsors, state and local governments, and other entities. It is a critical source of affordable housing funds in the United States and the Los Angeles affordable housing development community.

Since the beginning of the Federal Home Loan Bank of San Francisco's AHP in 1990, the Bank has awarded approximately \$400 million in AHP grants to assist in the creating of over 70,000 affordable housing units. This flow of funds, based on 10% of the Bank's earnings, is made possible because of the Bank's financial strength and strong earnings. Our organization relies on these funds to build affordable housing in our communities.

Since the mid to late 1990s, ACOF has secured over \$2 million in AHP funds to develop 13 projects totaling over 500 units of affordable housing for seniors, emancipated foster youth, and homeless individuals and families who are living with mental illness. These funds have leveraged another \$76.5 million to development of much needed affordable housing in the Los Angeles and Orange County areas of Southern California.

Funds for the Bank's AHP are made possible through the borrowing activities of its members. The proposed rule, with its requirement to increase retained earnings by \$562 million and thereby decrease the dividends available to members, is likely to make membership in the Bank less attractive for some current members. The proposed rule would require the combined FHLBanks to increase retained earnings by over \$3 billion, according to a Bank estimate. Some members, particularly larger ones, may choose to borrow less and, therefore, reduce the profitability of the Bank, and consequently the net earnings that support the AHP.

CHIEF EXECUTIVE OFFICER
Dora Leung Gallo

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The proposed regulation may also limit the ability of the Bank to provide additional voluntary contributions for affordable housing and community economic development initiatives, in addition to supporting the AHP.

We are especially concerned that the Finance Board does not seem to have devoted sufficient time to evaluating the impact of the proposed rule on the AHP and other voluntary contributions, which rely on FHLBank earnings for their funding. The proposed rule does not include any such analysis, despite the likelihood that the rule would cause a reduction in Bank earnings and, therefore, funds available for the AHP.

ACOF urges you to withdraw this proposed rule. Its impact could be extremely damaging to the efforts of our organization and similar organizations nationwide that are working to provide affordable housing opportunities to individuals and families in need. Thank you for your consideration of these comments.

Sincerely,



Doris Leong Gallo
Chief Executive Officer

